



REPUBLIC OF ZAMBIA

REVISED NATIONAL MICRO SMALL AND MEDIUM ENTERPRISE DEVELOPMENT POLICY

2023



CONTACT:
THE PERMANENT SECRETARY
MINISTRY OF SMALL AND MEDIUM ENTERPRISE DEVELOPMENT
BLOCK 28, INDEPENDENCE AVENUE
P. O. BOX 50236
LUSAKA.

TEL: +260 211 254 108
EMAIL: msmed@msme.gov.zm
WEBSITE: www.msme.gov.zm





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FOREWORD



Micro, Small and Medium Enterprises (MSMEs) are one of the key drivers for poverty reduction and improvement of the quality of life for households due to their potential to create wealth and jobs. MSMEs contribute to economic growth, foster competitiveness and help in achieving a more equitable distribution of the benefits of economic growth thereby helping in alleviating some of the problems associated with uneven income distribution. The MSME Sector has particularly played a critical role in the economic development process as guided by the 2009 Policy.

In 2009, the Micro, Small and Medium Enterprise Development Policy was formulated to mitigate the challenges faced in the development and coordination of MSMEs. Consequently, the MSME Sector has played a critical role in economic development as guided by the 2009 Policy. Due to changes in the global and local business environment, there was need to review the MSME Policy. Further, during the implementation of the 2009 Policy, the MSME Sector faced challenges with the most significant being low access to affordable finance which inhibited some MSMEs' participation in economic activities. Other challenges included low diversification and industrialization due to inadequate infrastructure in key economic sectors such as transport, agriculture and energy, poor access to markets especially for rural MSMEs and poor product standards which made products made by MSMEs uncompetitive on the domestic and international markets.

This National Policy, therefore, aims at enhancing the role of the MSME sector in economic development, wealth and job creation. It seeks to promote MSME participation and competitiveness in commerce, increasing production and productivity among MSMEs and creating an enabling environment that will reduce the cost of doing business among Sector players.

As the Ministry primarily responsible for the MSME Sector, we shall coordinate and support the implementation of the National MSME Policy to enhance multi-sectoral national economic growth and improved livelihoods of our Zambian population by improving accessibility to markets for products produced by MSMEs, facilitating access to affordable financing and promoting competitiveness of the MSMEs.

The successful implementation of this Policy rests on a collaborative stakeholder participation and commitment in sectoral planning, programme execution, monitoring and evaluation. This Policy shall be implemented with a dynamic approach to domestic, regional and international supply and demand factors so as to retain its relevance and responsiveness to the needs of the country.

A handwritten signature in black ink, appearing to read 'E. Mubanga'.

Elias Mubanga, MP

MINISTER OF SMALL AND MEDIUM ENTERPRISE DEVELOPMENT

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This Policy is a product of research and consultations with stakeholders including Statutory Bodies, Cooperating Partners and the Civil Society Organisations. The Policy development process is indebted to the following organisations and institutions for their valued inputs.

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Lastly, I wish to commend the unwavering commitment and participation of members of staff from the Ministry of Small and Medium Enterprise Development at every stage of the Policy development process.

A handwritten signature in black ink, appearing to be 'Subeta K. Mutelo'.

Subeta K. Mutelo (Mrs)
Permanent Secretary

MINISTRY OF SMALL AND MEDIUM ENTERPRISE DEVELOPMENT

WORKING DEFINITIONS

<i>Business Development Services</i>	Refers to advisory services that include capacity building or training in financing, preparation of business plans, project proposals, loan applications, financial statements, audited statements of expenditure and accounts and other similar .services
<i>Business Incubation Infrastructure</i>	Refers to physical space offered to MSMEs intended to develop their businesses and stimulate networking by providing a wide range of business development services and resources. The purpose of Business Incubation Infrastructure is also to stimulate internal networking and exchange of knowledge .between businesses
<i>Cooperatives</i>	Refers to any enterprise or organisation owned collectively by its members and managed for their joined social economic .benefit and whose activities are not prohibited by law
<i>Crowd funding</i>	Refers to the use of small amounts of capital from a large .number of individuals to finance a business venture
<i>Enabling Environment</i>	Refers to government policies and laws that focus on creating and maintaining a stable macroeconomic environment where .businesses can thrive
<i>Entrepreneurial Culture</i>	Refers to the business practice of starting, developing a new business, revitalising or sustaining an established business through innovation, creativity and risk taking in response to .identified business opportunities
<i>Entrepreneurship Development</i>	Refers to the improvement of skills and knowledge of entrepreneurs through various structured training and learning .programmes
<i>Informal Enterprise</i>	Refers to any business enterprise not registered with the Registrar of Companies or any entity authorised to register an .enterprise for purposes of conducting business
<i>Legal and Regulatory Framework</i>	Refers to legislation and policies that govern the operations of a .business
<i>Legal Status</i>	Refers to registration with the Registrar of Companies and/or .any other legally recognised licensing institutions

<i>Medium Enterprise</i>	.Is as defined under section 2.1 of this Policy
<i>Micro Enterprise</i>	.Is as defined under section 2.1 of this Policy
<i>Mobile banking</i>	Refers to the act of making financial transactions on a mobile .device such as a smart phone or a tablet
<i>Mobile money</i>	Refers to a technology that allows people to receive, store and spend money using a mobile phone
<i>Small Enterprise</i>	.Is as defined under section 2.1 of this Policy
<i>Special Economic Zones</i>	Refers to areas that are subject to unique economic regulations and includes, but not limited to, Multi-facility Economic Zones, Industrial Parks, Inter-Country Trade Zones, Export Processing .zones, Free Trade zones
<i>Start-up</i>	.Refers to a business venture in its early stages of operations
<i>Targeted Citizen</i>	Refers to a citizen of Zambia who is marginalised or disadvantaged and whose access to economic resources and development capacity has been constrained due to various factors including race, sex, educational background, status and .disability
<i>Village Banking</i>	Refers to a small community of people who come together with the common goal of saving money together, lending money to .each other, or collectively investing in a business project

ACRONYMS

8NDP	Eighth National Development Plan
AfCTA	Africa Continental Free Trade Area
BDS	Business Development Services
BDSPAZ	Business Development Services Providers Association of Zambia
BRRA	Business Regulatory Review Agency
CCPC	Competition and Consumer Protection Commission
CDF	Constituency Development Fund
CEE	Citizens Economic Empowerment
CEEC	Citizens Economic Empowerment Commission
EET	Entrepreneurship Education and Training
FISP	Farmer Input Support Programme
GDP	Gross Domestic Product
ICT	Information, Communication and Technology
ILO	International Labour Organisation
KIZ	Kaizen Institute of Zambia
LuSE	Lusaka Stock Exchange
MFEZs	Multi-Facility Economic Zones
MSMED	Ministry of Small and Medium Enterprise Development
MSMEs	Micro Small and Medium Enterprises
NDP	National Development Plan
NSTC	National Science and Technology Council
NTBC	National Technology Business Centre
NTEs	Non-traditional exports
PACRA	Patents and Companies Registration Agency
SED	Small Enterprises Development
SEDB	Small Enterprises Development Board
SID	Small Industry Development
SIDO	Small Industry Development Organisation
SMEs	Small and Medium Enterprises
TEVET	Technical Vocational and Entrepreneurship Training
TEVETA	Technical Vocational and Entrepreneurship Training Authority
VAT	Value Added Tax
ZABS	Zambia Bureau of Standards
ZATP	Zambia Agribusiness and Trade Project
ZCSA	Zambia Compulsory Standards Agency
ZDA	Zambia Development Agency
ZEDEF	Zambia Export Development Fund
ZRA	Zambia Revenue Authority

1.0. INTRODUCTION

The Micro, Small and Medium Enterprises (MSMEs) are one of the key drivers for poverty reduction and improvement of the quality of life for households due to their potential to create wealth and jobs. According to the World Bank SME Finance Report 2022, Small and Medium Enterprises account for the majority of businesses worldwide. They represent about 90 percent of businesses and more than 50 percent of employment worldwide. Formal SMEs contribute up to 40 percent of national income in emerging economies. The Report further notes that, these numbers are significantly higher when informal SMEs are included. In emerging markets, most formal jobs are generated by SMEs.

In the case of Zambia, according to the Financial Scoping Survey Report by the Bank of Zambia and ILO for 2021, MSMEs contribute 70 percent of GDP and 88 percent of employment, and accounts for about 97 percent of all businesses making a significant share of domestic and export earnings and providing a large share of income to the majority of the working population in Zambia

In spite of the contribution of the MSMEs to the growth of the Zambian economy, their full potential is yet to be tapped into due to a number of constraints impeding their development. These constraints include limited access to affordable finance, limited access to local and foreign markets, poor uptake of technology, lack of innovation, weak entrepreneurial culture, inadequate decentralization of services that support MSMEs, poor collaboration among businesses, and fragmented MSME development interventions as a result of overlapping institutional mandates. Other challenges include, inadequate business infrastructure, unfavourable business environment and a huge informal sector.

This Policy, therefore, aims at providing a framework that addresses the challenges in order to achieve sustainable growth of the MSMEs and contribute to Zambia's socio-economic transformation. The Policy document is divided into: Situation Analysis, Vision, Rationale, Guiding Principles, Objectives and Policy Measures and the Implementation Framework. The Implementation Plan is provided as annex to the Policy document.

2.0. SITUATION ANALYSIS

The Zambian economy is characterized by the existence of many micro, small and medium enterprises which contribute to job and wealth creation. The MSMEs account for 97 percent of all businesses contributing 70 percent to GDP growth and 88 percent to employment creation.

The full potential of the MSMEs has yet to be tapped. According to the 2020 Labour Force Survey the national combined rate of unemployment for males and females was 37.3 percent compared to 41.2 percent in 2018. It was higher for females at 44.1 percent and 31.8 percent for males.

2.1. Definition of Micro Small and Medium Enterprises (MSMES)

This Policy has adopted the 2023 Zambia Institute of Policy Analysis and Research (ZIPAR) Report on the Definition of Micro, Small and Medium Enterprises. Proper classification and definition of MSMEs is a prerequisite for successful targeting of support programmes and provision of incentives. In this regard, MSMEs in Zambia shall be defined based on the following business variables:

- a) Annual Turnover
- b) Total fixed Investments
- c) Number of employees.
- d) Legal status

Below is the official Zambian definition of Enterprises in the MSME sector.

1 Micro Enterprise

A micro enterprise shall be any business enterprise:

- i) Whose annual turnover shall be up to One Million Kwacha (K1000,000.00)
- ii) Employing up to ten (10) persons.
- iii) Whose total investment, excluding fixed assets (land and building) is as indicated below:

Sector	(Lower Limit (K	(Upper Limit (K
Agriculture	1	250,000.00
Mining and Quarrying	1	5,000,000.00
Manufacturing and Other	1	400,000.00
Services and Trade	1	250,000
Construction	1	400,000

2 Small Enterprise

A small enterprise shall be any business:

- i) Whose annual turnover shall be between One Million and One Kwacha (K1,000,001) but not exceeding Ten Million Kwacha (K10,000,000);
- ii) Employing between 11 and 50 employees
- iii) Whose total investment, excluding fixed assets (land and building) is as indicated below;

Sector	(Lower Limit (K	(Upper Limit (K
Agriculture	250,001.00	5,250,000.00
Mining and Quarrying	5,000,001.00	10,500,000.00
Manufacturing and Other	400,001.00	8,400,000.00
Services and Trade	250,001.00	5,250,000.00
Construction	400,001.00	8,400,000.00

3 Medium Enterprise

A medium enterprise shall be any business:

- i) Whose annual turnover shall be between Ten Million and One Kwacha (K10, 000, 001.00) to Fifty Million Kwacha (K50, 000, 000.00).

- ii) Employing between 51 to 100 people
- iii) Whose total investment, excluding fixed assets (land and building) is as indicated below:

Sector	(Lower Limit (K	(Upper Limit (K
Agriculture	5,250,001.00	25,000,000.00
Mining and Quarrying	10,500,001.00	50,000,000.00
Manufacturing and Other	8,400,001.00	40,000,000.00
Services and Trade	5,250,001.00	25,000,000.00
Construction	8.400,001.00	40,000,000.00

2.2. Historical background of the MSME Sector

At independence in 1964, Zambia's economy was dominated by foreign investment mainly in the mining sector. In 1965 Government put in place the Pioneer Industries Act of 1965 (relief from Income Tax) which was intended to promote import substitution in light industry. During the period 1966 to 1972, the ownership pattern was transformed from private to public sector ownership. Efforts were also made to strengthen domestic entrepreneurs. This mainly focused on restricting domestic trade, transport, supply of building materials and Government contracts to citizens. These measures were not successful due to limited entrepreneurial capacity for most Zambians. Consequently, Government enacted the Small Industries Development (SID) Act which saw the establishment of Small Industries Development Organisation (SIDO) in 1981.

The establishment of SIDO was an attempt to enhance the effectiveness of the MSMEs contribution to the national economy. In support of the SID Act, provisions were made in the Fourth National Development Plan of 1989 to provide infrastructure for operations of MSMEs, promote access to credit by MSMEs with growth potential and to improve production capacities of MSMEs with the view to increase incomes and employment.

In 1992, the Government liberalised the economy and encouraged private enterprise development which was supported by the formulation of the Commercial Trade and Industrial Policy in December 1994. Further, in 1996, the Government repealed the SID Act No. 18 of 1981 and replaced it with the Small Enterprises Development (SED) Act No. 29 of 1996. The Act provided a number of incentives to spur the development and growth of MSMES into viable entities. However, most of the incentives were not implemented partly because the systems to support their implementation were not put in place. As a result, through the 1996 Small Enterprise Development Act, SIDO was transformed into Small Enterprises Development Board (SEDB). In 2006, the Small Enterprises Development Board (SEDB) was among the institutions that were amalgamated to form the Zambia Development Agency. In the absence of a MSMED Policy, development of the MSME landscape and coordination of development interventions remained a major challenge in the country.

In 2009, the Government put in a place the MSMED Policy and its Implementation Plan. In the process of implementing the Policy, new developments emerged which have necessitated reviewing the Policy. Rapid changes in ICT meant remarkable use of e-commerce platforms by MSMEs which enhanced the way of doing business. The creation of the Africa Continental Free Trade Area (AfCTA) brought in a new

dimension in the conduct of commerce and trade such as removal of tariff and non-tariff barriers, liberalizing MSMEs and liberalizing services which will create competition to goods and services produced by MSMEs. Global pandemics in particular COVID-19, disrupted supply chains and resulted in the closure of markets and MSMEs needed to come up with alternative modes of business delivery and trading. These developments have therefore, necessitated for policy changes that will put MSMEs on a competitive level of the local and African markets.

2.3. Characteristics of MSMEs in Zambia

In 2019, Zambia had 110,508 tax paying micro, small and medium enterprises indicating a growth in the number of formal enterprises of about 27 percent from the 2012 estimate. Of these enterprises, 47 percent were in wholesale and retail trade, repair of motor vehicles and motorcycles. The others were 5 percent in the construction sector, 4 percent in the agriculture sector, forestry and fishing sector, 2 percent in the manufacturing sector, 1.6 percent in the professional, scientific and technical activities and 1.1 percent in financial and insurance activities according to the Zambia Revenue Authority Annual Report for the year 2019, services continue to dominate business activities of MSMEs on account of lower entry costs and resource requirements. Other sectors require a significant capital outlay and specialised skill set. This, coupled with high cost of borrowing and limited access to credit limits entry in sectors outside services.

The geographic distribution of the 110,508 enterprises showed that Lusaka Province had the highest number of MSMEs, recording 43.5 percent of the total enterprises, followed by the Copperbelt Province with 24.2 percent, Southern Province with 7.2 percent, Central Province with 5.7 percent, Eastern Province with 4.8 percent, North Western Province with 3.9 percent, Luapula Province with 3.4 percent, Northern Province with 2.9 percent, Western Province with 2.3 percent and Muchinga Province with 2 percent (Zambia Revenue Authority, 2019). Lusaka and Copperbelt Provinces combined had 67.7 percent of MSMEs, possibly, due to the wide availability of supporting infrastructure such as: connectivity through road, rail and air, markets; and financial services.

According to the National Financial Sector Development Policy (2017), private credit to GDP was 19 percent, 85 percent of MSMEs in rural areas are unbanked, compared to 15 percent in urban areas. Informal finance, such as village banking, is generally more important and utilised among MSMEs and is more prominent in rural areas. Access to finance is limited due to high levels of informality, cost of borrowing and collateral requirements.

Business activities among most MSMEs are managed by family members and remain characterised by low-level of technology and are oriented towards local and informal market segments. This is evident in the number of MSMEs using digital platforms. Although in the last decade, use of digital platforms for business such as social media as a marketing tool; mobile banking and mobile money to conduct financial transactions has been on the rise, the number of MSMEs using digital platforms has remained low especially in rural areas.

2.4. Overview of the Performance of the 2009 MSME Policy

The major Policy achievements under the objective to increase MSMEs access to affordable business financing include among others: the establishment and operationalization of the Zambia Credit Guarantee

Scheme in 2017 aimed at providing partial credit guarantees to enable viable MSMEs with inadequate collateral have increased access to affordable financing; the creation of the Lusaka Stock Exchange (LuSE) Alternative Market in 2014, to enable SMEs raise capital on the market; introducing the Movable Property (Security Interest) Act No.3 of 2016 which established the Collateral Registry; continued provision of business finance by CEEC; launching of the Zambia Export Development Fund (ZEDEF) in 2017 to run for a period of five (5) years aimed at providing low-cost trade finance to exporters of non-traditional exports (NTEs); and the Zambia Agribusiness and Trade Project (ZATP) 2017-2022, was launched with the objective to move emerging farmers and agribusiness SMEs from their current levels of productivity to higher levels through both financial and technical support.

2.5. Challenges Affecting MSMEs Development and Growth

2.5.1. Limited Access to Affordable Finance

Access to finance remains one of the major challenges faced by MSMEs due to among others high cost of credit and collateral requirements. Despite the creation of the Zambia Credit Guarantee Scheme, the scheme is not able to cater for all eligible MSMEs due to inadequate funding. According to the Bank of Zambia *Zambanker*: of June, 2018, the survival and growth of SMEs continue to be at risk because of the difficulties they face in accessing finance through traditional financial institutions.

2.5.2. Lack of Innovation and Poor Uptake of Technological Solutions for Business

Although a number of programmes and initiatives aimed at strengthening innovation and technological capacity have been launched, they have not yet translated into significant improvement of innovation and technological capacity among MSMEs. The key challenges faced include among others low funding to innovation and technology support programmes and weak cooperation between industry, academia and public institutions in the innovation field. This hampers the effectiveness of measures aimed at developing the innovative capacity and sustainability of MSMEs.

2.5.3. Weak Entrepreneurial Culture

Embracing an entrepreneurial culture is key to the development and growth of MSMEs. Entrepreneurial culture implies a set of values, norms and traits that are conducive to the growth of MSMEs. MSMEs must therefore develop a futuristic way of redefining their purpose and mission by inculcating and resetting their attainable objectives, and developing long-term strategy against the background of emerging opportunities and impending threats inherent in domestic and global environments on the one hand and competencies and weaknesses, on the other.

Global experience has shown that generally most of the entrepreneurs operate in a downward spiral with most of them closing down within their first five years of existence. A smaller percentage also goes into extinction between the sixth and tenth year while only about five to ten percent survive, thrive and grow to maturity. Many factors contributing to the low survival rate of MSMEs have been identified. Key among them is the lack of entrepreneurship skills. Entrepreneurship is enhanced by capacity building which entails imparting knowledge and skills that will help MSMEs grow. This is critical because MSME growth and sustainability depends on the development and implementation of entrepreneurial schemes that consider

the different needs of MSMEs. Further, each MSME category requires specialized entrepreneurship training to meet specific needs.

Institutions such as Cooperatives College, CEEC, ZDA and TEVETA have programmes to develop entrepreneurship skills. Entrepreneurship Education and Training (EET) has been integrated into the existing mainstream curricula at all levels of education. However, at universities, EET is offered mostly to students that are doing business studies, therefore, there remains need to integrate entrepreneurship training in all university studies in order to inculcate a culture of entrepreneurship to all graduates.

2.5.4. Inadequate Decentralization of Services that Support MSMES,

Under the National Decentralisation Policy, Government is devolving functions from the centre to the Local Authority structures. This is aimed at delivering services in a timely and responsive manner. Among the services that are required by MSMEs at the District level include registration of businesses, business support services, licensing of businesses and regulation of businesses. However, some institutions that provide these services such as the registration and licensing authorities for issuance of tourism licenses in the tourism sector, have no presence at the Province and District levels. Consequently, MSMEs that require these services have to travel long distances to Lusaka and Regional Offices to obtain tourism licenses. This increases the cost of doing businesses among MSMEs. Lack of a robust MSME Management Information System which can be used to plan for the delivery of these services further compounds the problem.

2.5.5. Weak Coordination of MSME Empowerment Interventions

Currently, there are initiatives to empower MSMEs which sit under different Ministries such as the Youth Empowerment Fund, Constituency Development Fund (CDF), Farmer Input Support Programme (FISP) and the Citizens Economic Empowerment Fund. These empowerment initiatives are uncoordinated and, in most cases, target the same beneficiaries which leads to duplication of efforts.

2.5.6. Unfavourable MSME Business Environment

Zambia has been implementing ease of doing business reforms aimed at ensuring that the regulatory environment is conducive to business operations. Some of the notable achievements towards creating a conducive environment for doing business include among others: reduction of the time required to register a business by creating a one-stop shop at PACRA in 2009; by raising the threshold at which value added tax (VAT) registration is required in 2014; and implementation of the electronic filing and payment for VAT in order to simplify payment of taxes in 2016. Further, in February 2020, the Zambia Trade Information Portal was launched to improve the flow of information, automate trade procedures, improve risk-management processes, and boost the overall performance of border-control agencies.

Despite these achievements, the MSME business environment is hampered by poor access roads to areas of economic activity and inadequate electricity supply. Further, MSME in supply chains and construction face the challenge of late payments for their products, works or services that negatively impact on their cash flows thus compounding their ability to survive.

2.5.7. Limited Access to Local and Foreign Markets

In an effort to improve access to local and export markets, Government developed the National Trade Policy and Export Strategy in 2018 to make provisions to capacitate MSMEs to participate in local, regional and global value chains. In addition, the Government periodically facilitates MSMEs participation in local and international fairs/shows/exhibitions and business fora. Market linkages for MSMEs have also been established through Business-to-Business meetings and the signing of supplier contracts for MSMEs with larger firms. Furthermore, MSMEs have been equipped with business intelligence and market information, market readiness trainings and links with relevant certification institutions. Moreover, through the Market Connect Programme, the Zambia Agribusiness and Trade Project (ZATP) promotes sustainable integration of agribusiness MSMEs into value chains with established end-markets and large buyers.

Notwithstanding these efforts, MSMEs still face challenges in accessing markets due to non-tariff barriers, failure to meet domestic and international market standards and costs associated with product certification. In addition, there is no framework that helps to actualize opportunities identified during the local and international business expositions. Further, there are no incentives that attracts larger companies to incorporate MSMEs in their supply and value chain.

2.5.8. Access to Business Development Services,

The Government through ZDA and CEEC has been implementing business development services (BDS) including export capacity building, business incubation and acceleration. As part of harmonizing the provision of BDS to MSMEs, ZDA facilitated the creation of the Business Development Services Providers Association of Zambia (BDSPAZ) with the aim to develop, support and promote MSMEs for ensured growth and sustainability by providing high quality business assistance in partnership with other stakeholders. In addition, CEEC in collaboration with TEVETA have developed BDS curriculum to improve structured growth of MSMEs.

However, MSMEs still face challenges in accessing BDS services especially in rural areas due to high cost of support services and unstructured private sector BDS providers. Further, there is no designated Government Institution that provides quality assurance on the delivery of BDS in line with best practice, registers BDS providers and regulates BDS providers. Therefore, there is need to put in place a framework that ensures that MSME's have adequate access to quality BDS. Further, as a measure to improve access to BDS, the development of a database and system for managing MSME information and the regular conducting of MSME surveys and baseline studies is key.

2.5.9. Inadequate Business Infrastructure

MSME sector lacks systematically structured and developed business premises and infrastructure that can facilitate the development of individual enterprises so that they can have meaningful contribution to economic growth. Business infrastructure such as markets, industrial yards, incubation centres and economic zones play a critical role in the smooth operations of MSMEs.

The focus of the 2009 Policy under infrastructure was firstly, to facilitate the development of Business Incubators and Industrial Parks; and secondly to designate land and establish Multi-Facility Economic

Zones. Since the development of the Policy in 2009, Government established a number of Multi-Facility Economic Zones (MFEZs) and Industrial Parks. In relation to Business Incubators; Government through various Agencies such as ZDA and NTBC, continuously provided business incubation services to MSMEs. However, there is limited physical business incubation infrastructure. Therefore, more focus should be placed on the development of Business Incubators, Special Economic Zones and Infrastructure that will support MSMEs to carry out their various business activities. In addition, public private partnerships should be promoted to enhance private sector participation in provision of business infrastructure.

2.5.10. Informal MSMEs

The other challenge resonates with the need to reduce the currently existing high number of informal MSMEs. The informal MSMEs have grown due to perceived costs associated with formalisation such as multiple licensing regimes, tax obligations and registration requirements. According to the Zambia Business Survey, 80 percent of private sector business were operated by MSMEs out of which 90 percent were informal and providing 73 percent of the employment. It is reported in the 2020 Skills Survey Report that 80 percent of Zambia's working population are in the informal sector, an indication that informality of most MSMEs is still high in the country. This makes it difficult for Government to support the MSMEs efficiently to realise their full potential to contribute to economic development because they are not registered with the Companies Registration Authority

3.0. VISION

“Prosperous Micro, Small and Medium Enterprises that significantly contribute to wealth and job creation.”

4.0. RATIONALE

The Micro, Small and Medium Enterprises (MSMEs) are key drivers of socio-economic development. In the case of Zambia, there have been a myriad of policies and strategies that are associated with the development of MSMEs. These have aimed at enhancing MSMEs' participation in the industrial development through linkages between MSMEs and large firms, development and dissemination of technology, improved entrepreneurship education and training and improved access to business development services amongst others. Despite these efforts, most MSMEs have not been able to produce internationally acceptable products and services, and have had minimal participation in regional and global value chains. Promotion of business linkages between MSMEs and local and international markets has equally been a challenge leading to failure to develop labour-intensive industries and enterprises that can generate the much-needed employment.

This Policy aims at providing a framework that addresses the challenges through coordinated national initiatives that support the growth of MSMEs.

5.0. GUIDING PRINCIPLES

The implementation of this Policy will be guided by the following principles:

- i) **Innovation:** The Policy will support innovation among MSMEs to develop goods and services that contribute to socio-economic development;
- ii) **Partnerships:** The implementation of the Policy will leverage partnerships amongst the Public Sector, Private Sector, Cooperating Partners, Non-Governmental Organisations (NGOs), and other stakeholders to implement the MSME Development Policy.
- iii) **Sustainable Development:** Implementation of the Policy is premised on benefiting current and future generations in the socio-economic transformation agenda;
- iv) **Good Governance:** The Policy is premised on transparency and accountability in the administration of MSMEs;
- v) **Inclusiveness:** The Policy is premised on the principles of involving all stakeholders in the development of MSMEs regardless of gender, race, religion or differently abled;
- vi) **Equity:** Implementation of this policy recognises the status of different MSMEs based on their skill, technology, financial status, location and socio-economic conditions;

6.0. POLICY OBJECTIVES

6.1. General Objective

The overall objective of the Policy is to achieve sustainable growth of the MSMEs in order to contribute to socio-economic transformation.

6.2. Specific Objectives

The Specific Objectives are:

- i) To achieve a prosperous MSME Sector that contributes to employment and wealth creation;
- ii) To contribute significantly to the country's economic diversification agenda;
- iii) To develop a culture of innovation among MSMEs;
- iv) To develop a culture of technological adoption among MSMEs; and
- v) To attain an integrated coordinating framework for MSME development programmes.

6.3. Policy Measures

Specific Objective 1: To achieve a prosperous MSME Sector that contributes to employment and wealth creation

Measures

- i) Promote the development and growth of MSMEs.
- ii) Promote MSMEs access to affordable finance
- iii) Promote MSMEs access to appropriate business infrastructure.
- iv) Promote participation of MSMEs in the value chains
- v) Enhance MSME access to domestic, regional and international markets
- vi) Promote the enhancement of entrepreneurial capacity of MSMEs.
- vii) Promote MSME access to business development services
- viii) Promote formalisation of MSMEs
- ix) Promote MSMEs product and service standards for competitiveness.

Specific Objective 2: To contribute significantly to the country's economic diversification agenda;

Measures

- i) Promote MSMEs growth in non-traditional sectors
- ii) Enhance MSMEs' Participation in key economic sectors

Specific Objective 3: To develop a culture of innovation among MSMEs

Measures

- i) Promote innovativeness among MSMEs; and
- ii) Promote MSMEs awareness of intellectual property rights to patent their innovation.

Specific Objective 4: To develop a culture of technological adoption among MSMEs

Measures

- i) Promote MSMEs uptake of modern technology;
- ii) Strengthen collaboration among public institutions, research institutions and MSME apex bodies to deliver technological support to MSMEs; and
- iii) Promote MSMEs compliance with intellectual property rights.

Specific Objective 5: To attain an integrated coordinating framework for MSME development programmes

Measures

- i) Develop a mechanism for the coordination of empowerment interventions; and

- ii) Develop an Integrated Management Information System

7.0. CROSS CUTTING ISSUES

Some of the cross-cutting issues that impact MSMEs include gender, youths, disability, nutrition, HIV/AIDS and climate change.

Youth entrepreneurs face challenges of lack of funding, unfavourable government policies, lack of suitable capital and lack of access to credit. These challenges make youth-owned enterprises develop at a very slow pace.

Women in business face the burden of balancing responsibilities between being a mother, wife and running a business. Entrepreneurship demands time and patience and a large number of women are not just business or career people, they have a family, spouse, children and various other responsibilities. Society and family expect women to be good mothers and wives who must always be available for the family and be committed to their businesses. It often becomes difficult to balance personal and professional life and it is much more difficult for those who lack support from family. Furthermore, very few women venture into business for fear of failure thus business is still male-dominated.

8.0. IMPLEMENTATION FRAMEWORK

The MSME Development Policy shall be implemented in line with various policies and development initiatives that have a bearing on the provisions of this Policy. The Policy will be closely aligned with other Government initiatives outlined in the National Development Plan (NDP), as well as other programmes by development partners that aim to develop MSMEs.

8.1. Institutional Framework

In order to implement the above mentioned measures it will be necessary to strengthen the policy of MSMEs in order to guide their operations in the economy. The role of stakeholders in the implementation of this policy will be as follows:

8.1.1. Ministry responsible for MSMEs

The Ministry responsible for Micro, Small and Medium Enterprises shall be responsible for the overall strategic policy guidance as well as coordination of matters of MSMEs across the country.

8.1.2. Line Ministries

- a) Ministry of Commerce Trade and Industry shall collaborate with the Ministry responsible for MSMEs in trade facilitation, investment and business promotion for MSMEs.
- b) Ministry of Finance and National Planning shall collaborate with the Ministry responsible for MSMEs in providing technical and financial support to MSMEs.
- c) Ministry of Agriculture shall collaborate with the Ministry responsible for MSMEs in providing extension services and farmer input support to small and medium-scale farmers and support to other small and medium scale enterprises in the agricultural value chains.

- d) Ministry of Fisheries and Livestock shall collaborate with the Ministry responsible for MSMEs in providing extension services and livestock input support to small and medium-scale livestock farmers and support to other small and medium scale enterprises in the livestock value chains.
- e) Ministry of Mines and Mineral Development shall collaborate with the Ministry responsible for MSMEs in the management and coordination of MSMEs in the mining sector.
- f) Ministry of Lands and Natural Resources shall collaborate with the Ministry responsible for MSMEs in the acquisition and utilisation of land and natural resources by MSMEs.
- g) Ministry of Tourism shall collaborate with the Ministry responsible for MSMEs in the management of MSMEs in the tourism sector
- h) Ministry of Infrastructure and Urban Development shall collaborate with the Ministry responsible for MSMEs in providing standards in the construction of infrastructure and the provision of physical infrastructure to support the operations of MSMEs
- i) Ministry of Local Government and Rural Development shall collaborate with the Ministry responsible for MSMEs in promoting a decentralised and good local governance system and facilitating delivery of quality municipal services to MSMEs.
- j) Ministry of Home Affairs and Internal Security shall collaborate with the Ministry responsible for MSMEs in providing and maintaining internal security for the smooth operations of MSMEs in the country.
- k) Ministry of Green Economy and Environment shall collaborate with the Ministry responsible for MSMEs in ensuring that MSMEs maintain good environmental protection standards in their operations.
- l) Ministry of Technology and Science shall collaborate with the Ministry responsible for MSMEs to promote, market and transfer technologies in the country in order to enhance the utilisation and adoption of science, new technologies and innovation by MSMEs to contribute to industrialisation, economic development and job creation.
- m) Ministry of Transport and Logistics shall collaborate with the Ministry responsible for MSMEs to ease the transportation of goods produced by MSMEs and to create a conducive environment for MSMEs in the transport and logistics sector.
- n) Other Ministries will among other things collaborate with the Ministry of Small and Medium Enterprise Development in ensuring that MSMEs are well coordinated and operate for the benefit of the economy.

8.1.3. Local Authorities

Local Authorities shall be responsible for coordination and enforcement of standards in the operations of MSMEs at local level. They shall also offer business incentives and services such as registration of businesses. Local Authorities will also be responsible for licensing and registration of business in line with the Decentralisation Policy.

8.1.4. Cooperating Partners

Cooperating Partners are expected to provide technical and financial support to MSMEs.

8.1.5. Non-State Actors (NGOs, CSOs and Large Corporations)

Non-State Actors and Large Corporations will play an important role in ensuring that MSMEs are coordinated through value chains.

8.2. Legal Framework

The MSMEs will be operating within legal framework that will enable the development of the economy in different sectors of their operations. Different pieces of legislation have a bearing on the successful implementation of the MSME Development Policy. These include:

- i) The Zambia Development Agency Act No. 17 of 2022 which provides for promotion and facilitation of investment and trade, competitiveness in business development and privatisation of State-Owned Enterprises.
- ii) Investment, Trade and Business Development Act No. 18 of 2022 which provides for enforcement of investment protection and promotion of agreements between an investor and Government
- iii) The Companies Act No. 10 of 2017 which provides for legalisation of business operations in Zambia through registration of companies, trademarks, industrial designs and patents;
- iv) The TEVET Act No. 13 of 1998 as amended in the TEVET Act No. 11 of 2005 which advocates for promotion of a culture of entrepreneurship among citizens through entrepreneurship training for TEVET trainees, informal sector operators and the micro, small and medium enterprises;
- v) The Small Enterprises Development Act No.29 of 1996 which provides a legal framework for MSMEs;
- vi) The CEE Act of 2006 which provides for economic empowerment of citizens through the practice of enterprise and provision of the empowerment fund; and
- vii) The Banking and Financial Services Act, Cap 287 which regulates provision of banking and financial services.

The implementation of the various strategies of the MSME Development Policy may involve programmes which are beyond the mandate of MSMED. In the event that certain legislation impedes effective implementation of the MSME Policy, MSMED shall work proactively to remove any such impediments by collaborating closely with relevant institutions to ensure that appropriate reforms are made to the legislation in question. In situations where the existing legal framework is not sufficient to support the smooth operations of MSMEs, there will be need to formulate new legislation.

8.3. Resource Mobilisation and Financing

Successful implementation of the MSME Development Policy will depend on timely availability of financial resources for implementation of recommended strategies. The implementation of the Policy shall be funded by National budgetary allocations; and contributions from Cooperating Partners.

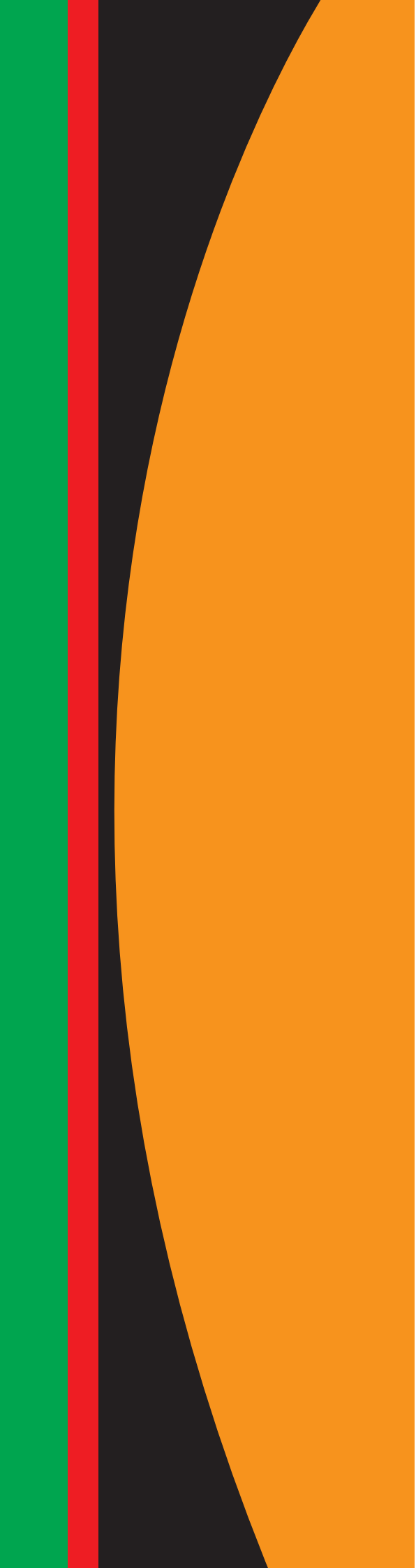
8.4. Monitoring and Evaluation

The implementation of this Policy will be coordinated by the Ministry responsible for MSMEs. In collaboration with other Public Sector Institutions, Statutory Bodies, Cooperating Partners and Agencies, the responsible Ministry will periodically monitor progress of implementation of the MSME Development Policy and coordinate termly evaluations of the Implementation Plan. A monitoring and evaluation framework will be developed to encourage responsibility for the implementation of planned interventions by respective institutions.

The focus of monitoring and evaluation efforts will be in three key areas of:

- i) **Technical performance** to assess quality, effectiveness, inclusiveness and relevance of intervention activities in achieving set objectives;
- ii) **Time performance** to ensure that programmes and projects are implemented on schedule and that they are being implemented within stipulated time frames; and
- iii) **Cost performance** to review the relationship between projected cost of interventions, actual expenditure and the resulting outputs.





CONTACT:
THE PERMANENT SECRETARY
MINISTRY OF SMALL AND MEDIUM ENTERPRISE
DEVELOPMENT
BLOCK 28, INDEPENDENCE AVENUE
P. O. BOX 50236
LUSAKA.

TEL: +260 211 254 108
EMAIL: msmed@msme.gov.zm
WEBSITE: www.msme.gov.zm