STRATEGY PAPER ON

INDUSTRIALISATION AND JOB CREATION

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FOREWORD

“Government attaches great importance to employment creation as the top most strategy for ensuring the stability of society and overall growth of the economy in all sectors.

Government is implementing the national industrialization and job creation strategy which entails the coordinated development of the primary, secondary and tertiary industries.

The Strategy outlines our focus in exploiting advantages in labour and natural resources, and actively developing labour-intensive industries and enterprises that have huge employment capacity”.

His Excellency Mr Michael Chilufya Sata

PRESIDENT OF THE REPUBLIC OF ZAMBIA

President’s address during the official opening of the Third Session of the Eleventh National Assembly

ACKNOWLEDGEMENTS

Putting together this National Strategy on Industrialisation and Job Creation required the concerted efforts of a whole spectrum on key stakeholders – line Ministries, quasi-government institutions, private sector associations and other experts from the various sectors represented in this document. This document is the outcome of extensive and comprehensive consultations and engagement with various stakeholders in Zambia's development agenda. I wish therefore to thank all who contributed to the drafting and completion of this important national document.

On behalf of the Government, I want to extend special recognition and gratitude to the Technical Committee of Experts from the Ministry of Finance, Bank of Zambia, Zambia Development Agency, and the Ministry of Commerce, Trade and Industry, that worked tirelessly to put together this document. Further special commendation goes to the Committee of Permanent Secretaries that ensured that the document met the expectations of Cabinet.

The finalisation of the Strategy was only the first step. It is gratifying to note that Line Ministries and Quasi - Government Agencies have already started implementing the measures contained in this document making it easier to realise the objectives we have set for ourselves. My hope is that we – Government and the private sector – will own this Strategy Paper and effectively play our roles in ensuing the measures in the Strategy Paper are successfully implemented. Sustainable employment creation is one of our greatest weapons in eradicating poverty in this country.

Emmanuel T. Chenda M.P.

MINISTER OF COMMERCE TRADE AND INDUSTRY

ACROYNMS

CBPP	Contagious Bovine Pleuro-Pneumonia
CBU	Copperbelt University
CCPC	Competition and Consumer Protection Commission
CEEC	Citizens Economic Empowerment Commission
COMESA	Common Market for East and Southern Africa
CSO	Central Statistical Office
FDI	Foreign Direct Investment
FISP	Farmer Input Support Programme
GDP	Gross Domestic Product
GRZ	Government of the Republic of Zambia
HIPC	Heavily Indebted Poor Countries
ICT	Information and Communications Technology
LUSE	Lusaka Stock Exchange
MDR	Multilateral Debt Relief
MFEZ	Multi-Facility Economic Zone
MSME	Micro, Small and Medium-scale Enterprises
NAPSA	National Pension Scheme Authority
NTEs	Non-Traditional Exports
PPPs	Public Private Partnerships
RDA	Road Development Agency
RSZ	Rail Systems of Zambia
SADC	Southern African Development Community
TAZARA	Tanzania-Zambia Railways Authority
TEVET	Technical Education and Vocational Training and Entrepreneurship Training
ZAFFICO	Zambia Forests and Forestry Products Corporation
ZAMTEL	Zambia Telecommunications Company Limited
ZDA	Zambia Development Agency
ZESCO	Zambia Electricity Supply Corporation
ZRA	Zambia Revenue Authority

EXECUTIVE SUMMARY

Zambia's economic performance has been strong with broad based growth since 2001. Real GDP averaged 5.7 per cent and the country has experienced macroeconomic stability that is characterized by low fiscal deficits, single digit inflation, and a relatively stable exchange rate. Growth in exports has been robust, with gross international reserves rising to over US$2bn. In addition, there has been an overall improvement in the investment climate and business environment, which is reflected in higher foreign direct investment and economic growth. Growth has mainly been driven by mining, agricultural, construction, tourism, transport and communication sectors. Foreign Direct Investment (FDI) in 2011 was estimated at US$1.73bn. Zambia's Non Traditional Exports have exhibited an upward trend growing to US$1.6bn in 2011 as a result of Government efforts to diversify the economy from its dependence on Copper.

Notwithstanding these positive economic trends, economic growth has not translated into significant reductions in poverty for the majority of the Zambian people. Job creation has not been commensurate with the gains registered from economic growth. The failure for the strong macroeconomic position to translate into a reduction in inequality reflects important macroeconomic and policy constraints. A major area of concern is that formal sector employment levels have remained almost stagnant since 1998, and that most employment growth has been recorded in the informal sector of the economy. Formal sector employment has grown by only 3.8 per cent in recent years. Of the approximately 4.6 million Zambians reported to be employed, over 80 per cent were in the informal sector. These figures suggest that the country has mostly witnessed capital intensive growth and as a result the desired levels of formal job creation in the economy have not been attained.

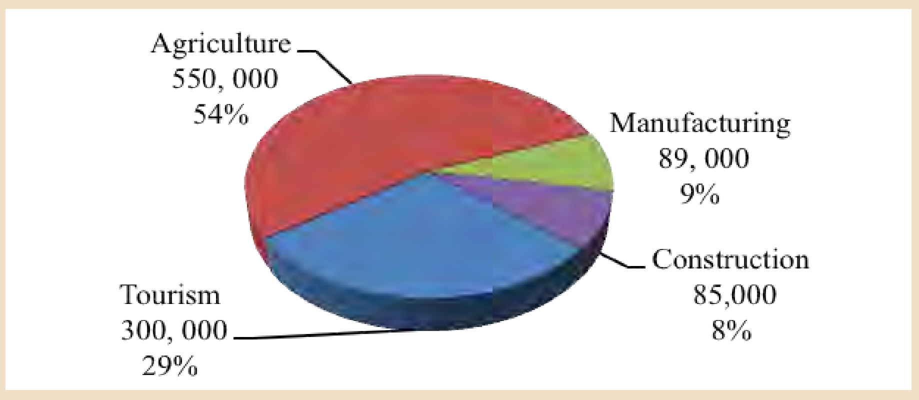
Recognising the challenges in creating formal sector employment, the Government appointed a Technical Committee in February, 2012 to develop a 'Strategy on Industrialization and Job Creation' through Foreign and Local Investment. The Strategy was developed with reference to international best practices in the development of sectors; the recognition of attitudes and cultural aspects that impede a positive public response to government interventions; fostering an active private sector; emphasis on strengthening existing Government programmes and sustained macroeconomic stability. The key assumptions are that there will be strong political leadership, continued adherence to free market based policies, effective utilisation of the Public Private Partnership framework, effective coordination, continued implementation of the Private Sector Development Reforms, financial sector reforms and the availability of both financial and human resources necessary for its implementation.

Zambia's current investment framework identifies priority sectors for investment and provides specific tax and non-tax incentives for firms operating in these sectors. The principle legislation governing investment promotion in Zambia is the Zambia Development Act No.11 of 2006, which established the Zambia Development Agency (ZDA) and empowers it to promote and facilitate investment.

Over the last five years, this investment framework has delivered a significant increase in foreign and domestic investment with foreign direct investment rising from approximately US$164.9 million in 2003 to US$1.73bn in 2010.

The majority of this investment has been in mining, manufacturing, wholesale and retail trade. However, despite the strong growth in FDI flows, it is estimated that these flows have created few formal sector jobs. This largely reflects the fact that this investment has taken place in technology intensive sectors, and that the potential in other sectors which are more labour intensive has not been fully exploited, reflecting policy constraints, low productivity, poor human capital development, and significant infrastructure deficits.

To create 1,000,000 new formal sector jobs over the next five years, four growth sectors have been identified as having the greatest potential to achieve the objectives of promoting growth, employment, value addition and expanding Zambia's economic base. These are the Agriculture, Tourism, Construction and Manufacturing sectors. These sectors have the highest requirement for labour and the potential to be highly competitive. The distribution of potential direct jobs created is as follows:



For these identified sectors to develop at the required pace and create jobs, significant investments are required in Infrastructure, Education and Skills development, improving availability of long-term finance as well as enhancing the business environment.

In addition, there has to be a deliberate effort to foster a competitive mind-set among citizens with a change in beliefs and attitudes by stakeholders, confidence and belief in the private sector.

The implementation of key measures in the Strategy will require an estimated total of K47, 920m over a period of five (5) years. Of this amount, 51 per cent is to be financed from public resources comprising grants, concessional loans and regular budgetary allocations whereas 45 per cent is expected to be sourced through the Public Private Partnership (PPP) Framework. Private sector investment through both local and foreign direct investment is expected to account for 4 per cent of the resources required to finance key measures in the strategy.

The Strategy will be implemented by respective line Ministries and Government Agencies. Each Ministry and Agency will be held responsible for the various specific measures for each sector and Subsector. However, to avoid a situation of "business-as-usual" approach to the implementation of the Strategy, it is necessary to put in place a coordinating office whose key responsibility will be the coordination and monitoring of the Strategy. The Coordinating Office is to be positioned in the Office of the President which is the seat of executive power in Government and will be headed by an officer at Permanent Secretary level or higher so as to have sufficient authority necessary to effectively fulfil his/her mandate.

It is expected that the Coordinating Office will develop the instruments to facilitate the full implementation of the Strategy as well as put in place the necessary monitoring and evaluation tools and mechanisms.

1.0. INTRODUCTION AND BACKGROUND

Zambia's economic development agenda has been guided by the National Vision, in which the country aspires to be a prosperous middle income country by 2030. The economic development agenda has been operationalised by five year National Development Plans. Economic performance has been strong with broad based growth since 2001. Real GDP averaged 5.7 per cent in the period 2001-2010, up from 3.2 per cent in the previous years. The country has also experienced macroeconomic stability that is characterized by low fiscal deficits, single digit inflation, and a relatively stable exchange rate. Growth in exports has been robust, with gross international reserves rising to US $2.2 billion by December, 2011 (See Table 1 below). Zambia's external debt remains low and sustainable, following debt relief under the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief (MDR) initiatives in 2000 and 2006 resulting in public debt falling to about 31 per cent of GDP in 2006 from as high as 142 per cent before the HIPC Initiative.

Table 1: Zambia's Key Economic Indicators, 2007-2011

	2007	2008	2009	2010	2011
Real GDP (%)	6.2	5.7	6.3	7.6	6.6
Overall Budget Deficit (% of GDP)	-0.2	-3.2	4.4	2.8	3.7
Inflation Rate (End Year)	8.9	16.6	9.9	7.9	7.2
Exchange Rate (Average ZMW/$)	3,358	3,826	5,060	4,831	4,860
GIR (Months of Import Cover)	3.6	2.1	5.1	4.0	3.0

In addition, there has been an overall improvement in the investment climate and business environment, which is reflected in higher foreign direct investment and economic growth. Growth has mainly been driven by the mining, agricultural, construction, tourism, transport and communication sectors. This has been complemented by the good economic policies that have been implemented over the years. Foreign Direct Investment more than doubled to US$1.73bn in 2010 from US$ 0.69bn recorded in 2009.

The majority of these investments were mainly in the mining sector. In 2011, the country recorded a total of US$5.4bn worth of investment pledges with 39,000 jobs expected once these projects have been fully actualized. The investment pledges were mostly in the Energy sector accounting for 20.3% of the total value. The Mining and the Real Estate sectors contributed 18.6% and 16.7% respectively.

The Manufacturing sector is expected to contribute most substantially to employment creation accounting for 36.3% of the total pledged employment followed by the Real Estate sector. Other sectors such as Construction, Tourism and Financial sectors have also been experiencing growth.

Zambia's Non Traditional Exports have exhibited an upward trend over the last five years growing from US$566m in 2005 to US$1.6bn in 2011. The growth rate of the NTE's has averaged 20% and this has been a result of Government efforts to diversify the economy from its dependence on Copper and facilitating investments in the NTE sector. The main NTE's that have recorded significant growth over the years include: Cement, Lime, Wheat, Burley Tobacco, Gemstones, Copper wire, Electrical cables, Cane sugar, Cotton lint and Cotton yarn. Between 2010 and 2011, NTE's increased by 31% from US$1.28bn in 2010.

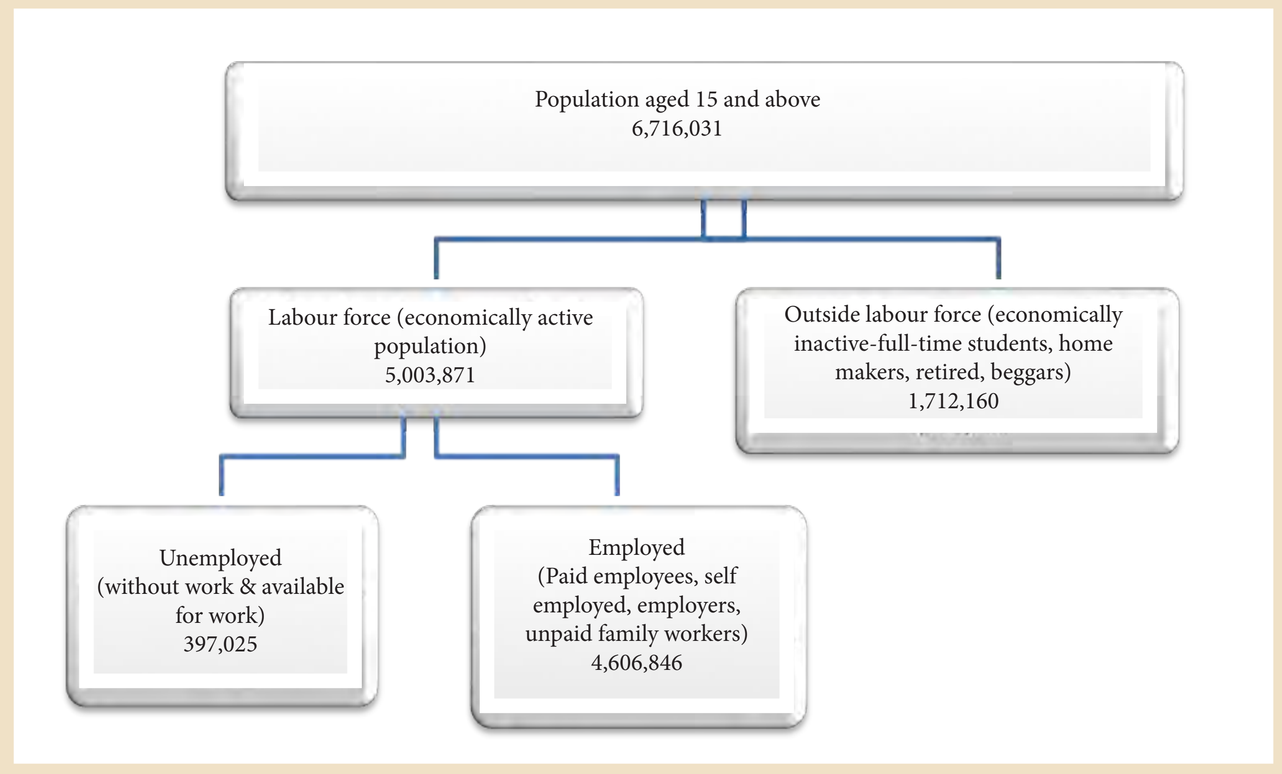
The key Non Traditional Exports in 2011 were Maize and Maize seed, Copper wire, Burley Tobacco, Electrical cables, Cotton products, Chemicals and Cement. Most of this growth in NTE's has been facilitated by the positive investment climate and business environment reforms embarked on by Government which have resulted in increased investments in sectors other than mining.

Notwithstanding the positive economic trends recorded over the past decade, economic growth has not translated into significant reductions in poverty and improved general living conditions for the majority of the Zambian people. Job creation has not been commensurate with the gains registered from economic growth. The failure for the strong macroeconomic position to translate into a reduction in poverty and inequality reflects important macroeconomic and policy constraints. These include: (1) low savings and investment ratio as a percentage of GDP, reflecting an inefficient domestic resource mobilisation that constrains domestic investment; (2) vulnerability to external shocks, particularly those arising from Zambia's continued dependence on the mining sector; (3) low access to finance; (4) the high cost of financial services that stifles productivity growth particularly for the MSMEs; and (5) a significant infrastructure deficit, particularly in the energy and road sectors.

According to the 2008 Labour Force Survey, 6.7 million persons were of working-age, that is, 15 years old and above. Seventy-five per cent of the working population was economically active while twenty five per cent were economically inactive.

Those that were economically inactive included students, homemakers, and retired persons. The figure below shows the population that is economically active.

Figure 2: Economically Active and Inactive Population



Source: Labour Force Survey Report -2008 (CSO, 2011)

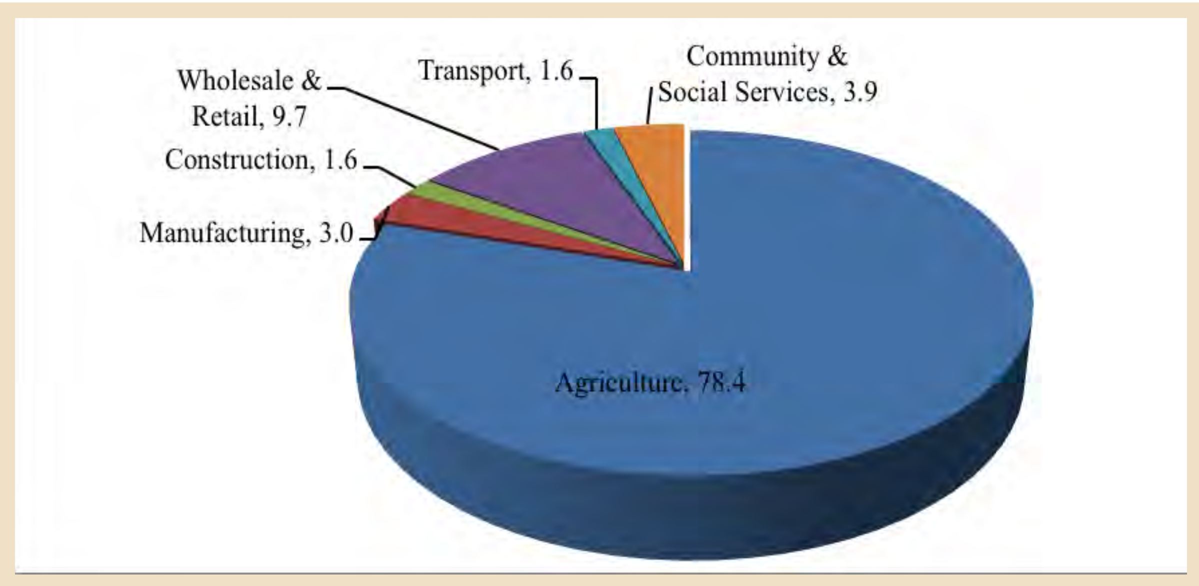
Both the 2006 and 2008 Labour Force Surveys indicate that the level of unemployment in the country has been fluctuating between 12 and 15 per cent. The data from the surveys indicate higher incidences of urban unemployment, with a strong gender bias towards females. According to the 2008 survey, urban unemployment stood at 33 per cent, with male unemployment at 25 per cent and female unemployment at 41 per cent.

A major area of concern is that formal sector employment levels have remained almost stagnant since 1998, and that most employment growth has been recorded in the informal sector of the economy. According to the Living Conditions Monitoring Survey, formal sector employment grew by 1.8 per cent between 1998 and 2004 and by 3.8 per cent between 2004 and 2006. Of the approximately 4.6 million Zambians reported to be employed, over 80 per cent were in the informal sector. These figures suggest that the country has mostly witnessed capital intensive growth and as a result the desired levels of formal job creation in the economy have not been attained. The lack of formal employment leads to little or no social safety nets for most of the Zambians employed in the informal sector. Consequently, this has had a negative impact on tax revenue for the Government.

In this regard, the Government will have to put in place measures to ensure that the informal sector is also captured in the mainstream economic productive capacity.

Low returns on labour persist, as revealed by the 2008 Labour Force Survey. On average, an employed person in Zambia received a monthly income of K824, 415 with the average monthly income for males at K941, 405 and for female employees, at K610, 690. Results further show that workers in urban areas (with K1, 480,511) are more likely to have meaningful economic returns on their labour than their rural counterparts, at K427, 940. These results, to some extent, help in elaborating the high incidence of poverty in rural areas. Average monthly earnings of K427, 940 are far less than what an average family of 6 would require to meet its minimum monthly consumption requirements. These findings demonstrate the shortfalls in formal sector employment in Zambia, and have serious socio-economic consequences. Figure 2 below highlights the disaggregation of informal sector employment to different economic sectors in the economy.

Figure 3: Disaggregation of Informal Sector Employment



Source: Labour Force Survey, 2008

Recognizing the challenges in creating formal sector employment, the Government appointed a Technical Committee in February 2012 to develop a Strategy on Industrialization and Job Creation through Foreign and Local Investment to be presented to and approved by Cabinet.

In developing the strategy, the Technical Committee reviewed relevant documentation related to the objectives of the assignment, studies of relevant and appropriate best practices with a view to benchmarking, adopted models to support the findings and recommendations of the Technical Committee and identified existing multilateral and bilateral programmes that can be tapped into by Zambia towards attaining the goal of job creation. In addition, various consultations with selected representatives from the private and public sector were held.

2.0. KEY PRINCIPLES AND SUCCESS FACTORS FOR THE STRATEGY

The Strategy was developed on the basis of the following principles:

1. Use of international best practices in the development of sectors and sector performance. Applying best practices entails learning from and through experiences of others which allows for benchmarking and comparisons with successful interventions undertaken by other countries. The Strategy drew lessons from countries where policy decisions have resulted in either the success or failure of interventions in the identified priority sectors such as Botswana, Kenya, Zimbabwe, South Africa, Malawi, China and Malaysia;

2. Recognition of attitudes and cultural aspects that impede a positive public response to government policy and interventions. An understanding of the cultural norms and attitudes of people to whom particular interventions are targeted is critical to the design and success of any programme. In this regard, the Strategy recognises the impact attitudes and culture have had on Government funded programmes especially with regard to matters such as credit provision and entrepreneurial activity;

3. Seek active private sector participation and private sector led development initiatives. The involvement of the private sector is critical to the successful implementation of the Strategy. It is the private sector that must respond positively to the proposed interventions and create jobs, without which the Strategy cannot succeed;

4. Recognition of existing Government policies, programmes and related interventions. The Strategy focuses on existing programmes and institutional arrangements with a view to addressing structural and policy weaknesses rather than the creation of new implementation structures and programmes that would take longer to put into effect; and

5. Macroeconomic Stability. The proposed interventions are all designed to reinforce the macroeconomic stability that the country has experienced over the past five years characterised by strong growth in real GDP; single digit inflation rate; a low and sustainable fiscal deficit; a strong external sector position characterised by a positive current account balance; a sustainable external debt position and maintain a competitive exchange rate that will stimulate Non-Traditional Exports.

3.0. KEY ASSUMPTIONS TO THE STRATEGY

The following were the key assumptions used in the development of the Strategy:

a) Effective and efficient coordination in the planning and implementation of Government programmes across sectors and line Ministries. Furthermore, an effective monitoring and evaluation framework to track implementation and job creation will be put in place;

b) Strong political leadership in the implementation of the Strategy;

c) The continued adherence to free market based policies;

d) Effective utilisation of the Public Private Partnership (PPP) framework in the provision of public goods and services;

e) Continued and accelerated implementation of the Private Sector Development Reforms (PSDRP) in, business licensing, labour and productivity, trade facilitation, doing business reforms and micro, small and medium enterprises;

f) The measures to create formal sector jobs will result in informal jobs being created which might not be captured or accounted for;

g) Availability of both financial and appropriate human resources necessary for the implementation of the Strategy;

h) High investment into infrastructure development which is necessary to facilitate development in the other sectors particularly road, rail and energy infrastructure; and

i) Implementation of a predictable and transparent additional incentives scheme for major investments, particularly for targeted local and foreign direct investments.

4.0. INVESTMENT FRAMEWORK

Zambia's current investment framework identifies priority sectors for investment and provides specific tax and non-tax incentives for firms operating in these sectors. The sectors prioritised under the ZDA Act include Tourism, Agriculture, Education and Skills development, Construction, Health, Manufacturing, Information and Communication Technology (ICT), Energy, and Real Estate. Institutional arrangements have also been developed to facilitate, coordinate and monitor investment flows for both domestic and foreign investors.

The principle legislation governing investment promotion in Zambia is the Zambia Development Act No.11 of 2006, which established the Zambia Development Agency (ZDA) and empowers it to promote and facilitate investment in a focused manner. In delivering tax incentives, the ZDA relies on promoting specific provisions in the tax legislation in Zambia which comprises the Income Tax Act Cap 323, the VAT Act Cap 331, and the Customs and Excise Act Cap 322 of the laws of Zambia. Non-tax incentives for the promotion of investment include the provision of infrastructure in the Multi-Facility Economic Zones (MFEZ), the provision of grants and business support for Micro, Small and Medium Enterprises (MSMEs) and interventions under the Private Sector Development Reform Programme, aimed at lowering the cost and ease of doing business. These non-tax incentives have been spearheaded by the ZDA as well as the Private Sector Development Coordinating Unit.

Over the last five years, this investment framework has delivered a significant increase in foreign and domestic investment that has spurred economic growth.

Foreign direct investment has risen from approximately US$164.9 million in 2003 to US$1.73bn in 2010. The sectors that have accounted for the majority of this investment are mining, manufacturing, wholesale and retail trade. Efforts to reduce the cost of doing business have also resulted in Zambia's improved ranking on the World Bank's doing business index moving to 76 out of 183 countries in 2010. In 2011, Zambia also achieved its first sovereign credit rating of B+ from two of the top three rating agencies, Fitch and Standard and Poors. In 2010 and 2011, Zambia achieved an average of US $1 billion in FDI flows.

However, despite the strong growth in FDI flows, it is estimated that these flows have only created approximately 20,000 jobs between 2007 and 2009, predominantly in the Manufacturing and Mining sectors. This largely reflects the fact that this investment has taken place in technology intensive sectors, and that the potential in the agriculture and tourism sectors which are more labour intensive have not been fully exploited, reflecting policy constraints, low productivity, poor human capital development, and significant infrastructure deficits.

In addition, from a macroeconomic perspective, overall investment as a percentage GDP has stagnated at around 23 per cent of GDP, relative to investment rates of above 30 per cent for the fast growing and industrialising Asian economies. Domestic resource mobilisation thus remains a significant challenge and will require the rationalisation and simplification of the tax system by streamlining and simplifying the tax code in order to enhance compliance, efficiency and buoyancy. Coordination of incentives and investment processes also remains inefficient and ineffective between the various agencies responsible at both the state and local Government level.

In order to enhance the investment framework, it is recommended that: (1) policy changes be affected to facilitate investment and lower the cost of doing business; (2) more effective compliance and monitoring mechanisms be developed; (3) streamline and strengthen inter-agency coordination; and (4) reduce input costs for sectors and expand export opportunities through trade facilitation measures and tax reforms (e.g. customs duty reforms).

4.1. STRENGTHEN POLICY FRAMEWORK

The following measures are recommended to strengthen the policy framework:

a) Develop a comprehensive Investment Policy that will ensure that Government is well positioned to fully realize the country's potential for attracting and benefiting from investment and reaching its socio-economic objective;

b) Review and repeal the Zambia Development Act of 2006 to streamline the mandate of the Zambia Development Agency to make it more investment focused and effective as well as address regulatory challenges affecting investments and investors;

c) Enact the Tourism and Hospitality (Amendment) Bill and the Zambia Wildlife (Amendment) Bill to streamline licenses in the tourism sector;

d) Enact legislation in the Agricultural Sector such as the Crop Marketing Bill to strengthen private sector participation in agriculture marketing, encourage more efficient input provision, expand exports, and ensure maintenance and security of adequate food reserves; and

e) Repeal and replace the Forestry Act to facilitate for increased private sector investment in the forestry subsector.

4.2. IMPROVE COMPLIANCE AND MONITORING MECHANISMS

The following measures are recommended to improve compliance and monitoring mechanisms:

a) Fully Implement joint monitoring mechanisms for mineral exports volumes and values;

b) Strengthen the monitoring of investors, particularly investors accessing incentives to ensure the country attains its socio-economic objectives that form the premise on which incentives are given; and

c) Develop and implement a due diligence mechanism for potential investors using political and diplomatic channels and processes, both bilateral and multilateral.

4.3. STREAMLINE AND STRENGTHEN INTER-AGENCY COOPERATION

The following measures are recommended to streamline and strengthen inter-agency cooperation:

a) Strengthen information sharing amongst central and local Government agencies on investment opportunities;

b) Strengthen inter-ministerial coordination on investment with a focus on enhancing the coordination role of the Zambia Development Agency for all investment activities and investment promotion programmes;

c) Implement service charters in all statutory bodies and Government departments that have an interface with the public and investors such as Immigration Department, Ministry of Lands, Ministry of Tourism, Ministry of Mines, Passports office and the Police and devise punitive measures for non-compliance; and

d) Implement One Stop Shops (OSS) for business registration in all provinces.

4.4. REDUCE COSTS FOR SECTORS AND EXPAND EXPORT OPPORTUNITIES

The following measures are recommended to reduce costs for sectors and expand export opportunities:

a) Implement a uniform and simplified taxation system to address challenges in tax administration;

b) Implement revenue sharing mechanisms that increase financing for local authorities (such as Mineral Royalty and Road Tax) to eliminate growth of business nuisance levies by councils;

c) Reduce the cost of services from statutory bodies that regulate business activities on a cost recovery basis for projects in priority sectors such as Environmental Impact Assessments; and

d) Develop and implement measures to rationalise revenues collected by statutory bodies in excess of their annual budget requirements in order to support other statutory bodies which are underfunded so as to reduce or eliminate the tendency to increase fees as a revenue measure.

4.5. IMPROVE TRADE FACILITATION

The following measures are recommended to improve trade facilitation:

a) Enact legislation appointing ZRA as lead border agency through legal mandate to improve inter-agency supervision and coordination at the borders. Furthermore, review and rationalise the number of institutions operating at the border in order to streamline border operations;

b) Establish simplified One Stop Clearing system with all Zambia's neighbours with the help of COMESA;

c) Eliminate or rationalise number of check-points along major trade routes to reduce time for movements of goods;

d) Implementation of Single Window Trading System for importers and exporters; and

e) Invest in technology based clearing and risk management systems at all major border posts to eliminate clearing delays.

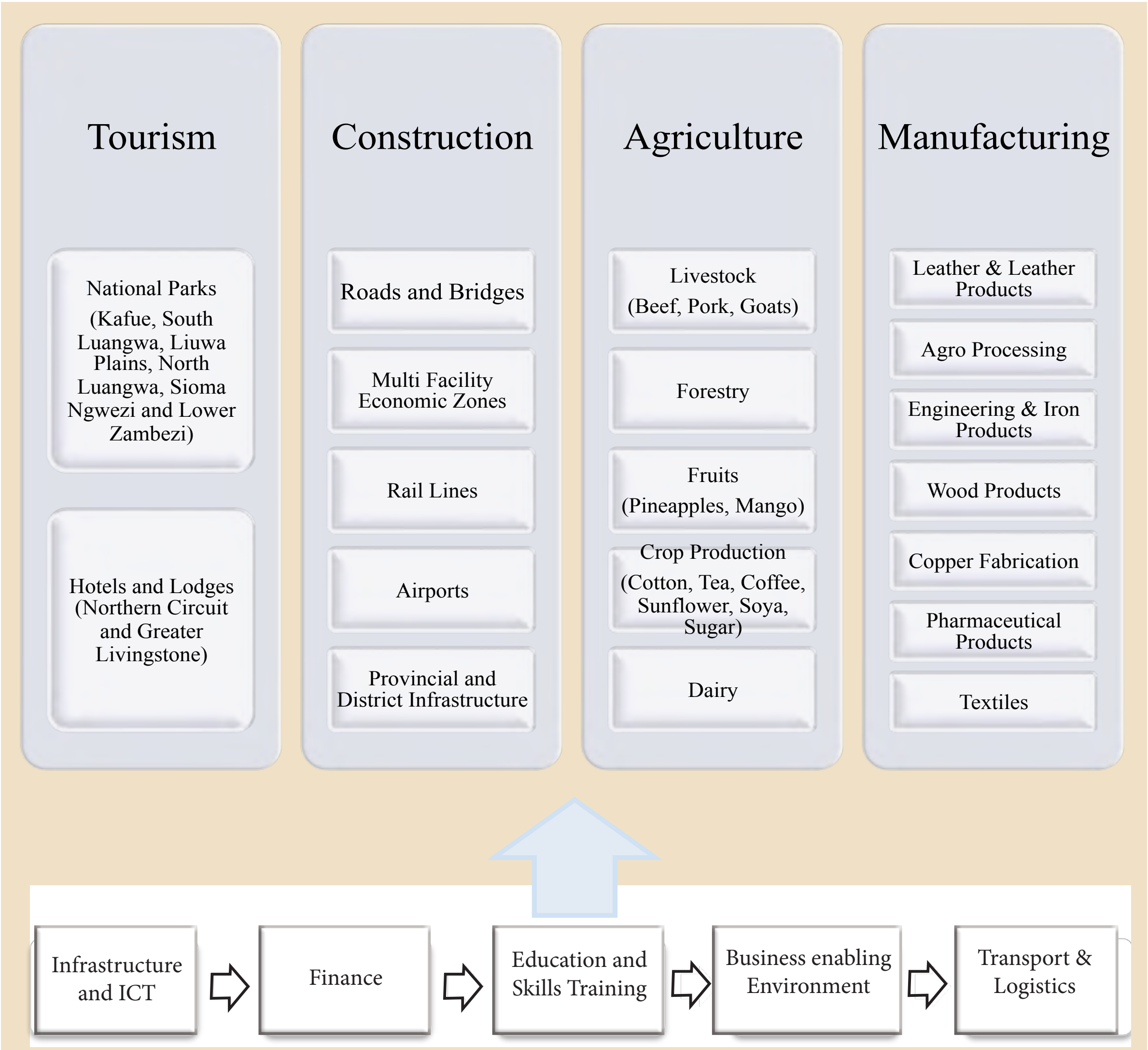
5.0. PRIORITY SECTORS FOR JOB CREATION

To create 1,000,000 new formal sector jobs over the next five years will require the achievement of higher rates of economic growth above 8 per cent. It is recognised that although economic growth is necessary, this alone is not sufficient to achieve a high rate of employment creation and reduce absolute and relative poverty.

For this to occur, economic growth must be driven by those sectors that have a comparative advantage and in which labour intensive activities can be most effectively used to expand output and employment, either directly or indirectly. Given Zambia's relatively small population and geographic potential at the heart of two regional trade groupings (SADC and COMESA), these sectors must also contribute to value addition and the diversification of Zambia's economic base, by exploiting regional and international export markets.

Four growth sectors have been identified as having the greatest potential to achieve the objectives of promoting growth, employment, value addition and expanding Zambia's economic base. These are the Agriculture, Tourism, Construction and Manufacturing sectors.

Figure 4: Selected Priority Sectors and Subsectors



In arriving at these sectors, the Strategy took into account the following factors:

a) Sectors and subsectors with the highest requirement for labour, and the ability to absorb the Youth, Skilled, Semi-skilled and Unskilled;

b) Subsectors with the highest competitiveness potential with respect to exploiting both regional and international export markets;

c) Sectors and subsectors with the capacity for establishment across the country and not just selected regions;

d) Sectors and subsectors that allow for regions to be developed on the basis of their resource endowment and their competitive as well as comparative advantages; and

e) Sectors and Subsectors with the highest potential for value addition and ability to drive industrialisation and the development of human capital.

6.0. STRATEGIES FOR JOB CREATION

6.1. TOURISM SECTOR

Tourism makes a significant contribution to the economy. It contributes more than 6 per cent of GDP and 10 per cent of the formal sector employment. The sector comprises hotels, safari lodges, guest houses, tour operators, activity and transport providers. The country receives an average of 800,000 tourists a year which is significantly lower than its key competitors such as South Africa and Kenya which receive approximately 8,000,000 and 1,900,000 tourists respectively. Most tourists to Zambia come from Southern Africa (40%), Europe (18%) and Asia and Australia (8%). Zambia's offering to holiday visitors is strongly oriented towards nature tourism driven largely by the Victoria Falls and Wildlife in the national parks. Apart from some village visits and traditional ceremonies, Zambia's cultural, archaeological and historical sites are rarely included in tourist itineraries.

The sector has some international chains such as Sun International, Intercontinental and Taj Hotels but is dominated by small and medium operators who are not vertically integrated hence there is a heavy reliance on overseas providers for services such as representation, marketing and flights. Zambia has the natural resources and other tourism assets needed to attract a large number of tourists. It has 19 National Parks, 34 Game Management Areas and numerous natural, cultural and heritage assets which are yet to be fully exploited.

The tourism sector is beset by the following key constraints: (1) a low number of tourists per annum relative to Zambia's competitors or peers (Zimbabwe, Malawi, Mozambique, and Tanzania); (2) uncompetitive tourism products characterised by high cost of rooms and consumables; (3) low funding for tourism marketing activities; (4) low bed capacity; (5) low average length of stay; (6) low participation by locals in key segments of the tourism sector; and (7) and poorly developed range of tourism products.

The Strategy recommends a mixed approach; low volume-high cost and high volume-low cost strategies. These measures are expected to contribute to the achievement of the following objectives:

a) Attract 1.8 million visitors by 2015 (up from 815,000 in 2010);

b) Raise the average expenditure per tourist per day from US$35.70 in 2008 to US$83.50 by 2015;

c) Raise the average length of stay from 3 days in 2008 to 7.5 days by 2015;

d) Implement a one license concept for tourism investment; and

e) Double the number of entries into national parks, visitation of heritage sites and natural attractions by Zambians.

The Strategy paper has proposed specific measures to address these issues which are outlined in detail in Annex 2.The successful achievement of these objectives is expected to generate 300,000 new formal jobs by 2016.

6.2. AGRICULTURE SECTOR

The Agriculture sector comprises the crop and livestock subsectors. It accounts for 22 per cent of GDP and provides livelihood to more than 50 per cent of the population. It is the main source of income and employment for most Zambians. Agriculture is predominantly rain-fed and therefore, the sectors performance is determined by rainfall patterns. The irrigation potential is estimated at 430,000 hectares of which only 100,000 hectares are developed.

The main crops planted in Zambia based on area planted are Maize, Groundnuts, Cotton, Millet, Sunflower and Soya Beans. The main export crops are Sugar, Cotton, Maize, and Tobacco. Most of the Sugar that is produced (55%) is exported within Africa and to the European Union whereas Maize which is mainly grown in Eastern, Southern and Central provinces is exported to neighbouring countries. The Cotton subsector has recorded consistent growth in Cotton production. Cotton is the number one small holder farmer crop grown by over 280,000 households under out-grower schemes. The current hectarage of Cotton is about 300,000 hectares whereas the full potential is estimated at 800,000 hectares.

The Livestock subsector accounts for approximately 35 per cent of the agricultural GDP and 7 per cent of the total GDP. Potential for expansion exists in beef production, dairy production, small ruminants, pig production and poultry production. Over 310,000 households own cattle and individual herd sizes are fairly small. In the case of small scale farmers, the mean number of cattle owned is nine rising to sixty six amongst large scale farmers.

Zambia's production and consumption of beef and dairy products is small. For beef, the major processors are vertically integrated from farm to retailing and the specialisation that produces efficiencies in international industries is absent. International trade in beef and dairy products is limited and there are very few exports of beef and dairy products through formal trade channels. In terms of potential, the vast grazing lands are able to support a much larger cattle and small ruminant's population.

The agriculture sector still operates below potential in terms of output, employment and export. The key constraints to improved performance in the livestock subsector include the following: (1) low commercialisation of cattle rearing (6%); (2) low cattle population of approximately 3 million head of cattle with only 0.14 head of cattle per hectare of land suitable for grazing; (3) low per capita consumption of beef; (4) spread of diseases due to inadequate extension services and illegal livestock movement; (5) low productivity in terms of milk yield, off take rates, and live weight of animals for beef; and (6) poor animal husbandry that compromises the quality of raw hides and skins (7) low production and consumption of dairy products estimated at two-thirds below the World Health Organisation (WHO) recommended guidelines. Most of the cattle are owned by traditional farmers (80%) with emergent and commercial farmers accounting for only 6% and 15% respectively.

With respect to the crop subsector, the key constraints include: (1) high production costs; (2) low yields particularly for small scale farmers; (3) limited crop diversification; (4) poor infrastructure to support marketing of produce and input supply; (5) lack of competition in fertilizer procurement; and lack of policy consistency with respect to the role of the Food Reserve Agency (FRA) and export policy for agriculture products.

The Forestry subsector has not effectively contributed to the development of the country. Commercial forestry activities remain minimal with the Zambia Forests and Forestry Products Corporation (ZAFFICO) remaining the only dominant player in the market. ZAFFICO and the Forest Department together hold approximately 60,000 hectares of forest plantation with very little hectarage under private control. ZAFFICO has limited capacity for expansion as a result of lack of recapitalisation by Government which is the sole shareholder. The Forest Department remains understaffed and poorly funded and is unable to adequately oversee and contribute to forest development. The legal framework remains outdated and has not responded to the economic potential of the subsector. The Forest subsector holds massive employment potential for the unskilled rural population as well as the skilled and semi-skilled trained at various tertiary institutions. Another key challenge in the sector has been the lack of value addition resulting in semi-processed timber being exported to neighbouring countries.

The Strategy recommends measures that are expected to significantly expand each of the subsectors and contribute to the achievement of the following objectives:

a) Increase growth in the livestock population (cattle, goats and poultry) by 20 per cent, 15 per cent and 20 per cent per annum, respectively;

b) Increase milk production to 300 million litres per annum by 2016 from the current level of 190 million litres per annum;

c) Develop and implement the, Kalumwange, Luena and Simango Farm blocks as well as fully operationalising the Nansanga farm block;

d) Increase the supply of quality leather;

e) Achieve diversified crop production in the agriculture sector focusing on Coffee, Tea, Soya, Sunflower and Cotton;

f) Increase productivity in the agriculture sector by doubling the current yield rates for small scale farmers by 2016;

g) Improve market access for small scale farmers targeting both local and exports markets;

h) Create value addition in the cotton subsector by increasing ginning capacity and output;

i) Strengthen the role of the private sector in the marketing of agriculture products; and

j) Significantly expand commercial forestry plantations through the entry of private sector players.

The Strategy has proposed specific measures to address these issues which are outlined in Annex 2. The successful achievement of these objectives is expected to generate 550,000 new formal sector jobs by 2016.

6.3. MANUFACTURING SECTOR

The Manufacturing sector has made a positive contribution to economic growth and employment over the last five years. The manufacturing sector grew by an average 4 per cent per annum between 2006 and 2011. Foreign direct investment also contributed an estimated 12,000 to formal employment between 2007 and 2010.

Key subsectors that have contributed to this growth include the food, beverage and tobacco; fabricated metal products; and the non-metallic mineral products subsectors. However, the growth rate of the manufacturing sector has generally been on the decline from 5.8 per cent in 2006 to 2.5 per cent in 2009 and 4.2 per cent in 2010.

The overall decline in the manufacturing sector has been due to significant drops in productivity in the textiles and clothing, leather and leather products and fabricated metals subsectors. This drop in productivity is attributed largely to the high cost of doing business and reduced demand for locally produced products.

Sustainable job creation will require the increased production of value added products and the exploitation of export markets in which Zambia has a competitive advantage. The manufacturing sector will need to play a key role in this process and four core subsectors have been identified as having the best potential to achieve this objective, namely; the agro-processing subsector, wood subsector, the engineering products subsector, and the pharmaceutical subsector.

The manufacturing subsectors remain constrained in many key areas, which include: (1) depletion of natural resources such as pine, eucalyptus and hardwood timber trees; (2) under-utilisation of available capacity in the manufacturing sector (current utilisation rates of around 20%); (3) unfavourable procurement policies by mining companies; (4) narrow range of engineering products; (5) competition from imported products; (6) high cost of production; (7) limited access to long term financing; and (8) limited supply of products to government through preferential access.

The Committee has proposed specific measures to address these issues which are outlined in Annex 2. These measures are expected to contribute to the achievement of the following objectives:

a) Expand the wood and wood products subsector;

b) Increase production of iron and steel;

c) Enforce sourcing of locally manufactured engineering products by the mining companies;

d) Revive the pharmaceutical manufacturing sector by supporting the reduction of financing and input costs; and

e) Increase the number of manufacturing firms operating in the MFEZs.

The proposed measures include:

a) Lower import duties for inputs used in the pharmaceutical and metal fabrication subsectors

b) Attracting targeted FDI for the establishment of anchor industries for Motor Vehicle Assembly, Copper Fabrication, Pharmaceutical, Electrical and Electronics;

c) Operationalise Section 13 of the Mines and Minerals Development Act to support local manufacturing and procurement in the mining sector;

d) Nurturing local supporting industries serving exporting companies; and

e) Accelerate the increase of production capacity of the existing exporting companies.

The successful achievement of these objectives is expected to generate 89,000 new formal sector jobs by 2016.

6.4. CONSTRUCTION

The Construction sector on average contributes 7 per cent to GDP. It has been one of the fast growing sectors with growth averaging 10 per cent per annum. This growth has been driven by strong demand from residential, commercial and public infrastructure construction projects across the country. The coming on of new cement manufacturing companies has contributed to increased supply of cement on the market, and will support growth in the sector. The sector is regulated by the National Council for Construction which has the mandate to Register, Regulate and Promote Contractors, following enactment of the National Council for Construction Act No. 13 of 2003. Other key players in the sector include the Buildings Department which coordinates and supervises public constructions works and the Road Development Agency (RDA) which coordinates and supervises road and bridge construction and maintenance works.

The sector is dominated by foreign contractors and participation of the local contractors in the construction industry has been marginal. This is attributed to a myriad of problems including capacity constraints and limited skilled human resources resulting in local contractors having a marginal market share. Considering the strategic importance of the construction sector in the development of the nation, in particular the road sector, there is need to ensure that there is in place a sustainable contracting capacity to carry out construction works. The sector holds enormous potential for job-creation and alleviation of poverty through employment of small contractors and the application of labour based technology.

The strategies to be implemented include:

a) Adopting new road construction techniques such as using agents to solidify gravel roads such as crushed concrete;

b) Promoting the use of cobblestones and pavers instead of bitumen for township roads;

c) Strengthening the use of sub-contracting as a measure to build capacity in local contractors and facilitate business linkages between the large contractors and small scale contractors;

d) Attract Foreign Direct Investment in road construction to boost private sector participation and capacity of the local construction enterprises through partnerships and joint ventures;

e) Commission an independent review of costing of road construction in Zambia with a view to determining an optimal pricing structure and eliminate rent seeking behaviour amongst contractors;

f) Upscale the implementation of road pavers, road signs and street signs throughout the country with a focus on local contractors;

g) Implement contracting of road maintenance to the private sector based on periodic cycles;

h) Enforcing the preferential procurement threshold for public works in all procurements of public works; and

i) Expand Bursary allocations for training and skills acquisition in road construction, bricklaying and related works.

The successful achievement of these objectives is expected to generate 85,000 new formal sector jobs by 2016.

7.0. SUPPORTING INTERVENTIONS

For these identified sectors to develop at the required pace and create 1,000,000 jobs, significant investments are required in Infrastructure, Education and Skills development, improved availability of long term finance, transportation logistics and ICT as well as enhancing reforms in the business environment. In addition, there has to be a deliberate effort to foster a competitive mind-set among citizens with a change in beliefs and attitudes by stakeholders such as key front office staff in government institutions, confidence and belief in the private sector, the Government and key opinion leaders sending out positive pro-business messages at all times.

7.1. INFRASTRUCTURE DEVELOPMENT AND ICT

Infrastructure development plays a dual role of facilitating economic activity as well as creating jobs. Over the last five years, Government has committed significant resources into infrastructure development. The level of investment has however been below the required levels needed to support the industrialisation of the country. In implementing the Strategy, effective and efficient development of infrastructure will be the most critical aspect without which, the strategy cannot be implemented.

Zambia has a total road network of 67,671 km of which 40,265 km forms the core road network. About 9,403 km of the core road network is paved and the rest is unpaved. The development of road infrastructure is supervised and coordinated by the Road Development Agency. However, the RDA has had absorption challenges representative of the state of the construction industry as a whole. The expansion of the road network has largely been driven by political consideration rather than economic value of roads. The basis on which roads are prioritized must therefore change as part of the measures to ensure investments in road infrastructure are linked to the job creation agenda.

In the railway sector, the state of railway infrastructure has continued to be poor with the only major progress being the completion of the Chipata-Mchinji Railway line. Zambia's geographical location makes it a strategic transit point for the transportation of goods to and from the surrounding region and to the ports of Benguela, Dar-Es-Salaam, Beira, and Maputo. The Zambian railway network operates two systems; TAZARA which stretches between Kapiri Mposhi and Dar-Es-Salaam and is based on a bilateral agreement between Tanzania and Zambia; and the Livingstone to Chingola stretch which is under concession to the Rail Systems of Zambia (RSZ). Both rail networks are underperforming largely due to low investment and the structures need to be urgently reviewed if any progress is to be made.

As a result of low investment, railway line network has continued to deteriorate to the extent that the average locomotive speed is 15km/h. Consequently, most of the volume of cargo and passengers transported that should be carried by the rail lines are carried by road and this puts more pressure on the road network. It is also worth noting that investment in rail infrastructure, despite its huge economic benefits, has a poor return on investment unless financed using concessional loans and it is therefore incumbent upon Government to spearhead the re-investment into the rail network.

Air transport is essential for tourism growth and the export of several Non-Traditional Exports. Zambia's aviation market remains one of the smallest in Southern Africa with only South African Airways, Ethiopian Airways, British Airways, Kenya Airways and Emirates operating intercontinental flights. The country has four main international airports, Kenneth Kaunda in Lusaka, Harry Mwanga Nkumbula in Livingstone, Ndola and Mfuwe. Passenger movement has seen a steady increase in recent years with over a million arrivals and similarly traffic at Zambian airports has been growing (12% in 2007 and 2008). The Government has made some progress in rehabilitating airports and airstrips across the country but progress has been very limited.

Another key area of infrastructure development is in the area of facilitating infrastructure for business. Government in 2007, through the ZDA Act, adopted the use of Multi Facility Economic Zones (MFEZ's) and Industrial Parks as models for providing a conducive environment for industrial development, particularly foreign direct investment. In this regard, four MFEZ's and two industrial parks have been gazetted to date, three to be established by the private sector (Chambishi, Lumwana and Lusaka East), one public (Lusaka South). The Industrial parks (Roma park and Sub-Sahara Park) are both private sector owned. Whereas progress has been recorded in the Chambishi MFEZ where thirteen companies are now operating, the progress rate in all the MFEZ's has been very low.

One of the identified challenges is that the current model is only attractive in terms of the infrastructure that the developer makes available to an investor as the fiscal and non-fiscal incentives are accessible to all provided they are in the priority sectors as outlined by the ZDA Act. Best practice has shown that other incentives are necessary to make economic Zones a success such as measures addressing issues of planning and labour regulations. These matters need to be addressed to make the economic Zone model a success.

The existing Information and Communication Technology (ICT) covers 72 per cent of the population, mainly through mobile telephone services which are available in almost all districts. In general however, tele-density remains low, with a ratio of 0.77 per 100 inhabitants for a fixed line, 36 for mobile subscribers and 0.14 for internet users. The rural areas are less serviced with approximately 0.3 per cent having fixed lines and 28 per cent have no access to mobile services. Telecommunications and internet user fees are high relative to the regional average partly due to the taxes on airtime, regulatory fees and duties on imported equipment. Fees for a minute call average US$0.5 at peak time.

It is worth noting that the use of ICT in the provision of public services is almost non-existent and this constrains innovation and adds to the cost of doing business. It is essential that investment into ICT, particularly internet related facilities is increased to create an even better investment climate. One of the key challenges has been the poor pace of implementation of the E-Government project which is designed to expand the use of ICT within the public service.

To address the identified challenges and put in place infrastructure necessary to create targeted jobs, the following critical and priority infrastructure development has been identified; Roads leading to the farm blocks, Multi Facility Economic Zones, industrial clusters and major border towns; International Airports; TAZARA, Inter-mine rail line, Chingola – Livingstone and Mulobezi Rail lines; Airstrip and aerodromes situated in districts near national parks.

The specific measures include the following:

7.1.1. Roads

(a) Reorganise, streamline and rationalise the institutional framework for the road sector to eliminate inefficiencies, duplications and wastage of resources;

(b) Rationalise and streamline the Road Sector in order to improve the pace of delivery of projects;

(c) Strengthen the capacity of Government to plan and execute PPP projects by implementing or expanding the use of transaction advisors, development and issuance of guidelines as well as streamlining roles and responsibilities of the PPP project coordination;

(d) Mobilise resources required for road development using grants, private sector participation, concessionary loans and commercial loans;

(e) Expansion of existing highways through private sector participation by way of PPP's; and

(f) Implement a national road construction and upgrading programme covering 8,000km of road network.

7.1.2. Rail

(a) Engage the Tanzanian government with a view to revamping the operations of TAZARA Railway either by concessioning, reinvestment or dissolving the agreement;

(b) Invoke the provisions of the Rail Systems of Zambia (RSZ) Concession and secure financing for the railway sector;

(c) Reorganise Zambia Railways to take a strategic and leading role in the development of the railway sector;

(d) Zambia Railways in partnership with institutional investors such as ZCCM-IH and the private sector to take a leading role in developing Rail projects (Chingola-Jimbe, Kafue-Lion's Den, TAZARA Nseluka - Mpulungu Port, and Extension of Mchinji/Chipata); and

(e) Zambia Railways in partnership with institutional or private investors to take a leading role in establishing an inter-mine Railway link connecting the Copperbelt and North Western province as well as attract investment to extend the Mulobezi rail line into North-Western province and the Caprivi strip.

7.1.3. Energy

(a) Recapitalise and commercialise ZESCO to address existing organisational and generation capacity constraints;

(b) Enact the Electricity, Energy Regulation, Grid code and Open Access Code Bills to facilitate the growth of the energy sector and attract investment;

(c) Ensure that the major hydroelectric power projects such as Itezhi Tezhi, Kafue Gorge Lower, Kariba North Bank, and Batoka extension are completed as planned;

(d) Review and renegotiate all Bulk Supply Agreements;

(e) Reposition the Rural Electrification Authority to engage the Private Sector in delivering electrification solutions under the Rural Electrification Master plan;

(f) Finance feasibility studies for all pending hydro projects for subsequent development by the private sector under the PPP framework; and

(g) Develop a framework to enable private sector investments in renewable energy.

7.1.4. Information and Communication technology

(a) Promote investments into ICT infrastructure across the country; and

(b) Address the slow implementation of E-Government initiative by transferring E-Governance secretariat to Cabinet Office and secure funding for the E-Government project.

7.1.5. Trade facilitation

(a) Establish One-Stop Border facilities at Nakonde, Mwami, Kasumbalesa and, Kazungula and accelerate the construction of the Kazungula Bridge;

(b) Establish modern border infrastructure at Jimbe and upgrade the Mwinilunga-Jimbe Road and expand the land allocation for Livingstone Border to facilitate the upgrading and modernisation of the infrastructure;

(c) Reduce the multiplicity of government agencies interfacing with customers at border posts by introducing legislation designating ZRA as the lead agency and other supporting measures;

(d) Invest in technology based clearing and risk management systems at all major border posts to eliminate clearing delays and ensure that all government agencies operating in customs areas are ICT enabled in compliance with ZRA systems; and

(e) Establish Inter-Country Markets (ICM) at border areas.

7.1.6. Airports

(a) Expand and upgrade Kenneth Kaunda and the Harry Mwanga Nkumbula International Airports to make them regional transportation hubs;

(b) Attract private investment into airstrips or aerodromes located near national parks through concessioning;

(c) Attract investment in cargo transportation in key transit towns to create hubs to support export drive, through PPP arrangements; and

(d) Fast track investment in upgrading all airports in provincial capitals to improve connectivity.

7.1.7. Multi Facility Economic Zones and Industrial Parks

(a) Develop Schedule of additional incentives for investments with values above US$50 million related to value addition in the MFEZ operators;

(b) Implement market based labour regulations for the MFEZ based on international best practice. (e.g. Chinese Special Economic Zones);

(c) Exempt MFEZ's from Local Authority charges and implement separate licensing procedure for MFEZs by the introduction of the single window system; and

(d) Attract private investment into the Lusaka South MFEZ using the PPP framework.

7.2. DEVELOPMENT OF MICRO SMALL AND MEDIUM ENTERPRISES (MSMEs)

Zambia's private sector is dualistic, consisting of a small number of large enterprises and a significantly larger MSME sector. The large enterprise sector, which generates the majority of economic growth, exports and tax revenues, is made up of a few thousand enterprises with over 50 employees. About 200 large enterprises produce the bulk of industrial output. Of a total labour force, a vast majority work for informal enterprises with less than five employees. These informal microenterprises are more common in rural areas, where they account for 91 per cent of employment.

Approximately 70 per cent of MSMEs are agricultural while about 21 per cent of MSMEs operate in wholesale and retail trade. In contrast, there are relatively few manufacturing MSMEs (about three per cent of MSMEs), hotels or catering enterprises (two per cent), and enterprises in other sectors (four per cent). Most MSMEs are small home-based, self-employed individuals or family enterprises. About 35 per cent have no employees of any type (paid or unpaid, full- or part-time) other than the owner and fewer than 10 per cent have more than 10 employees.

Most MSME owners have relatively little education. There is a large gap between the level of education of MSME owners and managers of large enterprises. Most managers of large businesses have either a university or vocational education qualification (46 per cent and 48 per cent respectively). In contrast, most MSME owners have only a primary or secondary education. This is especially true in rural areas, where half of the entrepreneurs have no education or only a primary school education. The percentage is slightly lower for MSMEs in urban areas, where less than 30 per cent have only primary education. Less than one per cent of the owners of MSMEs have a university level education.

The main constraints faced by MSME's are access to and the cost of finance, transportation, and access to land. MSME's are affected by differences in access to basic infrastructure and business support services such as financial services, operating premises and distribution networks for inputs such as fertilizers. Enterprises that do not have access to basic infrastructure, whether hard (such as energy, transport or water) or soft (such as education or financial services); find it difficult to perform to their potential. Many of these constraints are particularly binding in rural areas.

The key strategies to facilitate growth of MSME's are:

(a) Review the coordination and institutional framework in the development and implementation of MSME policies and strategies and strengthen the legal and regulatory framework;

(b) Develop and implement programmes to assist MSME owners keep business records, identify more profitable lines of business, develop business plans, and improve general business administration with a view to making it easier for them to gain access to financial services;

(c) Ensure that Citizen Empowerment initiatives support the integration of Zambian enterprises into the economy and ensure that Government financial interventions for enterprises are targeted at viable enterprises operating in the priority sectors;

(d) Formalise existing informal industrial clusters in selected districts and explore options for value chain based clusters linking rural producers to processors and markets for their raw materials;

(e) Fully Operationalise the Preferential Procurement Scheme and institute monitoring mechanisms and sanctions for noncompliance;

(f) Limit or discourage use of "grants" as an empowerment tool to improve credit culture and strengthen the role of the Credit Reference Bureau;

(g) Introduce entrepreneurship as a compulsory component of all skills development curricula;

(h) Fast track establishment of incubation facilities for timber processing; Agro and Gemstone Processing;

(i) Reorient and harmonise existing empowerment programmes to focus on enterprise development for citizens;

(j) Scale up existing interventions such as the Export Development Fund in the priority sectors that enhance productivity and exports and explore measures to further reduce the cost of rural transportation;

(k) Implementing the International Finance Corporation programme for lending to MSME's and introduce legislation for the establishment of a National Credit Guarantee Scheme for MSMEs;

(l) Promote FDI in targeted sectors on a Joint Venture or partnership basis by developing capacity for Zambians to participate in joint ventures and facilitate business linkages with large corporations; and

(m) Simplify the listing requirements on the Lusaka Stock Exchange (LUSE) for MSME's.

7.3. LABOUR, EDUCATION AND SKILLS TRAINING

Labour productivity in the formal sector is low because firms in Zambia face only limited competition from domestic or foreign companies. Without pressure from competitors, these firms enjoy large market shares within their product niches, and can offset higher costs of their products with higher prices charged to their customers. Lack of competition within the formal sector has an adverse effect on the rest of the economy that sources from these firms-creating a high cost economy overall.

Zambia's labour productivity continues to be much lower than its best performing regional competitors such as Kenya, Botswana, Namibia, Swaziland and South Africa.

It is also much lower than in high performing international competitors such as China, Thailand and Brazil. It should be noted that Zambia could be competitive in export markets if the lower productivity was offset by lower wages paid to workers. However, this is not the case as Zambia's unit labour costs remain higher than its competitors. Increasing the productivity of Zambia's labour force remains a key policy issue.

A key factor in labour productivity is the skill levels in the labour force. According to the Labour Force Survey, out of the total labour force, only 6 per cent had received skills training while over 90 per cent had not. Furthermore, out of the 4.6 million employed persons, only 7.1 per cent had received skills training while 92.9 per cent had not while only 3.4 per cent of the unemployed persons had received skills training.

To address challenges on labour productivity and skills, the following strategies have been recommended:

a) Re-introduce apprenticeship training and promote industrial attachments and incentivise apprenticeship and internship in priority sectors;

b) Implement measures to reduce the cost of retirement and redundancy by repealing and replacement of SI 1 and 2 of 2011 governing retirement/redundancy pay and transfer the burden of payment from employer to NAPSA;

c) Undertake labour reforms to ensure redundancy has no punitive costs and Implement a sector based minimum wage premised on ability to pay;

d) Establish a Labour Market Information System to effectively and efficiently track employment in the country;

e) Expand access to skills training to address inadequate supply of requisite skills to support industrialisation particularly in the identified priority sector;

f) Develop and implement programmes in skills development for priority sectors based on a comprehensive skills audit;

g) Develop and implement entrepreneurship and Vocational training focused curricula at Junior and High school level and review outdated and inappropriate curricula;

h) Upgrade training equipment and skills of instructors;

i) Review, redesign and implement the Technical Education and Vocational Training and Entrepreneurship Training (TEVET) Fund to ensure effective and efficient financing of national priority skills; and

j) Establish the National Labour Productivity Centre.

7.4. ACCESS TO FINANCE

Access to finance or financial inclusion is the area in the investment climate that is the greatest concern to both large corporations and MSME owners in Zambia. Concern is particularly high among the smallest microenterprises and among farm owners. Access to financial services and bank credit is a serious constraint on MSME performance in Zambia. Physical access, or lack thereof, to bank branches is a key constraint to the use of financial services.

About 40 per cent of MSMEs do not have access to bank branches that can provide these services. Although a transformational cell phone based banking model may alleviate the constraints imposed by limited physical access to bank branches, a significant number of MSME do not have access to a cell phone. While physical access to financial services is important, a far greater constraint is that most businesses are not productive enough to be able to afford access to the most basic financial services or loans. According to the Zambia Business Survey of 2010, between 67 and 83 per cent of MSMEs do not generate enough revenue to qualify for the basic banking services.

Another major concern with regard to access to finance is the cost of finance. Borrowing costs currently average between 20 - 25 per cent which is beyond what most businesses can afford. The risk profile of most locally owned businesses also acts to increase the cost of borrowing as financial institutions seek to reduce the risk of default. The credit culture in Zambia also poses significant challenges with default rates amongst Zambian businesses, particularity small and medium enterprises being significantly high.

Although interest rates remain a source of concern, considerable progress has been made in lowering them in line with reduced inflation. Some of the measures being implemented to address concerns on perceived high interest rate problems include improving the effectiveness of the financial system and shifting monetary policy towards the usage of interest rates as the main monetary policy instrument to anchor inflationary expectations. In this connection, focus of monetary policy should be designed to contain inflation to below 5.0 per cent; maintaining a stable and competitive exchange rate, maintaining an interest rate structure that promotes financial savings and ensuring efficient allocation of the same; and ensuring adequate growth in credit to the private sector. An important constraint in access to finance is the lack or absence of long-term financing. Most financial institutions are only willing to make available short to medium term financing.

The recommended measures to improve access to finance include:

(a) Make available long term financing (5-10 years) at affordable rates to commercial banks by establishing a National Development Fund (which could be capitalised with funds from Pension Funds, appropriation from the Government, leveraging GRZ holdings in the mining companies to raise capital – as well as GRZ holdings in state companies e.g. ZANACO, ZAMTEL, ZESCO, National Savings and Credit Bank);

(b) Implementing the International Finance Corporation programme for lending to SMEs;

(c) Facilitating a significant increase in banking infrastructure, including the adoption of alternative distribution strategies, and significant reduction in fees. This will include stimulating mobile banking and other innovative approaches which need to be complemented by improved access and reduction in costs of ICT services;

(d) Maintain low government borrowing on the domestic market to around 1% of GDP in the medium term; and

(e) Address factors affecting risk assessment or profiling by banks of potential borrowers such as foreclosure laws by implementing time limits on court cases to 90 days and increasing the number of Judges on the Commercial courts; and

(f) Implementing the unified collateral registry.

7.5. BUSINESS ENABLING ENVIRONMENT

The Government has been implementing the Private Sector Development Reform Programme (PSDRP), which aims to streamline business licensing procedures as well as improve various other administrative processes related to business establishment. In terms of doing business, Zambia is ranked 84th out of 183 countries.

Table 2: Zambia's Doing Business Ranking

	2011	2012
Zambia's *Doing Business* rank	84	80
Components:		
Starting a business	58	69
Dealing with construction permits	144	148
Getting electricity	110	118
Registering property	84	96
Getting credit	8	8
Protecting investors	74	79
Paying taxes	44	47
Trading across borders	153	153
Enforcing contracts	86	85
Resolving insolvency	103	96

Most of the success in the reforms has been with regard to legislation with the elimination of 114 licenses, amalgamation of 31 licenses and reclassification of 43 licenses. The main challenge in implementation the reforms have been limited ownership of the reforms within Government institutions, limited financing by Government and poor implementation of reforms at local authority level.

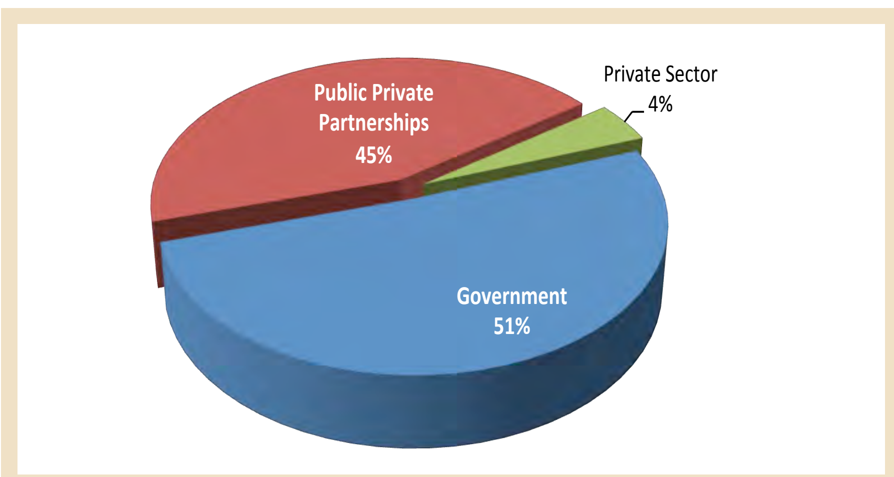
To create an even better business environment and investment climate, it is essential that Zambia continues to make progress on the Doing Business ranking. The following strategies are recommended:

i. Implement reduction in business regulatory compliance costs – import and export procedures, construction permits, tourism permits/licenses, registration of property;
ii. Attain target of top 50 slot in the ease of Doing Business Ranking;
iii. Prioritise funding of reforms in line Ministries and Government agencies;
iv. Implement One Stop Shops for business registration in all provinces;
v. Secure high level endorsement of private sector reforms through consistent policy pronouncements; and
vi. Enact all the outstanding legislation as approved in the Business licensing reform report by December 2015.

8.0. FINANCING OF THE STRATEGY

The implementation of this strategy will require an estimated total of ZMW47, 920mn over a period of five (5) years. Of this amount ZMW24, 450mn is to be financed from public resources comprising grants, concessional loans and regular budgetary allocations.

Figure 5: Sources of finance for the Strategy



ZMW2, 150mn is expected to be sourced from the private sector through foreign and local direct investments. K21, 320mn is to be sourced through the Public Private Partnership (PPP) Framework.

The breakdown of the detailed estimated costing for the strategy is at annex 4.

9.0. COORDINATING AND IMPLEMENTING STRUCTURE FOR THE STRATEGY

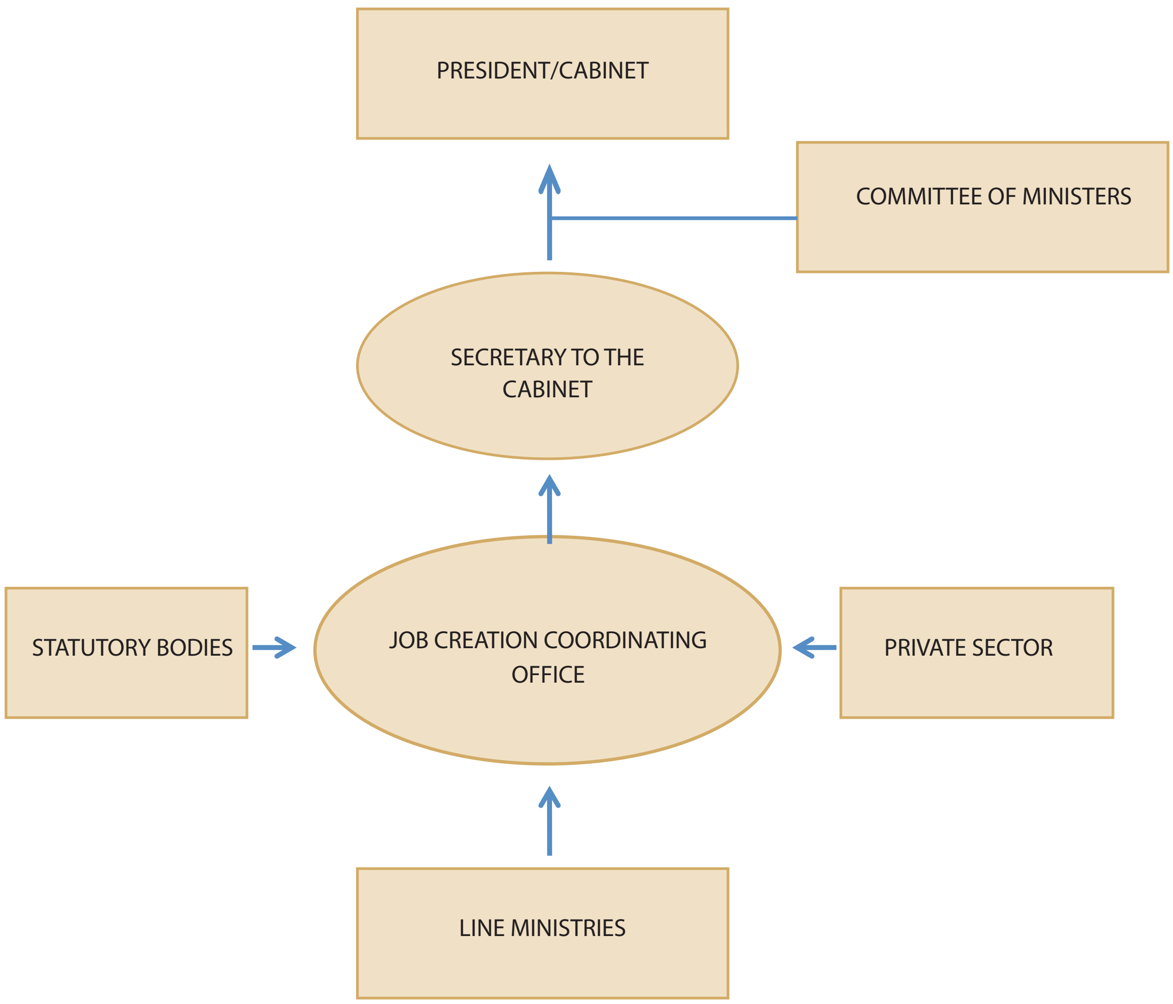
The Strategy will be implemented by respective line Ministries and Government Agencies. Each Ministry and Agency will be held responsible for the various specific measures for each sector and subsector. However, to avoid a situation of "business-as-usual" approach to the implementation of the Strategy, it is necessary to put in place a Coordination Office whose key responsibility will be the coordination and monitoring of the implementation of the Strategy. While it is recognised that there are existing monitoring mechanisms within the public service, a programme like this requires a structure specially positioned to influence change within the system and create an accountability mechanism that is linked to the highest office in the eventuality that "territorial or mandate" based challenges begin to act as a hindrance to progress.

This is critical in ensuring that no single player or institution involved in the implementation of the Strategy can act to derail the process without being immediately singled out. The proposed institutional structure therefore comprises the following:

Institution	Responsibilities and Composition
1. President/Cabinet	• Supervision of Strategy Implementing.
2. Committee of Ministers	• Chaired by Vice President and Comprising Ministers responsible for Finance, Commerce, Education, Agriculture, Tourism, Mines, Works and Supply, Local Government and Energy; and • Review of Progress reports from Secretary to the Cabinet or Coordinating Office.
3. Secretary to the Cabinet	• Supervision of the Coordinating Office; and • Reporting to President, Cabinet and Committee of Ministers on implementation of the Strategy.
4. Job Creation Coordinating Office	• Headed by a Permanent Secretary or Deputy Secretary to Cabinet equivalent; • Reporting to the Secretary to Cabinet for day to day operations; Office to be established by seconding highly skilled officers from line Ministries in the following areas; monitoring and evaluation, planning, budgeting, economic policy analysis, data processing, management information systems at Director and Deputy Director positions; and • Responsible for coordinating, monitoring and evaluating Strategy implementation.
5. Line Ministries and Statutory Bodies	• Implementation of the Strategy; and • Submission of quarterly implementation progress reports to the Coordinating Office.
6. Private Sector Associations	• Participate in monitoring the implementation of the Strategy; and • Submit information/reports on implementation challenges and observations.

As indicated in the table above, it is necessary that this Coordinating Office be positioned in the Office of the President which is the seat of executive power in Government. The reporting relationship between the various key structures will be as indicated in the figure below.

Figure 6: Reporting relationship of proposed structure



The Coordinating Office will be headed by a person of sufficient seniority preferably at Permanent Secretary level or higher so as to have sufficient authority necessary to effectively fulfil his/her mandate. It is expected that the Coordinating Office will develop the instruments to facilitate the full implementation of the Strategy as well as put in place the necessary monitoring and evaluation tools and mechanisms.

ANNEX 1 - SUMMARY OF KEY MEASURES

Cabinet approved the following broad and specific strategies:

1) Prioritisation of the Agriculture, Tourism, Construction and Manufacturing sectors as the four growth sectors, having the greatest potential to achieve the objectives of promoting growth, employment, value-addition; and expanding Zambia's economic base to create at least 1,000,000 jobs.

2) Prioritisation of the development of infrastructure in Energy, Road, Rail and Airports to support and facilitate the envisaged growth of the four priority growth sectors of Agriculture, Tourism, Construction and Manufacturing.

3) Facilitate growth of the Crop Sector by implementing the following:

a) Expand or refocus Farmer Input (fertilisers & seeds) Support to priority crops such as Tea, Coffee, Soya, Sunflower, Cotton and Sugar;

b) Improve production efficiency and economies of scales in fruit and horticulture production through the establishment of farmer clusters;

c) Upscale extension services to farmers by increasing the number of extension workers, providing them with appropriate equipment, continuous training, improved funding, and, farm extension infrastructure and equipment;

d) Enhance the implementation of the E-voucher programme for the Farmer Input Support Programme (FISP) and liberalise fertiliser marketing through the implementation of the e-voucher programme;

e) Complete the development of Nansanga and fast-track the development of the Luena Farm bloc on an out-grower model;

f) Provide infrastructure to support projects (roads, electricity, irrigation);

g) Ensure security of tenure on farming land;

h) Review and amend the Crop Marketing Act and the Forestry Act of 1999;

i) Up-scaling training of agro professionals by upgrading NRDC and other colleges, (i) increase scholarships for agro students and (ii)Explore opportunities for support in agro-research through Bilateral and Multi-lateral frameworks;

j) Expand grain storage facilities through PPP;

k) Prioritise road and rail accessibility to designated farm blocks;

l) Develop and implement measures to create value addition in locally produced cotton;

m) Facilitate the operationalisation (provision of start-up capital) of the CBU Textiles Training Centre;

n) Introduce improved technologies in production through pooled cluster resources;

o) Step-up promotion of the use of high yielding seed varieties among small scale farmers;

p) Enhance and expand capacity for agro based research and development in academic institutions;

q) Exploit occurring phosphate deposits in Zambia to produce fertiliser locally; and

r) Implement measures to promote Biofuel production through enhanced crop production to be used as feedstock with particular focus on Cassava, Jatropha and Sugarcane.

4) Facilitate the growth and commercialisation of the forestry sector and forestry products:

a) Review, rationalise and improve forest management and regulatory systems;

b) Enhance capacity of Forestry Department, particularly in nursery and forestry development, preservation, sector skills development, research and development;

c) Review of Timber Export Policy in order to discourage of export raw or semi processed timber and encourage value addition;

d) Strengthen ZAFFICO's capacity for wood processing through the identification of a strategic partner;

e) Expand extension services for the forestry sector to sub district level;

f) Enhance ZAFFICO's capacity through harnessing of multilateral and bilateral technical support, and, knowledge transfer frameworks;

g) Recapitalise ZAFFICO in collaboration with strategic investors;

h) Review of Timber Export Policy in order to discourage of export raw or semi processed timber and encourage value addition; and

i) Enhance the commercialisation of forestry through the provision of seedling for both hard wood and soft wood - from current 60,000 hectares to 1,000,000 hectares.

5) Facilitate growth of the Beef and Dairy sectors by implementing the following:

a) Undertake the eradication of Contagious Bovine Pleuro-Pneumonia (CBPP) by slaughtering all animals in areas infected and compensate affected farmers with new stock or monetary compensation;

b) Upscale GRZ breeding services and restocking (cattle & goats) interventions (including artificial insemination) Western, Southern, Eastern, Northern and Central Provinces;

c) Scale up animal disease control measures (vaccinations, dipping etc.) by scaling up compulsory GRZ funded animal dipping and vaccinations against all diseases throughout the Country and synchronise vaccination times throughout the country to ensure effective disease control;

d) Facilitate expansion of out-grower schemes in poultry through the private sector;

e) Upscale dairy farmer clusters with focus on milk collection centres, pooling of resources and information sharing among smallholders;

f) Fully implement the Disease Free Zones programme and maintain disease free zones in Lusaka and Central provinces;

g) Promote/implement commercialisation of livestock production, particularly cattle and goats;

h) Strengthen provision of livestock extension services;

i) Facilitate the establishment of collection points (hides and skins), and undertake awareness campaigns on the value of hides and skins;

j) Promote private sector - led poultry and small ruminant's out-grower schemes;

k) Strengthen livestock research through increased funding to the Central Veterinary Research Institute;

l) Establish additional breeding centres to at least one per province and rehabilitate existing ones and facilitate establishment of satellite stations for artificial insemination aligned to veterinary offices;

m) Develop and implement training and skills programmes for value addition in the livestock value-chain;

n) Facilitate the creation of additional value-added meat processing capacity and the establishment of private sector meat processing plants;

o) Ensure access to technology for feedstock storage using simple baling techniques and equipment among small holder farmers;

p) Scale up Cattle restocking intervention by emulating the Heifer International model of stocking (Animal pass on) for both cattle and goats through partnerships with Community and Civil Society organisations;

q) Facilitate establishment of livestock farmer clusters in high animal population areas;

r) Promote commercialisation of small ruminant rearing, production and processing;

s) Facilitate establishment by the private sector, of processing centres/cold storage facilities in high livestock population areas;

t) Ensure appropriate technologies in abattoirs for production of high value hides and skills and double current abattoir capacity and ensure appropriate technologies in abattoirs for production of high value hides and skins;

u) Maintain ban on export of raw hides and skins;

v) Promote high quality assurance in meat processing;

w) Implement measures to stimulate domestic consumption of milk (& milk products) through linkages to school feeding programmes, and explore export market; and

x) Implement measures to stimulate exports of milk and milk products.

6) Facilitate growth of the Tourism sector by implementing the following:

a) Enact Zambia Wildlife (Amendment) and the Tourism and Hospitality (Amendment) Bills, streamline the licences and implement a single licence concept for Tourism Investment;

b) Complete Infrastructure development in the Northern circuit and greater Livingstone to improve access to tourism products and target an anchor operator for the Northern circuit;

c) Waive visa requirements for tourists coming from countries of high GDP per capita, in particular countries such as Norway, Switzerland, USA, Japan, Denmark, Sweden, United Kingdom, Finland, Ireland, Qatar, Luxemburg, Singapore, Netherlands, Australia, Kuwait, UAE, Canada, Germany, Belgium, South Korea and Austria;

d) Increase funding for targeted and aggressive marketing of tourism facilities/ products and various tourist destinations;

e) Undertake review of the pricing of tourism products to identify drivers and develop appropriate measures to reduce costs for tourism operators;

f) Develop and implement measures to facilitate the formalisation of informal players in the tourism sector;

g) Simply Visa processes, requirements and enhance online Visa processing;

h) Expand bilateral links with target countries such as Republic of South Africa (RSA) and Kenya;

i) Improve promotion of cultural activities and other attractions in the country through the internet, exhibitions, homesteads, cultural villages and advertising;

j) Increase repeat visits into national parks, visitation of heritage sites and natural attractions;

k) Develop and implement measures to increase local content by indigenous Zambian service providers in tour packages;

l) Put in place measures to promote indigenous Zambian tour operators;

m) Review the management of the Tourism sector to make it more efficient and rationalise roles and responsibilities;

n) Implement measures to ensure Tourism Product diversification ;

o) Increase domestic tourism by developing products and packages targeted at citizens.

p) Ease the entry and establishment of privately run tourism facilities in the Northern circuit and other tourist destinations;

q) Increase domestic tourism through products and packages targeted at Zambian nationals;

r) Put in place measures to promote licensing on small scale hunting concessionaires;

s) Put in measures to promote licensing of small scale low cost tour operators between major cities and National Parks;

t) Develop appropriate tourism packages that will link the Greater Livingstone to other tourist attractions in the country;

u) Develop tourism packages that connect Zambia's tourist areas to the neighbouring countries' tourism sites through bilateral arrangements;

v) Promote Ethno-tourism, culture and Arts Tourism, Conference Tourism, Academic Tourism, Health Tourism, Nature Tourism, Sport Tourism, Leisure and Hospitality Tourism, Environmental and Mining Tourism, Agriculture Tourism, Ethno Tourism;

w) Promote the development of the creative industries; and

x) Increase the diversity of tourism products available in the country.

7) Facilitate growth of the manufacturing sector with focus on value addition to locally available primary products and raw materials by implementing the following:

a) Complete basic infrastructure development for the Lusaka South MFEZ and facilitate the accelerated development of the Lusaka East, Chambishi and Lumwana MFEZs;

b) Review the Multi Facility Economic Zone model to make it more attractive for investors;

c) Exempt MFEZ's from local authority charges;

d) Implement separate licensing procedures for MFEZ by introducing a single window;

e) Develop Schedule of additional incentives for investments with values above US$50 million related to value - addition in the MFEZ operators;

f) Implement measures to exempt MFEZ's from local Authority charges;

g) Strengthen National Quality Infrastructural Institutions through the implementation of the National Quality Policy;

h) Eliminate red tape with regard to duty exemption of capital items;

i) Waive all duties and taxes on inputs/raw materials for production of Pharmaceuticals packaging;

j) Attracting targeted FDI for the establishment of anchor industries for Motor Vehicle assembly, Copper fabrication, Pharmaceutical, Electrical and Electronics;

k) Develop and implement measures to grow the iron and Steel industry by implementing strategies to make Zambia a regional hub for the manufacture of engineering products;

l) Attract targeted FDI for establishment of anchor industries for vehicle assembly, copper fabrication, pharmaceutical, electrical and electronics;

m) Implement market-based labour regulations for MFEZ based on international best practice (e.g. Chinese Special Economic Zones);

n) Develop clearly defined customs procedures for goods that qualify for duty free, particularly for projects in the MFEZ (such as capital items);

o) Nurture local supporting industries serving exporting companies;

p) Facilitate increase of production capacity of the existing exporting companies;

q) Enforce safety and environmental safeguard policies and ensure quality products;

r) Create a culture of training through for example, close collaboration with engineering bodies; and

s) Implement measures to establish industries to provide a value chain for existing and upcoming mining projects such as the Kalumbila project.

8) Facilitate growth of the Construction sector by adopting the following measures aimed at encouraging or facilitating labour intensive construction methods as well as develop local contractor capacity:

(i) Utilise labour intensive road construction techniques such as cobblestones and cut stone; for pavers, Township roads and paving markets;

(ii) Implement sub-contracting of road maintenance by private sector based on periodic cycles;

(iii) Upscale training and certification of Road Construction artisans; and

(iv) Upscale the implementation of road pavers, road signs and street signs throughout the country.

9) Implement the following specific measures to create infrastructure conducive for Private sector growth in the identified sectors:

(i) Establish New Districts as economic hubs based on natural resource endowment or potential with measures including:

a) Development and implementation of Integrated development plans;

b) Profiling and promotion of investment opportunities; and

c) Prioritisation of Administrative and supportive Infrastructure.

(ii) Improve the road sector through the following measures:

a) Implement the Link Zambia 8000 and pave Zambia 2000 road programmes;

b) Utilise labour intensive road construction techniques such as cobblestones and cut stone; for pavers, Township roads and paving markets;

a) Implement sub-contracting of road maintenance by the private sector based on periodic cycles;

b) Upscale training and certification of Road Construction artisans;

c) Upscale the implementation of road pavers, road signs and street signs throughout the country;

d) Reorganise, streamline and rationalise the institutional framework for the road sector to eliminate inefficiencies, duplications and wastage of resources in order to improve the pace of delivery of projects;

e) Mobilise resources required for road development;

f) Expansion of existing highways through private sector participation by way of Public Private Partnerships (PPP's) as well as addressing capacity constraints weaknesses in the PPP institutional framework;

g) Promote the use of cut stone for pavers;

h) Develop local capacity for raw materials supply;

i) Prioritise road and rail accessibility to designated farm blocks; and

j) Commission and independent review of costing of road construction in Zambia with a view to determining an optimal pricing structure and eliminate rent seeking behaviour amongst contractors.

(iii) Improve generation, transmission, distribution and access to electricity through the following measures:

a) Review and renegotiate all Bulk Supply Agreements;

b) Recapitalise and commercialise ZESCO to address current institutional, generation, distribution and transmission capacity constraints;

c) Ensure that all major hydroelectric power projects such as Itezhi Tezhi, Kafue Gorge Lower, Kariba North Bank, Lusemfwa and Batoka extension are completed as planned;

d) Reposition the Rural Electrification Authority to engage the Private Sector in delivering electrification solutions under the Rural Electrification Master plan;

e) Enact Electricity Bill, Energy Regulation Bill, Grid code and open access code to facilitate the growth of the energy sector and attract investment;

f) Finance feasibility studies for hydro projects with a view to facilitate PPP's; and

g) Develop a comprehensive framework to enable private sector investments in renewable energy with focus on Biofuels.

(iv) Revamp the rail subsector and take the following immediate actions:

a) Reorganise Zambia Railways to take a leading and strategic role in the development of the railway sector;

b) Facilitate concessional financing for the railway sector;

c) Promote the local manufacture of railway sleepers and wagons;

d) Engage the Tanzanian government with a view to revamping the operations of TAZARA Railway either by concessioning, reinvestment or dissolving the agreement;

e) Zambia Railways in partnership with institutional investors such as ZCCM-IH and private sector investors to take a leading role in establishing an inter-mine Railway link connecting the Copperbelt and North Western province;

f) Zambia Railways to take a leading role in developing Rail projects (Chingola-Jimbe, Kafue-Lion's Den, TAZARA Nseluka – Mpulungu Port, and Extension of Mchinji/Chipata); and

g) Zambia Railways in partnership with institutional investors such as ZCCM-IH and private sector investors to take a leading role in developing Mulobezi Railway line to link to the Trans Kalahari railway.

(v) Revamp the airline subsector and take the following immediate actions:

a) Invest in Airstrips and Road infrastructure in the Kafue National Park, Lower Zambezi, and North and South Luangwa and Kasaba bay to enhance the package of tourism facilities available in the country;

b) Upgrade and expand Kenneth Kaunda and the Harry Mwanga Nkumbula International Airports to make them regional transportation hubs under the PPP framework;

c) Attract private investment into airstrips or aerodromes located near national parks through concessioning;

d) Attract investment in cargo transportation to create a hub to support export drive, through PPP arrangements;

e) Attract FDI and local investment in the development of a vibrant domestic air industry, that lowers the cost of internal travel and supports the development of the tourism industry; and

f) Fast track investment in upgrading all airports in provincial capitals to improve connectivity.

10) Reduce the Cost of Doing Business imposed by Government agencies, by undertaking the following:

a) Eliminate red tape with regard to duty exemption of capital items, Investment certificate to be trigger or facilitator of incentives at customs offices and develop clearly defined customs procedure for goods that qualify for duty free exemption;

b) Enact legislation to establish the Zambia Revenue Authority as the Border Facilities Authority and lead border agency through legal mandate to improve inter-agency supervision and coordination at the borders. Furthermore, review the number of institutions operating at the border in order to streamline border operations;

c) Expand the use of Online and other electronic service delivery platforms by accelerating the implementation of the E-Government project and promoting the implementation of online services in state agencies;

d) Invest in technology based clearing and risk management systems at all major border posts to eliminate clearing delays and ensure all government agencies operating in customs areas are ICT enabled in compliance with ZRA systems;

e) Develop and implement measures to rationalise revenues collected by statutory bodies in excess of their annual budget requirements in order to support other statutory bodies which are underfunded so as to reduce or eliminate the tendency to increase fees as a revenue measure;

f) Implement further reduction in business regulatory compliance costs – import and export procedures, construction permits, tourism permits/licenses, registration of property;

g) Invest in one-stop border facilities at Nakonde, Mwami, Kasumbalesa and, Kazungula borders and accelerate the construction of the Kazungula Bridge;

h) Review and update the Companies Act, Zambia Development Act, 2006 and the Citizens Economic Empowerment (CEE) Act, 2006;

i) Strengthen the capacity of Government to plan and execute PPP projects through the use of transaction advisors, and the development and issuance of guidelines on project appraisal and selection;

j) Expand land allocation for the Livingstone Border infrastructure, upgrade and modernise infrastructure and establish full modern border infrastructure at Jimbe and upgrade the Mwinilunga Jimbe Road;

k) Implement a sector based minimum wage premised on ability to pay;

l) Implement measures to reduce the cost of retirement and redundancy by repealing and replacing SI 1 and 2 of 2011 governing the retirement/redundancy pay and transfer burden of payment from employer to NAPSA; and

m) Establish the National Labour Productivity Centre at the Ministry of Information and Labour and implement labour productivity programmes such as Kaizen.

11) Implement measures to increase citizen participation in economic activity and growth of Micro Small and Medium enterprises by taking the following actions:

a) Formalise existing informal clusters by providing policies, institutional support for business development services, improved product quality and market access;

b) Provide policy and institutional support to street vendor and other informal association groups with a view to formalisation using the cooperative model;

c) Review and rationalise the cooperatives development portfolio within Government to broaden the application of the cooperatives model beyond agricultural production as is currently the case;

d) Fully Operationalise the preferential procurement scheme and institute monitoring mechanisms and sanctions for non-compliance;

e) Formalise existing informal industrial clusters and establish value- chain based clusters in selected districts thereby linking Micro and Small producers to markets and processors of their raw materials;

f) Implement subcontracting measures to local Micro, Small and medium enterprises for all public contracts awarded to large local and foreign enterprises in selected sectors;

g) Broaden scope and coverage of incubation services to MSMEs in order to improve productivity, quality of products, access to markets, finance and technology;

h) Provide tailor made support to special interest groups such as female, youth, street located and the physically challenged entrepreneurs;

i) Implement MSME specific fiscal and non-fiscal incentives aimed at ensuring the growth of MSMEs;

j) Invocation of CEEC Act with respect to preferential procurement (Government Institutions, Mining Sector);

k) Operationalise Single Treasury Account System to facilitate payments to MSME local suppliers;

l) Support value chain based MSMEs by linking them to processors and suppliers of raw materials;

m) Promote establishment of cooperative based Maize milling enterprises in all Districts;

n) Promote edible oil extraction enterprises;

o) Promote appropriate technologies for food processing and preservation to ensure food security;

p) Ensure that Citizen Empowerment initiatives support the integration of Zambian enterprises into the economy and ensure that Government financial interventions for enterprises should be targeted at viable enterprises operating in the priority sectors and delivered through the financial sector;

q) Limit or discourage use of "grants" as an empowerment tool to improve credit culture and strengthen role of Credit Reference Bureau;

r) Establish value chain and core venture based industrial clusters in selected districts based on the resource endowment of the area;

s) Develop and implement measures to strengthen the gemstone lapidary sector for small and medium scale miners;

t) Establish Intra-Africa trade centres at border areas aimed a formalising and expanding cross border trading;

u) Implement One Village One Product (OVOP) concept to develop district resource endowment for job creation purposes; and

v) Simplify the listing requirements on the Lusaka Stock Exchange (LUSE).

12) Facilitate the development of the human resource and required skills by implementing the following measures:

a) Develop and implement measures to promote the shift from entitlement and dependence to an entrepreneurial culture;

a) Re-introduce apprenticeship training and promote industrial attachments and incentivise apprenticeship and internship in priority sectors;

b) Expand access to skills training to address inadequate supply of requisite skills to support industrialisation particularly in the identified priority sector;

c) Develop and implement programmes in skills development for priority sectors based on comprehensive skills audit;

d) Introduce entrepreneurship as a compulsory component of all skills development, primary and secondary school curricula;

b) Introduce entrepreneurship as a compulsory component of all teacher education, higher education, skills development, primary and secondary school curricular;

c) Develop and Implement Integrated performance management system throughout public service structures;

d) Curriculum review and development in entire education sector (from primary to tertiary) to mainstream innovation and entrepreneurship;

e) Revise regular human skills development to incorporate technological developments.

f) Review, redesign and implement the Technical Education and Vocational Training and Entrepreneurship Training (TEVET) Fund to ensure effective and efficient financing of national priority skills;

g) Implement new methodologies for performance enhancement such as the Kaizen culture and other transformative approaches;

h) Implement measures to change mind-set change at supervisory levels in public and private sectors;

i) Undertake measures to facilitate transformation at institutional level administration such as decentralisation of recruitment and disciplinary procedures to Permanent Secretary level aimed at turning public in culture from non-performing to high performing;

j) Conduct regular skills audit survey to strengthen labour market information system;

k) Develop and implement entrepreneurship and Vocational training focused curricula at Junior and High school level;

l) Establish fund to support retraining to accommodate technological changes affecting skills utilisation; and

m) Address challenges of outdated and inappropriate curricular and training equipment and upgrade skills of instructors.

13) Make available long-term financing (5-10 years) at affordable rates to commercial banks by implementing the following measures:

a) Establish a Sovereign Wealth Fund that will consolidate all GRZ shareholding in State Owned Enterprises and Foreign and Local fixed assets under one management;

b) Establish Catalytic and Innovative Funds that will facilitate integration of persons in the Diaspora into the local economy;

c) Strengthen and expand State Owned Financial institutions and the citizen economic empowerment commission to provide low interest lending to Micro Small and Medium Enterprises;

d) Develop and implement special empowerment programmes and products for targeted citizen groups through state owned financial institutions aimed at creating employment opportunities and increased citizen participation in the economy;

e) Ensure access to finance for innovative skilled entrepreneurs (lower interest rates, easier access to affordable credit, supportive payment terms) [design supportive borrowing criteria and payment terms];

f) Make available long term financing (5-10 years) at affordable rates to commercial banks by establishing a National Development Fund which could be capitalised with funds from Pension Funds and appropriation from the Government;

g) Facilitate long term sources of financing for MSMEs by mobilizing financial resources that are to be made available to MSMEs through the Development

Bank of Zambia (DBZ) and the Bank of Zambia;

h) Implementing the International Finance Corporation programme for lending to and introduce legislation for the establishment of a national Credit Guarantee Scheme for MSMEs;

i) Transfer strategic potential mining rights to ZCCM-IH and undertake preliminary prospecting which can be used as leverage in strategic equity partnerships;

j) Implement unified collateral registry and introduce legislation to enable MSME's to access financing using movable assets as collateral;

k) Address factors affecting risk assessment or profiling by Banks of potential borrowers such as foreclosure laws by implementing time limits on court cases to 90 days; and

l) Increase the number of Judges on the Commercial courts to speed up processing of commercial cases.

14) Improve Policy legal and regulatory environment for private sector participation in job creation through Foreign and Local investment by undertaking the review of the investment legislation framework and all investment facilitating legislation in the four growth sectors including the following:

a) Companies Act;

b) Zambia Development Act, 2006;

c) Tourism and Hospitality Act 2007;

d) Mines and Minerals Development Act 2008;

e) Zambia Wildlife Act 1998;

f) Crop Marketing Act;

g) Cooperatives Act of 1998; and

h) Forestry Act 1999.

15) Implement the following measures aimed at strengthen monitoring and evaluation of the job creation agenda:

a) Establish a Coordinating and Monitoring Mechanism for the Job - Creation Strategy comprising a Committee of Ministers chaired by the Vice President;

b) Establish a Division reporting to the Secretary to the Cabinet on the implementation of the Job Creation measures;

c) Upgrade current statistical infrastructure, regulatory and institutional framework to facilitate rapid development of capabilities for data collection and dissemination;

d) Establish a labour market information system to effectively and efficiently track employment in the country;

e) Implement measures to harmonise statistical and information systems in the country; and

f) Restructure the Central Statistics Office (CSO) to create a semi-autonomous body with capacity to meet the growing mandate on data collection.

Sector	Constraints and Challenges	Targets	Specific Measures	Outcome / Impact
Tourism Sector	i. Low number of tourists per annum compared to Zimbabwe, Malawi, Mozambique and Tanzania; ii. High cost of rooms and consumables; uncompetitive pricing; iii. Low funding for marketing of Zambia as a tourist destination; iv. High visa rates where applicable, Zambia US$ 50, compared to Zimbabwe (US$ 30) and Botswana (complete waiver); v. Low average length of stay of tourists; vi. Low hotel bed capacity, Zambia 1,500 compared to Zimbabwe (3000 in Victoria Falls Town alone vii. High number of licences and permits for setting up a tourism operation e.g. Restaurant 9, Hotel 30; compared to Zimbabwe (5);	i. Attract 1.8 million visitors by 2015 (up from 815,000 in 2010); ii. Raise the average expenditure per tourist per day from US$35.70 in 2008 to US$83.50 in 2015; iii. Raise the average length of stay from 3 days in 2008 to 7.5 days in 2015; iv. Implement a one license concept for Tourism Investment; and v. Double entries into national parks, visitation of heritage sites and natural attractions by Zambians.	In order to attract 1.8 million visitors by 2015, the following measures will be implemented: ❖ Simplify Visa application process on arrival; ❖ Bench mark visa requirements against countries that have successfully implemented simplified requirements for tourists such as Vietnam and Cambodia; ❖ Eliminate Visa requirements for visitors coming from countries of high GDP per capita namely: Norway, Switzerland, USA, Japan, Denmark, Sweden, United Kingdom, Finland, Ireland, Qatar, Luxemburg, Singapore, Netherlands, Australia, Kuwait, United Arab Emirates (UAE), Canada, Germany, Belgium, South Korea and Austria. ❖ Increase funding for targeted marketing of tourism facilities/products; ❖ Enhance online Visa processing; ❖ Expand bilateral links with target countries such as South Africa and Kenya; ❖ Improve promotion of cultural activities and other attractions in the country on the internet, exhibitions, homesteads, cultural villages and advertising; ❖ Establish Harry Mwanga Nkumbula and Kenneth Kaunda Airport as regional Hub Airports under the PPP framework;	i. 300,000 jobs created by 2016; and ii. Tourism revenues could reach US$1.1 billion.

Sector	Constraints and Challenges	Targets	Specific Measures	Outcome / Impact
	viii. Delayed development of Northern Circuit; vi. Low participation of Zambians in local tourism; and vi. Thin schedule of international and regional flights.		❖ Increase domestic tourism by developing products and packages targeted at citizens. In order to raise the average length of stay from 3 days in 2008 to 7.5 days in 2015, the following measures will be implemented: ❖ Ensure Tourism Product diversification; ❖ Ensure infrastructure development in the Northern circuit and greater Livingstone to improve access to tourism products; ❖ Ease the entry and establishment of privately run tourism facilities in the Northern circuit and other tourist destinations; ❖ Develop appropriate tourism products that will link the Greater Livingstone to other tourist attractions in the country ; ❖ Develop tourism packages that connect Zambia's tourist areas to the neighbouring countries' tourism sites through bilateral arrangements; ❖ Facilitate capacity building in the hospitality sector; and ❖ Promote aggressive and effective destination marketing of the various tourist destinations.	

Sector	Constraints and Challenges	Targets	Specific Measures	Outcome / Impact
			In order to raise the average expenditure per tourist per day from US$35.70 in 2008 to US$83.50 in 2015, the following measures will be implemented: ❖ **Review of the pricing of tourism products to identify drivers and develop appropriate measures to reduce costs for tourism operators;** ❖ **Increase the diversity of tourism products available in the country;** **In order to double entries into national parks, visitation of heritage sites and natural attractions by Zambians the following measures must be undertaken:** ❖ **Invest in Airstrips and Road infrastructure in the Kafue National Park, Lower Zambezi, and North and South Luangwa, Kasaba bay;** ❖ **Promote provincial centres that could enhance the package of tourism facilities available in the country;** ❖ **Complete planned infrastructure works in the Northern circuit;** ❖ **Target anchor operators in the Northern circuit similar to the Sun International in Livingstone;** ❖ **Review the management of the Tourism sector;** ❖ **Promote establishment of Hotels in the Game parks;**	

Sector	Constraints and Challenges	Targets	Specific Measures	Outcome / Impact
			❖ **Put in measures to promote licensing of small scale low cost tour operators between major cities and National Parks (Tanzanian model);** ❖ **Put in place measures to promote licensing of small scale hunting concessionaires;** **Policy Measures:** ❖ **Implement a one license concept for tourism Investment;** ❖ **Enact the Tourism and Hospitality (Amendment) Act to streamline the five (5) licences; and** ❖ **Enact the Zambia Wildlife (Amendment) Bill to streamline the licences.**	

Sector	Constraints and Challenges	Targets	Specific Measures	Outcome / Impact
Crops Subsector	i. High production cost making Zambia uncompetitive in the region; ii. Heavy focus on Maize production; iii. Lack of infrastructure to facilitate large agricultural activity across the country; iv. Prices heavily influenced by Government through the setting of floor prices; v. Fertiliser procurement system dominated by few firms which pushes up prices ; vi. Resistance by some traditional leaders on farm block development; vii. Low yield rates; viii. Limited access to markets by small holders:	i. Diversified crop production.	In order to diversify crop and fruit production the following measures will be implemented: ❖ Expand or refocus Farmer Input Support Programme to priority crops such as Tea, Coffee, Soya, Sunflower, Cotton and Sugar; ❖ Implement e-voucher programme for the FISP; ❖ Improve production efficiency and economies of scales in fruit and horticulture production through the establishment of farmer clusters; and ❖ Complete the development of Nansanga and fast track the development of Luena Farm blocks with out-grower scheme model.	i. 200,000 direct jobs to be created; and ii. Higher incomes for small scale farmers from cash crops.
		ii. Increase productivity in the agricultural sector.	In order to improve productivity in the agricultural sector, the following measures will be implemented: ❖ Up-scaling training of agro professionals by upgrading NRDC and other colleges, (a) increase scholarships for agro students (b) Explore opportunities for support in agro-research through Bilateral and Multi-lateral frameworks; ❖ Strengthen agro-research and development in academic institutions; ❖ Promote the use of high yield seed varieties among small scale farmers;	

Sector	Constraints and Challenges	Targets	Specific Measures	Outcome / Impact
	ix. Dysfunctional market systems: ix. Low commercialisation of agriculture activities among small holders; and ix. Erratic supply of cotton lint to domestic players.		❖ Introduce improved technologies in production through pooled cluster resources; ❖ Upscale extension services to farmers by increasing the number of extension workers, continuous training, improved funding, and, farm extension infrastructure and equipment; ❖ Ensure security of tenure on farming and forestry land; ❖ Strengthen agro research through increased funding to the Zambia Agricultural Research Institute (ZARI); ❖ Strengthen livestock research through increased funding to the Central Veterinary Research Institute and institutional capacity building; and ❖ Increased formalisation of farming businesses.	
		iii. Improve access to markets for small holder farmers	❖ Provide infrastructure to support projects (roads, electricity, irrigation); Expand grain storage facilities through PPP; and ❖ Prioritise road and rail accessibility to designated farm blocks.	

Sector	Constraints and Challenges	Targets	Specific Measures	Outcome / Impact
		iii. Increase local production of key agricultural inputs	In order to increase local supply of agricultural production inputs, the following measures will be implemented: ❖ Exploit the Chipata and Petauke and other occurring phosphate deposits in Zambia to produce fertiliser locally; and ❖ Liberalise fertiliser marketing through the implementation of the e-voucher programme.	
		iv. Create value addition to locally grown cotton	❖ To create value addition in locally produced cotton: ❖ Provide resources to Operationalise the CBU Textiles Training Centre; ❖ Implement local pricing mechanism for local ginning companies through CCPC; and ❖ Target value addition efforts up to the stage of ginning.	

Sector	Constraints and Challenges	Targets	Specific Measures	Outcome / Impact
Livestock and Dairy Sector	i. Low cattle population (3m cattle with 0.14head/ha of land suitable for grazing) Large proportion of cattle population in non-commercial operations concentrated in 3 provinces; ii. Low per capita consumption of beef; iii. Seasonal beef supplies. Dry seasons tend to have higher cost affiliation; iv. Low commercialisation of Cattle rearing (6%); v. Low off-take rates and live weight of animals for beef - by regional as well as international standards; vi. Poor nutrition habits by small scale farmers especially in the dry season; and	i. Attain 20% cattle population growth per year; ii. Attain 15% goat population growth per year; and iii. Attain 20% Poultry population growth per year.	❖ In order to achieve the targeted growth rates in livestock population, the following measures will be implemented: ❖ Establish additional breeding centres to at least one per province and rehabilitate existing ones in each province; ❖ Scale up cattle restocking intervention by emulating the Heifer International model of stocking (Animal pass on) for both cattle and goats through partnerships with civil society and community organisations; ❖ Scale up compulsory GRZ funded animal dipping services throughout the country ; ❖ Scale up vaccinations against all diseases and synchronise them throughout the country ; ❖ Slaughter all animals in areas infected by CBPP and compensate affected farmers with new stock; ❖ Promote commercialisation of small ruminant rearing, production and processing; ❖ Ensure access to technology for feedstock storage using simple baling techniques and equipment among small holder farmers; ❖ Implement measures to promote agricultural mechanisation for small and medium scale farmers;	i. 50,000 jobs created; ii. Attain carrying capacity of 7 million heads of cattle; iii. Increase value addition in the sector; iv. 300 million litres of milk produced per annum; v. 330,000 jobs created among small milk processors and farmers; vi. Increased local milk production and competitiveness; vii. 90% utilisation of tanning capacity; and viii. Improved Competitiveness of the Zambian Leather sub sector.

Sector	Constraints and Challenges	Targets	Specific Measures	Outcome / Impact
	vii. Spread of diseases by illegal livestock movement.		❖ Expand out-grower schemes in poultry through the private sector; ❖ Scale up GRZ programmes available on disease free zones (Maintain disease free zones in Lusaka and Central provinces); and ❖ Facilitate establishment of satellite stations for artificial insemination aligned to veterinary offices.	
		iv. Enhance meat processing capacity by 50% of all livestock produced	In order to enhance the level of value addition in the meat sector and achieve the set targets, the following measures will be implemented: ❖ Establish processing centres, cold storage facilities and livestock farmer clusters in high animal population areas; ❖ Develop and implement training and skills programmes for value addition in the livestock value chain; ❖ Ensure appropriate technologies in abattoirs for production of high value hides and skins; ❖ Double abattoir capacity; ❖ Facilitate establishment of private sector meat processing plants; and ❖ Promote quality assurance in the meat-processing sector.	

Sector	Constraints and Challenges	Targets	Specific Measures	Outcome / Impact
	i. The lowest milk yield in the region (per cow per day) ii. One of the most expensive countries in the region for unprocessed milk with costs being passed on to processed dairy products; and iii. Poor nutrition habits by small scale farmers especially in the dry season.	v. Increase milk production to 300 million litres per annum from current 190 million litres per annum	In order to increase milk production to 300 million litres per annum from the current 190millio litres, the following measures will be implemented in addition to those encompassed in the section above: ❖ Upscale dairy farmer clusters with a focus on requisite milk collection centres, pooling of resources, and information sharing among small holder farmers; ❖ Implement measures to stimulate domestic consumption of milk through linkages to school feeding programmes; ❖ Implement measures to stimulate exports of milk and milk products; and ❖ Facilitate the creation of additional value added processing capacity.	
	i. Quality of Raw Hides and Skins, and leather compromised by poor animal husbandry and poor flaying techniques among small holder farmers;	vi. Increased supply of quality leather by December, 2015	In order to meet the set targets the following measures will be implemented in the leather and leather products sector: ❖ Maintain ban on export of raw hides and skins; ❖ Establish collection points for hides and skins, and undertake awareness campaigns on value of hides and skins; and ❖ Waive duties on components used in leather shoes and goods manufacturing and chemicals used in tanneries.	

Sector	Constraints and Challenges	Targets	Specific Measures	Outcome / Impact
Forestry Subsector	i. Depletion of pine and Eucalyptus; ii. No sustainable tree cutting; iii. Forestry Act outdated; iv. Absence of forest assessment certificate that looks at traceability; and v. Depletion of hardwood timber trees in Solwezi, Kaoma, Minga and Mulobezi.	i. Commercialise the forestry and timber sector.	In order to commercialise the forestry and timber sector, the following measures will be put in place: ❖ Review of Timber Export Policy in order to discourage of export raw or semi processed timber and encourage value addition; ❖ Review and improve forest management and regulatory systems; ❖ Enhance capacity of Forestry Department, particularly in nursery and forestry development, and preservation, sector skills development, research and development, and sector regulation; ❖ Extend and expand ZAFFICO's mandate to wood processing through the identification of a strategic partner; ❖ Expand extension services for the forestry sector to sub district level; ❖ Enhance the commercialisation of forestry through the provision of seedling for both hard wood and soft wood - from the current 60,000 hectares to 1,000,000 hectares; and ❖ Recapitalise ZAFFICO in collaboration with strategic investors.	i. 15,000 jobs to be created; and ii. Adequate timber reserves for value addition.

Sector	Constraints and Challenges	Targets	Specific Measures	Outcome / Impact
MSME Development	i. Lack of infrastructure and facilities for SME's; ii. Limited access to finance and high cost of finance limiting opportunities to expand operations and inadequate working capital; iii. Poor quality of products produced by SME's; iv. Lackofentrepreneurship and technical skills; v. Limited access to skills training opportunities for SME operators; vi. Low access to productive assets by SME's; and vii. Inequitable infrastructure development across the country.	i. Increase access to finance for MSME's; ii. Improve product quality from MSME's; iii. Improve market linkages for MSME's; iv. Establish MSME clusters.	In order to stimulate MSME development, the following measures will be put in place: ❖ Review existing legislation and formulate enabling legislation for MSME development focusing on improved coordination of MSME development initiatives; ❖ Establish industrial clusters through the formalisation of existing informal clusters by providing policy and institutional support for Business Development Services, product quality and market access; ❖ Support value chain based clusters linking Micro and Small producers to processors and markets for their raw materials; ❖ Implement MSME specific fiscal and non-fiscal incentives aimed at the growth of MSME's; ❖ Introduce legislation to improve access to finance for MSME's through the use of movable assets; ❖ Introduce entrepreneurship training as a compulsory component of all teacher education, higher education, skills development, primary and secondary school curricular; and ❖ Broaden scope and coverage of incubation services to MSMEs in the priority sectors in order to improve productivity, quality of products, and access to markets, finance and technology.	i. 20,000 direct jobs to be created; ii. Enhanced quality of products produced by SMEs; iii. Enhanced SME productivity; iv. Enhanced competitiveness of SME products; and v. Enhanced SME's exports.

Sector	Constraints and Challenges	Targets	Specific Measures	Outcome / Impact
Engineering Products Subsector	i. Sub-standard products imported; ii. Import duties charged for the goods not manufactured domestically leading to high manufacturing costs; iii. Major contractors require the certification of SABS for procurement at home as well as abroad; iv. There is no clear enforcement process for local manufacturers to comply with national quality standards; v. Exporting Companies are facing many obstacles in basic infrastructure to expand production activities. Most of these obstacles cannot be resolved by themselves. Yet there is no avenue or forum to bring such issues to the government.	vi. Expand the competitive industrial base of engineering products by increasing the number of exporting companies and expanding their production levels; and vii. Become the regional manufacturing base of engineering products.	In order to expand the competitive industrial base of engineering products and become the regional manufacturing base of engineering products, the following measures will be undertaken: ❖ Create a level playing field; ❖ Ensure quality products; ❖ Accelerate the increase of production capacity of the existing exporting companies; ❖ Nurture local supporting industries serving exporting companies; ❖ Realize FDIs in target segments; ❖ Enforce safety and environmental safeguard policies; ❖ Create new markets; ❖ Create a culture of training; and ❖ Strengthen the National Quality Infrastructure institutions through reorganisation and capacity building.	i. 40,000 jobs to be created; and ii. Enhancing competitiveness of the local steel and iron Industry.

Sector	Constraints and Challenges	Targets	Specific Measures	Outcome / Impact
Pharmaceutical Subsector	i. High costs of production; ii. Failure by local manufactures to penetrate the public domestic market; and iii. Influx of imported products from India.	i. Revived pharmaceutical manufacturing sector.	In order to revive the Pharmaceutical industry, the following interventions will be undertaken: ❖ Waive all duties and taxes on pharmaceutical inputs/raw materials; ❖ Waive all duties and taxes on inputs/raw materials for the production of Pharmaceutical packaging; ❖ Government to procure locally manufactured products for ALL its pharmaceutical product needs before extending tenders to international suppliers; and ❖ Attract targeted FDI into pharmaceutical industry.	i. 2,200 direct jobs to be created.
Roads Subsector	i. Inadequate investment into infrastructure and limited budgetary resources; ii. Poor coordination of various infrastructure programmes; e.g. Rural Electrification Authority and Road Development Agency; iii. Expensive specifications for Road construction; and	i. 3,600km of road network constructed or maintained.	In order to open up areas of productive potential and create substantial job opportunities, the following measures will be undertaken: ❖ Reorganise, streamline and rationalise the institutional framework for the road sector to eliminate inefficiencies, duplications and wastage of resources; ❖ Rationalise and streamline the Road Sector in order to improve the pace of delivery of projects; ❖ Mobilise resources required for road development; ❖ Upscale training and certification of Road Construction artisans;	i. Create 47,000 direct and induced jobs; and ii. Reduction of transportation costs and delivery lead time.

Sector	Constraints and Challenges	Targets	Specific Measures	Outcome / Impact
	iv. Poor regional connectivity coupled with poor road planning.		❖ Utilise labour intensive road construction techniques such as cobble stones for Township roads and paving markets; ❖ Implement sub-contracting of road maintenance by private sector based on periodic cycles; ❖ Upscale the implementation of road pavers, road signs and street signs throughout the country; and ❖ Promote the use of cut stone for pavers.	
Rail Subsector	i. Inadequate coverage of Rail lines; ii. Dilapidated Rail Infrastructure; iii. Poor service provision; iv. Poor security on operations of the railway service; and v. Dysfunctional inter-mine rail links on the Copperbelt.	i. 50% of all bulk transportation moved by rail.	In order to expand the rail network and increase bulk transportation on the railways to 50% the following measures will be undertaken: ❖ Cancellation of the RSZ Concession and source financing for rail line infrastructure; ❖ Reorganise Zambia Railways to take a leading and strategic role in the development of the railway sector; ❖ Zambia Railways in collaboration with institutional and private sector investors to take a leading role in developing Rail projects (Chingola-Jimbe, Kafue-Lion's Den, TAZARA Nseluka – Mpulungu Port, and Extension of Mchinji/Chipata);	

Sector	Constraints and Challenges	Targets	Specific Measures	Outcome / Impact
			❖ Zambia Railways in partnership with institutional investors such as ZCCM-IH and private sector investors to take a leading role in establishing an inter-mine Railway link connecting the Copperbelt and North Western province; ❖ Zambia Railways in partnership with investors to take a leading role in developing Mulobezi Railway line which could link to the Trans Kalahari railway; and ❖ Engage the Tanzanian government with a view to revamping the operations of TAZARA Railway either by concessioning, reinvestment or dissolving the agreement.	i. 15,000 direct jobs to be created;
Manufacturing Sector	i. Low Marketing of the MFEZ's (lack of information); ii. Inadequate incentives to differentiate it from industries operating outside the MFEZ; iii. Bureaucratic inefficiencies especially with regard to tax administration and local authorities; and	i. Increase the number of companies operating in the Chambishi MFEZ to meet the target of 50; and ii. Operationalise the Lusaka South MFEZ.	In order to industrialise the economy , Government will use MFEZ as the main vehicle to attain this objective by undertaking the following measures: ❖ Exempt MFEZ's from local Authority charges; ❖ Implement a separate licensing procedure for the MFEZ by the introduction of a single window; ❖ Eliminate red tape with regard to duty exemption of capital items. Investment certificate to be the trigger or facilitator of incentives at customs offices; ❖ Develop a list of qualifying goods for tax exemption for projects operating in the MFEZ;	i. 26,000 jobs to be created in the MFEZ's and industrial parks

Sector	Constraints and Challenges	Targets	Specific Measures	Outcome / Impact
	iv. Limited investments into Infrastructure in the Lusaka South MFEZ.		❖ Develop clearly defined customs procedures for goods that qualify for duty free exemption; ❖ Implement market based labour regulations for the MFEZ based on international best practice. (e.g. Chinese Special Economic Zones); ❖ Attract targeted FDI for the establishment of anchor industries for Motor Vehicle assembly, Copper fabrication, Pharmaceutical, Electrical and Electronics; and ❖ Develop Schedule of additional incentives for investments with values above US$50 million related to value addition in the MFEZ operators.	
Monitoring and Evaluation measures	i. Poor coordination and financing for national data collection; ii. Delayed data collection due to limited institutional capacity; and iii. Absence of a comprehensive and up-to-date labour database.	i. Strengthened national statistical system	❖ Implement measures to harmonise statistical and information systems in the country; Restructure the Central Statistical Office (CSO) to create a semi-autonomous body with capacity to meet growing mandate on data collection; ❖ Upgrade current statistical infrastructure, regulatory and institutional framework to facilitate the rapid development of capabilities for data collection and dissemination; and ❖ Establish a labour market information system to effectively and efficiently track employment in the country.	i. Restructured Central Statistics Office; and ii. Enhanced national capacity for data collection and analysis.

ANNEX 4 –ESTIMATED COSTS OF KEY PROGRAMMES

Sector	Programmes	Estimated Costs in millions (ZMW)	Source of funds
Tourism	Tourism marketing	8.00	GRZ
	Infrastructure in the Northern Circuit	400.00	GRZ
	Infrastructure in the Greater Livingstone	50.00	PPP
	Establishment of Hotels in National Parks	350.00	Private
	Institutional and Legislative Reforms	3.00	GRZ
	Sub- Total	**811.00**	
Agriculture (Livestock and Crops)	Breeding and Breeding services	35.00	GRZ
	Dipping Services	10.00	GRZ
	Vaccinations	35.00	GRZ
	Goat restocking	3.00	GRZ
	Livestock Extension services	15.00	GRZ
	Disease Free Zones	60.00	GRZ
	Establishment of Satellite Artificial Insemination Stations	20.00	GRZ
	Abattoirs	20.00	GRZ
	Meat Processing and cold Storage	200.00	Private
	Milk collection Centres	100.00	PPP
	Establishment of hides and Skins collection points	12.00	GRZ
	Farmer Input Support Programme	5 000.00	GRZ
	E- Voucher programme	300.00	GRZ
	Horticulture Farmer Clusters	100.00	GRZ
	Nansanga Farm Block,	150.00	GRZ
	Luena Farm Block	500.00	GRZ
	Kalumwange Farm Block	415.00	GRZ
	NRDC	50.00	GRZ
	ZARI	55.00	GRZ
	Grain Storage facilities	120.00	PPP
	CBU Textile Centre of Excellence	65.00	GRZ
	Institutional and Legislative Reforms	1.20	GRZ
	Trade and Investment Promotion	15.00	GRZ
	Sub- Total	**7 281.20**	
Forestry	Institutional and Legislative Reforms	1.30	GRZ
	Establishment of Private forests	350.00	Private
	Recapitalisation of ZAFFICO	65.00	GRZ

MSME	**Sub- Total**	**416.30**	
	Industrial and value chain based Clusters	350.00	GRZ
	Incubation Centres	100.00	GRZ
	Sub- Total	**450.00**	
Engineering Products	Trade and Investment Promotion	15.00	GRZ
	Establishment of Copper value addition enterprises	500.00	Private
	Institutional and Legislative Reforms	1.50	GRZ
	Sub- Total	**516.50**	
Pharmaceutical	Trade and Investment Promotion	12.00	GRZ
	Establishment of Pharmaceutical enterprises	250.00	Private
	Institutional and Legislative Reforms	1.10	GRZ
	Sub- Total	**263.10**	
Manufacturing	Multi Facility Economic Zones	400.00	PPP
	Trade and Investment Promotion	10.00	GRZ
	Institutional and Legislative Reforms	1.50	GRZ
	Sub- Total	**411.50**	
Airports	Expansion of International Airports	550.00	PPP
	Rehabilitation and Construction of Airstrips and Aerodromes	100.00	PPP
	Sub-Total	**650.00**	
Roads	Institutional and Legislative Reforms	10.00	GRZ
	Highway expansion	20 000.00	PPP
	Road development	15 000.00	GRZ
	Sub- Total	**35 010.00**	
Railways	Institutional and Legislative Reforms	5.00	GRZ
	Private railway development	500.00	Private
	Railway development	1 500.00	GRZ
	Sub- Total	**2 005.00**	GRZ
	Monitoring and Evaluation of the Strategy	50.00	GRZ
	Job Creation Coordination Office	56.00	GRZ
	Sub- Total	**106.00**	GRZ
	GRAND TOTAL	**47 920.60**	

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