

Promoting SME competitiveness in Zambia



Republic of Zambia
Ministry of Commerce, Trade and Industry

In partnership with:





© Tatsiana Hendzel / Shutterstock.com

Small firms are the key to inclusive growth

'Zambia has an opportunity to accelerate diversification in production and export of non-traditional commodities in agriculture, mining, manufacturing and tourism. This can be achieved through product and market diversification, value addition, enhanced productivity at firm level and enhanced contribution of non-traditional exports.'

Seventh National Development Plan (2017–2021), Zambia

Despite its landlocked situation, Zambia is strategically located at the intersection of the Common Market for Eastern and Southern Africa and the Southern African Development Community.

The African Continental Free Trade Agreement further broadens the opportunities for investors by lifting restrictions on foreign investment.

Strong growth indicators, supported by expanding youth, urban and middle-class populations,

have made Zambia one of the best-performing economies in sub-Saharan Africa. The country's abundant natural resources are also important for its economic health. Zambia is among the top producers of cobalt and emeralds in the world, and is the second largest copper producer in Africa.

Aware of the risks linked to overreliance on copper, the Government of Zambia has made consistent efforts to diversify the economy and attract investment into the agriculture, manufacturing and tourism sectors. Indeed, Zambia offers appealing opportunities in crop production, fisheries and livestock, agroprocessing, light manufacturing, tourism and enhanced service delivery.

The Government has also worked to improve the business environment. This effort has paid off. In 2019, Forbes magazine ranked Zambia 10th among sub-Saharan African countries in terms of the business environment.

Zambian small and medium-sized enterprises represent

70%
Gross domestic product



88%
Employment



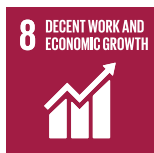
97%
Business



Small businesses: Backbone of the economy

Small and medium-sized enterprises (SMEs) in Zambia play an important role in production, employment and income. They represent 97% of all businesses in the country,¹ 70% of gross domestic product (GDP) and 88% of employment.²

SMEs also fill a key role in society, as they tend to employ a large share of the most vulnerable segments of the workforce.³ Raising the competitiveness of these enterprises would help reduce the youth unemployment rate and increase the number of women in employment. This would also contribute to progress towards achieving the United Nations Sustainable Development Goals of reducing social exclusion and enhancing productive capacities.



Furthermore, SMEs can contribute to the preservation and sustainable management of natural resources. By adopting sustainable production processes, these enterprises can directly help achieve the Sustainable Development Goals on biodiversity and protection of wildlife, forestry and water that affect climate change.



A wellspring for economic diversification

Spread across all economic sectors, SMEs have the potential to help the Zambian economy diversify.

'If Zambia has to treble or to even quadruple in its gross domestic product within the next 10 years, small businesses should have a central role in growing the economy.'

Chibamba Kanyama, Zambian Economist

Small firms in the manufacturing sector are involved in various activities, from wood and textile production to light engineering and metal fabrication. Service sector SMEs operate mainly in building and construction, restaurants, cleaning and personal care services, transport, telecommunications, financial services and business centres. Businesses in the trading sector

focus on agricultural inputs and produce, industrial and consumable products, and printing. Only a few SMEs operate in small-scale mining and quarrying.⁴

Strengthening the competitiveness of these firms would give them more opportunities to add value and to participate in regional and global production networks.

Acknowledging the positive link between SME growth and job creation, the Government of Zambia has implemented several policy and regulatory measures to promote the growth and development of smaller companies.

Under its Seventh National Development Plan 2017–2021, the Government emphasizes the creation of a credit guarantee scheme for issuance of low-interest, long-term loans to Zambian SMEs, as well as initiatives to accelerate informal sector formalization, foster skill development, create urban industrial clusters, strengthen value-chain linkages and provide business development services to SMEs.⁵

Complementing government efforts, the Zambia Development Agency has developed strategies to make it easier for SMEs to obtain finance, supply to chain stores, access government contracts and export.⁶

Better data for policymaking

Policy reform, development of the business ecosystem and capacity building at the enterprise level can all help boost the competitiveness of small firms. However, relevant data can help policymakers understand the obstacles that prevent them from scaling up and entering international markets. In this country profile, ITC uses data from its SME Competitiveness Surveys to assess the international competitiveness of Zambian enterprises.

¹ FSD Zambia, Access to Finance: SME perceptions of Financial Service Providers, December 2017.

² Zambia Invest, Zambia to Set Entrepreneurial Fund for SMEs, February 2017.

³ International Trade Centre (ITC), 2015, SME Competitiveness Outlook; www.intracen.org/SMEOutlook

⁴ Nuwagaba, A. (2015). Enterprises (SMEs) in Zambia. *International Journal of Economics, Finance and Management*, 4(4); Zambia Development Agency, SME Activities. Accessed on 7 February 2019.

⁵ Seventh National Development Plan, 2017–2021, Republic of Zambia.

⁶ Zambia Development Agency, SMEs are the Cornerstone of Development. Accessed on 7 February 2019.

The survey

Under the aegis of the Ministry of Commerce Trade and Industry, the International Trade Centre, the Zambia Development Agency and the Zambian Central Statistical Office conducted 242 in-depth, face-to-face enterprise surveys in 2018 using the ITC SME Competitiveness Survey methodology. The survey, designed to evaluate the strengths and weaknesses of companies and their business ecosystem, sheds light on the major factors constraining the competitiveness of SMEs.

Compete, connect and change for inclusive growth

Competitiveness encompasses various factors, some of which are within the control of enterprises. To simplify the concept, ITC developed the SME competitiveness framework, which views competitiveness through three pillars:

- Capacity to compete is the static dimension of competitiveness. It assesses whether firms can meet time, cost, quantity and quality requirements at any given moment.
- Capacity to connect is the connectivity dimension of competitiveness. Enterprises must link to customers, businesses and institutions to be competitive, and be literate in information and communications technology.
- Capacity to change is the dynamic dimension of competitiveness. It gauges whether enterprises have the capacity to make human, financial and innovation-driven investments to adapt to fast-changing markets.

Each pillar has three themes, resulting in nine themes of competitiveness. Together, the pillars and themes paint a comprehensive picture of the strengths and weaknesses of a country's competitiveness.

In-depth, the face-to-face surveys involved companies of all sizes in three provinces: Lusaka, Copperbelt and Central Zambia. The geographic distribution of respondents across provinces reflects differences in the density of population.

SMEs – defined as businesses employing fewer than 100 workers – represent the majority of surveyed firms in the three main economic sectors: 90% in the primary sector, 78% in manufacturing and 98% in the services sector.

Approximately 7% of respondent firms were exporters while 43% were importers. More than half of the surveyed enterprises were also part of a value chain, producing goods and services as per their buyers' requirements.

Most of the surveyed businesses were young, with 69% in operation for fewer than 10 years. On average, 21% of employees were less than 25 years old and 32% were women.

This report focuses on firms in three sectors: agri-food, manufacturing and business support services – all considered as priority sectors in Zambia's Vision 2030, and key in building a strong export base. These sectors can help diversify the economy away from its reliance on copper for revenue, as well as expand job opportunities.

Manufacturing enterprises dominated the survey, with 30.6% of the sample engaging in the sector. About 23% and 15% were active in the agri-food and business support service sectors, respectively.

This analysis provides, along with firm characteristics and business activities, detailed information on how SMEs in the three sectors perform across different areas of competitiveness. It also looks at how well their business ecosystem supports them.

Measuring environmental performance

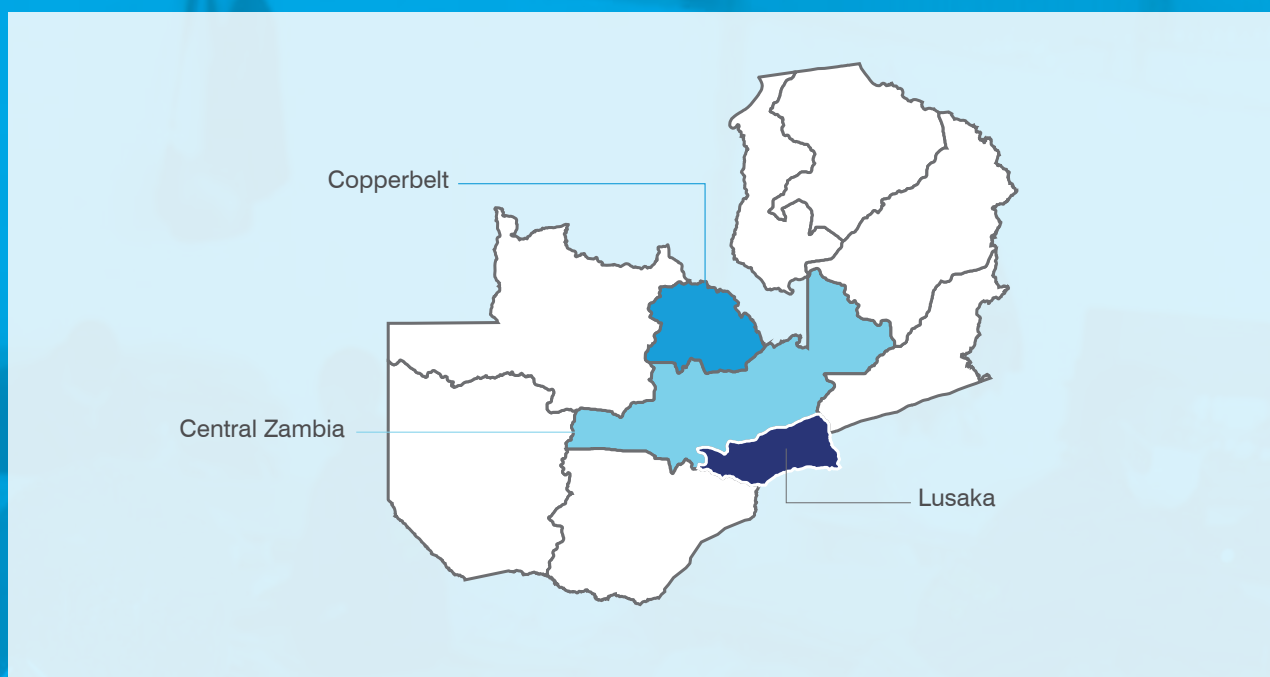
'Government is aware that climate variability and change has become a major threat to sustainable development in our country. [...] Further, we have mainstreamed climate change into our development agenda.'

President Edgar Chagwa Lungu⁷

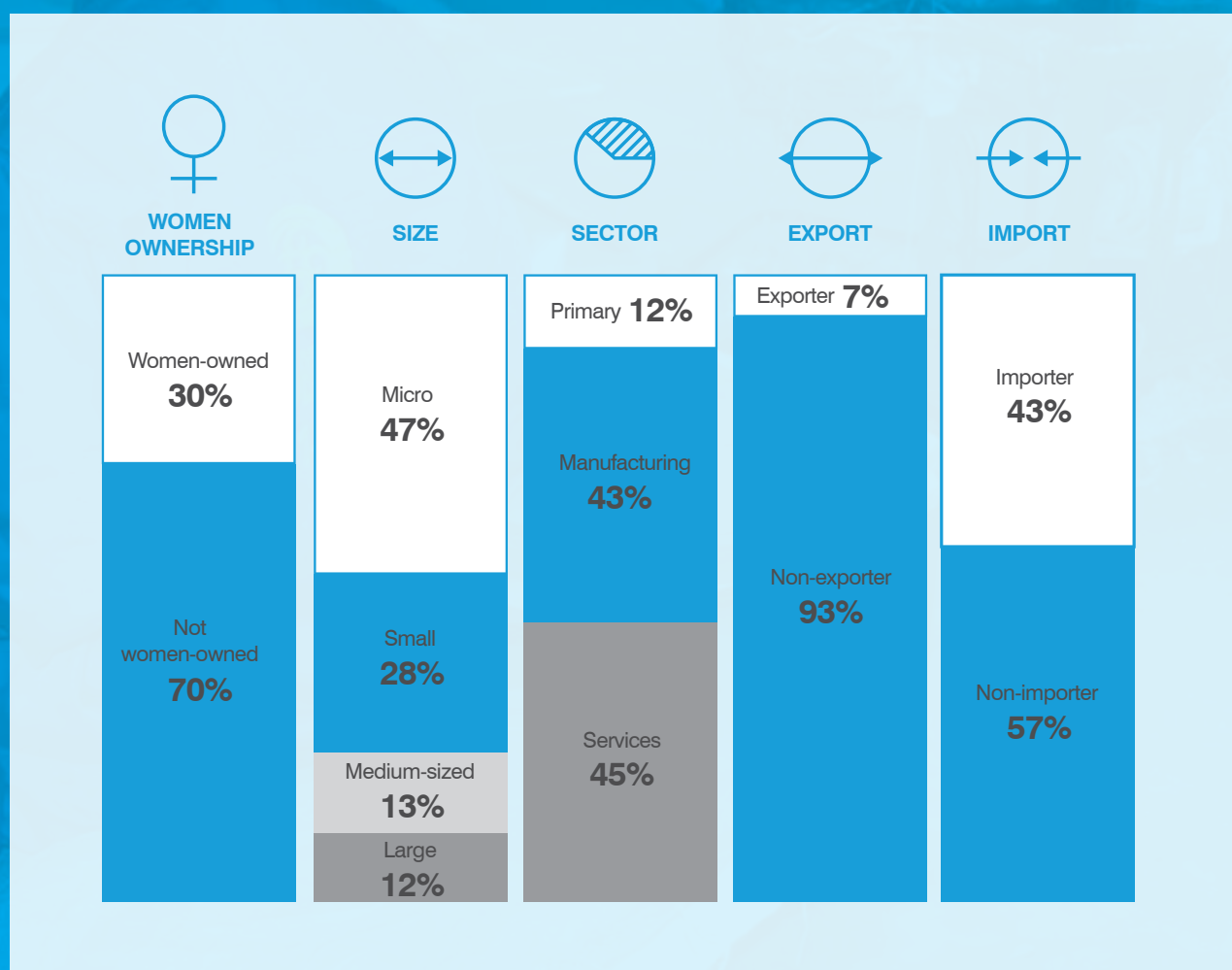
The questionnaire used in Zambia also included a module to solicit companies' perceived challenges and reactions to environmental changes. Although Zambia is a member of many environmental conventions, its rich diversity of environmental assets, including vast hectares of forests, wetlands and wildlife estates, face intense threats to their survival. This module serves to identify opportunities to improve the environmental performance of Zambian SMEs.

⁷ Address by President Edgar Chagwa Lungu on the Progress Made in the Application of National Values and Principles, delivered to the 2nd meeting of the 2nd session of the 12th National Assembly, 16 March 2018.

Geographic distribution of surveyed firms



Firm characteristics and business activities





© Shutterstock.com

The agri-food sector



Agriculture contributes about 6.7% to Zambian GDP and employs more than half of the population.⁸ As the backbone of the rural economy, the sector has been highlighted in Zambia's National Agriculture Investment Plan 2014–2018 for its great potential to reduce poverty.⁹

Zambia has a total land area of 75 million hectares, of which 58% is classified as medium to high potential for agricultural production. Abundant rainfall and propitious climatic conditions make the land suitable for the production of a diverse range of crops, fish and livestock.

'Agriculture is a priority sector in Zambia as outlined in the Seventh National Development Plan, which looks at diversification of the economy from copper dependency, of which agriculture is key.'

Perry Mapani, Director General of the Zambian Development Agency¹⁰

The sample of respondents to the SME Competitiveness Survey included 55 companies operating in agriculture and the food industry. Most of these were SMEs selling in the domestic market. Although the survey results are not intended to represent the sector as a whole, they can help inform policymakers about the types of bottlenecks enterprises face.

Good logistics allow agri-food firms to deliver on time

Fast, reliable delivery is a fundamental requirement for suppliers in the agriculture sector. Aware of this, the Government has launched several ambitious programmes to improve the infrastructure network. Together, Link Zambia 8,000, Pave Zambia 2,000 and the Lusaka 400 road project entail construction of more than 10,000 kilometers of roadway.¹¹

Good infrastructure must be matched with functioning logistics services for firms to be able to deliver their products on time. In the group of respondents, 57% rated the logistics companies they used as good or excellent (even if costly). This explains why respondents reported that, on average, 74% of the goods dispatched to clients arrived on time.

Most agri-food companies had internationally recognized certificates

Zambia maintains a liberal export regime and simplified export procedures. However, for some food products exporters must obtain permits as well as quality certificates from the authorities.¹² Aware of this, most of the surveyed agri-food firms (55%) reported holding an internationally recognized certificate. This is a larger share than in other sectors of the economy. Furthermore, 65% of these enterprises considered the quality of services offered by certification authorities as good or excellent (even if costly).

Firms sought opportunities to internationalize

Although surveyed firms seemed to be able to get certified, only 31% exported their goods directly (16%) or indirectly (15%), and mostly to neighbouring countries. However, there is appetite for internationalization: 64% of the companies expressed interest in starting to export.

⁸ World Bank, World Development Indicators Database.

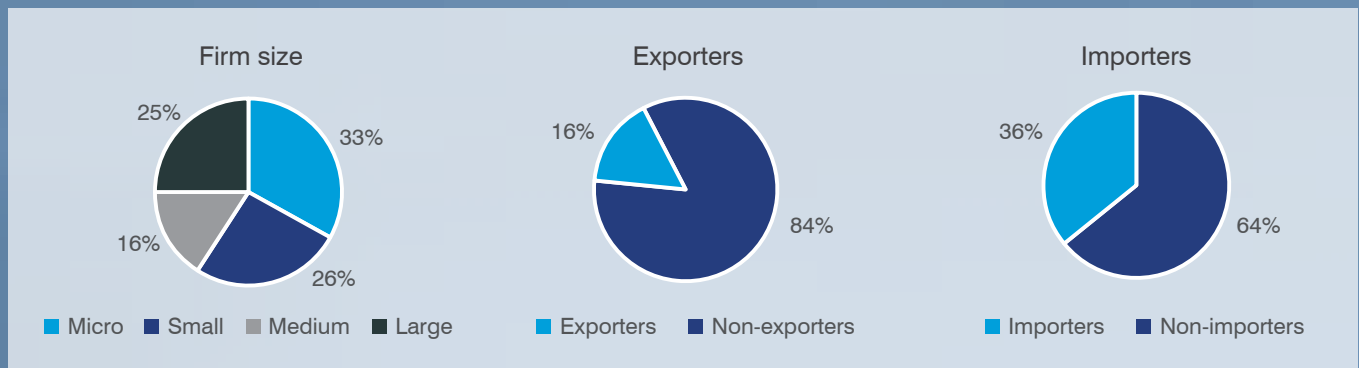
⁹ Government of the Republic of Zambia, Zambia National Agriculture Investment Plan 2014–2018.

¹⁰ Zibani Zambia (Feb 21, 2018). Agric Sector has Great Incentives – ZDA

¹¹ World Bank, Zambia – Infrastructure Development, 2017.

¹² Zambia Development Agency (2017). Exporter's Handbook: A Manual for Zambian Exporters.

Key statistics for the agri-food sector



Competitiveness grid for the agri-food sector

	Micro and small firms		Medium-sized firms		Large firms	
	Firm capabilities	Business ecosystem	Firm capabilities	Business ecosystem	Firm capabilities	Business ecosystem
Meeting quantity and cost requirements	77	82	81	66	94	77
Time Requirements	71	70	77	55	87	48
Quality Requirements	46	38	69	59	71	54
Connecting to buyers	19	50	35	56	81	75
Connecting to suppliers	26	52	51	47	50	66
Connecting to institutions	37	48	33	48	51	71
Financial requirements	33	63	58	63	49	81
Skills requirements	52	55	56	55	84	67
Intellectual property and innovation requirements	47	57	63	57	83	61

Highlighted statistics for the agri-food sector

74% of the goods dispatched to clients arrived on time

55% of firms held an internationally recognized certificate

64% of firms were interested in exporting

Note: Micro and small firms are those with 1–19 employees. Medium-sized firms are those with 20–99 employees. 'Firm capabilities' assesses whether enterprises are managed according to best practices, need resources and are competent to manage those resources. The 'business ecosystem' evaluates whether the local business ecosystem, made up of business support institutions, supplies enterprises with the resources or competencies they need to be competitive.

Source: ITC SME Competitiveness Survey.

© Shutterstock.com



© Shutterstock.com

The manufacturing sector

The manufacturing sector accounts for about 7.5% of Zambian GDP and 83% of total exports.¹³ Diversifying and upgrading the sector are necessary to achieve the Vision 2030 objectives, with the Government aiming to increase its contribution to GDP to 18%.¹⁴

'Zambia's economic growth and the future of millions of Zambian communities are closely tied to accelerated industrialization, and the exploitation of value chains provided a potent route to prosperity.'

Kayula Siame, Permanent Secretary in the Ministry of Commerce, Trade and Industry¹⁵

Increased national demand, led by an emerging middle class, and greater regional demand, through Zambia's membership in the Common Market for Eastern and Southern Africa and the Southern African Development Community, have buoyed the domestic manufacturing sector. The textile, metal, chemical and fertilizer sectors, along with leather subsectors, have largely driven this growth.¹⁶

The SME Competitiveness Survey in Zambia interviewed

Manufacturing firms were content with the skill set of their workforce

In recent decades, Zambia has worked to develop its human capital. The increase of the Zambian Human Development Index value to 0.59 out of 1 in 2017 put the country in the medium human development category.¹⁷

The results from the survey reflects this, where 64% of respondents reported a high match between the skill set of employees and the needs of the company. Furthermore, 51% of manufacturing firms were satisfied with the quality of bodies teaching relevant skills for the sector.

Manufacturing firms were innovating

About 48% of surveyed manufacturing firms said they often or very often introduce a new or improved product or process. This was particularly true of the textile and garments industry (72%), followed by the paper and wood industry (47%). This can be partly attributed to foreign investments as well as government support these sectors receive, especially policies aimed at

预览已结束，完整报告链接和二维码如下：

https://www.yunbaogao.cn/report/index/report?reportId=5_22864



云报告
https://www.yunbaogao.cn

云报告
https://www.yunbaogao.cn

云报告
https://www.yunbaogao.cn