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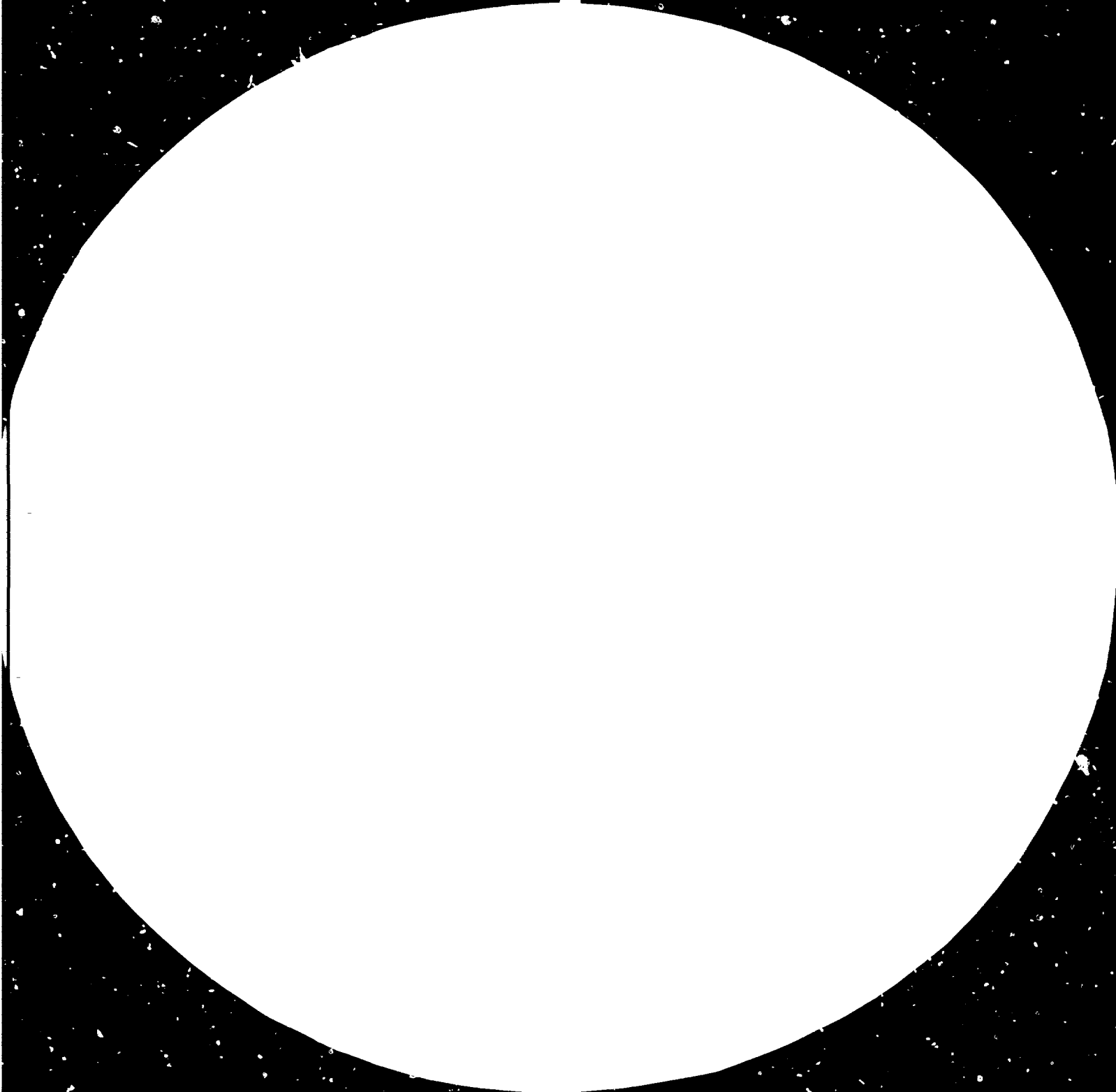
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REPUBLIC OF ZAMBIA

REPORT ON SMALL-SCALE INDUSTRY*

C. Zimmermann
C.R. Wynne-Roberts

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WORLD BANK/UNIDO
CO-OPERATIVE PROGRAMME

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PREFACE

Under the auspices of the World Bank/UNIDO Co-operative Programme, the Mission was carried out by Christian Zimmermann, Industrial Development Officer, Institutional Infrastructure Branch, Division of Industrial Operations, UNIDO, and C. R. Wynne-Roberts, consultant.

After briefing in Vienna and an extended telephone briefing by the World Bank, Washington, the field work began in Zambia on 3 December 1979. The team members worked together in Zambia until 15 December, when Mr. Wynne-Roberts left for Washington for discussions at World Bank headquarters from 17-19 December. Mr. Zimmermann continued working in Zambia until 20 December. On 4 January 1980 Messrs. Wynne-Roberts and Zimmermann met again in Vienna, following which Mr. Wynne-Roberts returned to Zambia, where he stayed until 24 January 1980 in order to carry out the second part of the Mission. Report preparation began on 28 January 1980.

The Mission is grateful for the assistance of a number of officials in Zambia, and would like to express its sincere thanks for the assistance and co-operation received in the course of their work.

The observations and opinions expressed in this report are those of the Mission members and do not necessarily reflect those of either UNIDO or the World Bank Group.

CURRENCY EQUIVALENTS

\$US 1 = 0.78 Kwacha (K)

ABBREVIATIONS

ACOSCA	African Credit Union Association
AFC	Agricultural Finance Corporation
CUSA-ZAMBIA	Credit Union and Savings Association of Zambia
DBZ	Development Bank of Zambia
FINDECO	State Finance and Development Corporation
IFCO	Industrial Finance Corporation
ILO	International Labour Organisation
INDECO	Industrial Development Corporation
KfW	Kreditanstalt für Wiederaufbau
MDAS	Management Development and Advisory Service
NAMBORD	National Agricultural Marketing Board
RCM	Roan Consolidated Mines Ltd.
TNDP	Third National Development Plan
UNIDO	United Nations Industrial Development Organization
UNDP	United Nations Development Programme
VIS	Village Industry Service
ZIMCO	Zambia Industrial and Mining Corporation
ZSIDC	Zambia Small-Scale Industries Development Corporation

I. PREVIOUS STUDIES OF SMALL-SCALE ENTERPRISES IN ZAMBIA

1. The principal studies of the small-scale sector in Zambia which were carried out in the recent past and are of direct relevance to the work of the Mission are:

Christie, M.A.B.	<u>An Outline Programme of Assistance to Very Small-Scale Businessmen and Self-employed Artisans in Zambia</u> , World Bank, Washington, 1977.
Christie, M.A.B.	<u>Zambia, Second Urban Project - Aid to the Informal Sector</u> , World Bank, Washington, 1977.
Di Tullio, Katherine	<u>Financing Small-Scale Industries in Zambia</u> , World Bank, Washington, 1974.
Government of India	<u>Prospects of Small-Scale Industries in the Republic of Zambia</u> , Report of the Indian Delegation, Ministry of Industry, New Delhi, 1977.
Habsburg, Dominic	<u>Small-Scale Industry in Zambia, Findings and Recommendations</u> , (PRE/ID/2 ZAM DDC 2), World Bank, Washington, 1978.

2. Because a number of studies has already been made, the background data in this report has been kept to a minimum. The following is a summary of some of the salient findings in these studies:

A. The Di Tullio Report

3. The Di Tullio report is based on data from around 1971-73 and is therefore no longer entirely relevant. It emphasizes the relatively restricted role of the small-scale sector of manufacturing industry as well as its limitation to urban centres, the Copperbelt and the line of rail. At that period the production of manufactured goods, such as it was, was directed to high income groups. The report also points out that during this period, when the State had taken majority holdings in all major industries, the policy towards the private, small-scale sector was ambiguous. It concluded that it would be difficult to ensure effective assistance to this sector until policies had been clarified. The Second National Development Plan (1972-76) emphasized the creation of industries to the largest possible extent in areas which had not benefited from industrial development. The furthering of this policy was placed in the hands of RUCOM Holding Ltd., a parastatal organization. Financing was provided by another parastatal organization, the Industrial Finance Company (IFCO).

4. The report describes the structure of the State corporations responsible for industrial development, notably the Zambia Industrial and Mining Corporation (ZIMCO), the Industrial Development Corporation (INDECO), of which RUCOM is a subsidiary, and the now defunct State Finance and Development Corporation (FINDECO), which embraced IFCO.

5. The report contains a useful critical and historical study of RUCOM Industries Ltd., which is quoted later in this report.

6. The Di Tullio report also discusses IFCO and its problems. It concludes on a negative note.

B. The Christie Reports

7. From the point of view of the Mission, Mr. Christie's reports are the most useful in providing information on which projects might be based, in conjunction with data acquired by the Mission itself. However, his work relates almost exclusively to the informal sector and artisans in urban areas.

8. There are a number of case histories in Mr. Christie's first report, entitled An Outline Programme of Assistance to Very Small Businessmen and Self-employed Artisans in Zambia, of small, self-employed artisans. He makes some pertinent observations regarding such matters as training, institutional obstacles to self-employment (e.g. tenancy regulations preventing the use of dwellings for purposes of trade), lack of workshops suitably sited near markets, the limited tradition of manual skills in Zambia suited to modern production, and lack of extension services. Lack of credit facilities does not constitute a particular handicap to the smaller artisans. (This is largely borne out by the findings of the Mission.) The report concludes with a proposal for a pilot project in Lusaka, which is examined later in this report.

9. Mr. Christie's second report, Aid to the Informal Sector, picks up where the first report concluded. The author points out that the informal sector is responsible for a considerable range of manufacturing and repair activities. It employs about 150,000 people, of whom about 30,000 are employed in manufacturing and repair. Since 1970 it has been the informal and not the formal sector which absorbed new entrants to the labour force.

10. The report examines in some detail the failure of the workshops set up by RUCOM Industries in rural centres such as Chipata, Kasama and Choma. An extract is quoted in this report in the context of RUCOM Industries.

11. Attempts by the Management Development and Advisory Service (MDAS), with the help of ILO, to provide business courses for shopkeepers proved a failure. Mr. Christie points out that it is difficult to provide effective assistance by means of the classroom alone.

12. Mr. Christie also points out the difference between the country's informal sector and the small-scale manufacturing sector based on traditional skills and technologies in Asia, where competition from both other small firms and modern, capital-intensive industry is intense, and where demand is shifting to modern products. Informal sector manufacturing in Zambia is based on imported skills and techniques. Any mechanization of skills may pose a threat to the earnings of skilled, self-employed craftsmen and to the profitability of cottage industries. However, this will probably not be the case in Zambia. Large firms are high-cost operations which at present rely heavily on highly paid foreign managerial and technical manpower. Informal sector enterprises pay employees about a quarter of the rate paid to employees in the formal sector, whose wages are based on those of the mining industry.

13. Another cost advantage of informal sector enterprises is the very low cost of plant and machinery overheads. The use of hand tools is widespread, although ranges of light, power-operated tools are now available for most trades. However, even though these are fairly inexpensive, their use has largely not been appreciated.

14. The report quotes cases of competitive small enterprises in Lusaka and elsewhere engaged in the production of quite a wide range of domestic and other articles. The most successful of these provided paid employment. The range of incomes earned by these enterprises is broad, varying from less than the average monthly wage of a paid worker to fairly substantial earnings. It may perhaps be added by the writers of the present report that a major factor in the build-up of the very small businesses seems to be the extent to which the entrepreneurs are willing to put aside a major portion of their earnings.

15. Mr. Christie's second report is primarily concerned with providing incomes for those living at or near subsistence levels in shanty towns around Lusaka. He points to their need for additional income for some improvements which would result from basic urban renewal activity.

16. The report examines the situation in Zambia in 1977 (which is substantially the same as it is today) and suggests a range of products which could be made profitably by small-scale enterprises and artisans were they to be given small

amounts of financial assistance as well as training and technical assistance. It also examines the possible need for the provision of workshops, shop sites and markets. Some highly relevant proposals are made for training programmes. It may be noted that, as far as the writers of the present report are aware, no action whatever has been taken to implement the proposals made in Mr. Christie's second report.

C. The Habsburg Report

17. Although the Habsburg mission took place after the Indian Delegation's mission in 1977, it is dealt with here first, since it forms the last of the series of World Bank reports prior to the present one.

18. The Habsburg report is the first which attempts a definition of small-scale industries in the Zambian context. It also provides an analysis of the activities of various groups of artisans, small traders and businessmen under the headings:

Artisans
Peddlers
Market-place Workshops
Industrial Estates ^{1/}
Agricultural Industry

19. The report also gives a useful overview of the Government's small-scale industry policies and agencies. Mr. Habsburg does not make any comments, but rather confines himself to statements of aims.

20. This is the sole report to take into consideration historical and social conditions affecting the development of the Zambian economy and it is therefore useful in providing some insights into factors which may have to be considered when projects are set up, although more study is certainly needed in this respect. Topics which are dealt with briefly are entrepreneurship, workers' attributes, management in industry, marketing policies, product design and development, plant and equipment, and raw material supplies. There is some updating of information on RUCOM and a brief chapter on credit programmes for small-scale industry.

21. There is a large number of recommendations, the most important of which involves an attempt to orient thinking away from the Small-Scale Industries Development Corporation proposed in the Indian Report. As an alternative to

^{1/} The discussion of industrial estates seems to be theoretical, since no specific estate is mentioned.

this, Mr. Habsburg recommends a much smaller organization, preferably attached to the Village Industries Service and/or to one of the technological training institutions. While agreeing with Mr. Habsburg in his rejection of the Indian proposal, the Mission is not convinced that his alternative has a better chance of succeeding.

D. The Indian Delegation's Report

22. A team from the Small Industries Commission of the Government of India visited Zambia in 1977. In spite of the fact that it seems to have travelled quite extensively both in the Copperbelt and the provinces, its report shows little evidence of an understanding of Zambian conditions, which are hardly discussed. The recommendations include suggestions for the establishment of a number of industries, exemplified by standard "hand-outs", and a proposal for a Small-Scale Industries Development Corporation. From its organization chart, included in chapter III of this report, it can be seen that the proposed organization would involve a large number of highly qualified executives, who are not available in sufficient numbers in Zambia at present, nor will they be in the near future. The Small-Scale Industries Development Corporation would appear to have the makings of yet another large, bureaucratic organization. It represents an attempt to create small industries from above rather than by supporting an organic growth from below.

23. It is unfortunate that this report appears to be the only one which the Zambian Government has taken any notice of, and its proposals formed the basis of a draft Small-Scale Industries Development Act, which the Government is anxious to see passed as early as possible. The Mission is opposed to the creation of such an all-embracing organization at the present time. The matter is discussed further in chapter III.

24. Taken together, the four World Bank reports present a reasonably complete picture of the situation in Zambia as regards small-scale and artisan enterprises. Background information in the present report is therefore confined to matters essential to the development of the discussion and its conclusions, to new material not previously mentioned, and to updating some of the earlier information.

II. SOME BRIEF NOTES ON CURRENT CONDITIONS IN ZAMBIA

A. Background

25. The various World Bank reports prepared over the last few years contain a great deal of statistical and other basic data which it seems unnecessary to repeat. This chapter will therefore summarize conditions in Zambia as they exist today and, in certain cases, the factors which led to them. It will also summarize certain aspects of Zambia's geographical, demographic and economic structure which must be borne in mind when developing plans and proposals.

26. Zambia is a very large and under-populated country. It has an area of 743,900 km². In 1974 the population was stated to have been 4,695,000. 1,656,000 (35 per cent) live in urban areas and 3,039,000 (65 per cent) in rural areas.^{2/} The rate of growth is quoted as 3 per cent, which would give an estimated population at the end of 1979 of about 5.6 million, but it is generally considered to be over 6 million. Population distribution is uneven. In 1974, 2,506,000 (53 per cent), were to be found in the three provinces Copperbelt, Central (including Lusaka), and Southern, i.e. along what is referred to as the line of rail, which extends from the Copperbelt through Lusaka to Livingstone on the Rhodesia border. This is in fact a very narrow strip and probably represents less than 5 per cent of the total area of the country. Up to the present, it contained practically all the country's major economic activity, including much of its large-scale agriculture.

27. The result of this uneven distribution has been the almost total neglect of the other provinces. Attempts to start some industries in these regions have so far been ineffective.

28. From the time of the country's independence until the slump in copper prices in the early 1970s, the pattern of consumption largely followed that of the colonial era, i.e. high imports of consumer goods and limited development of a few industries to serve the wealthier spectrum of the market. A great deal of food and basic raw materials were, and still are, imported. Between 1964 and 1974 imports of food, beverages and tobacco rose

^{2/} UNDP. A Profile of the Zambian Economy, Lusaka, 1976.

from K 17,151,000 to K 44,934,000, representing 11.5 per cent and 8.9 per cent of total imports respectively. ^{3/} In 1974, calculated on a slightly different basis, durable consumer goods represented 7.1 per cent of imports. ^{4/}

29. The falling price of copper in the early 1970s and, after 1973, the sharp rise in prices for petroleum products and other imported materials, as well as for capital equipment, began to erode the country's balances of payments and foreign currency reserves. Between the end of 1970 and the end of 1976 they dropped from K 384,820,000 to K 89,220,000. ^{5/} Although there was some improvement in copper prices in 1976 and through 1977, 1978 and 1979, problems of supply were compounded by complications resulting from the situation in Rhodesia, which hindered transport of both exports and imports. These conditions led the Government to increasingly turn its attention to achieving self-sufficiency, which in effect meant developing the hitherto neglected countryside.

B. Government Industrial Policies

30. Zambia is one of Africa's most industrialized countries. What makes it unusual among countries south of the Sahara, with the exception of South Africa, is that it has a considerable engineering industry outside the mining companies but mainly stemming from them, providing subcontracting and other services.

31. Since Zambia's independence, industrial operations underwent a series of reforms, stemming from its Government's socialist policies. ^{6/} The most significant measures were taken with the objective of ensuring Government participation and the "Zambianization" of the means of production and operation. In April 1968 the Government assumed control over 26 major companies in the fields of wholesaling, retailing, building materials and transport.

32. The Industrial Development Corporation (INDECO) was charged with the task of transferring and diversifying commerce and industry. It gained a controlling interest in a number of industries and a participating interest in others.

^{3/} UNDP. A Profile of the Zambian Economy, Lusaka, October 1976, p. 14.

^{4/} Op. cit. p. 14.

^{5/} Third National Development Plan (TNDP) 1979-83, p. 10, table 1.13.

^{6/} Habsburg Report, pp. 19 et seq.

33. In 1969 the Government took a 51 per cent share in the mining companies, and the ZIMCO parastatal conglomerate was created. ZIMCO has now become the holding company for virtually all major industrial enterprises in Zambia and not long ago assumed control of the railways, Zambian Airlines and, most recently, the postal administration.

34. In 1970 the Government failed in its attempt to acquire a 51 per cent interest in all commercial banks. It acquired full control of the National Commercial Bank, which was later merged with the Commercial Bank of Zambia. FINDECO was created at that time as a ZIMCO sub-group to manage nationalized financial institutions. FINDECO's operations have since been wound up.

35. Foreigners have been forbidden to engage in wholesale and retail trading activities since the beginning of 1972. In 1976 the Government introduced strict price controls for the produce, wholesale and retail sectors in order to protect consumers against rising costs. However, during a period of rapidly escalating import costs, these price controls were the cause of serious difficulties for processing companies, because of their dependence on imports.

36. A separate Ministry of Industry was set up in 1977 and the Industrial Development Act became law. The Ministry of Industry also embraces commerce and foreign trade. Its responsibility for the development of major industries is limited by the existence of ZIMCO, a State conglomerate, over which it has no direct control.

37. In the past Government policy placed emphasis on the development of parastatal enterprises. However, the serious shortcomings in the performances of many of these, including in particular RUCOM Industries, which is responsible for the promotion of small enterprises, and currency and supply crises led to a shift in emphasis, so that greater encouragement is now being given to private entrepreneurs. However, it was only in the Third National Development Plan (TNDP) that considerable emphasis was focused on small industries and on the encouragement of industries in rural areas.

C. An Overview of Zambian Industry

38. The discovery and exploitation of copper and other minerals in Zambia, which lie in a confined stretch of land running roughly from the Zaire border to west of the Zairian enclave, down towards Lusaka and the south, has led

to a distortion of the Zambian economy. Apart from providing the wealth which encouraged the import of many goods and materials (including food) which could have been produced domestically, it led to the development of a very small strip of the country at the expense of the remaining vast areas.

39. Table 1 overleaf shows the numbers of enterprises in various industrial categories and their distribution throughout the country. The table was compiled from the ZIMCO Directory of Zambian Industry for 1976, ^{1/} which embraces many non-manufacturing firms such as representatives and agencies of major foreign companies. These have been excluded, as far as possible, so that table 1 gives a fair representation of the sectoral distribution of manufacturing and service establishments. In recent years few new industries have been created and table 1 roughly reflects the current situation of Zambian industry.

40. Table 1 also shows the geographical distribution of industry in Zambia. Of the total 1,451 industrial establishments, 817 are located in the Copperbelt, with a high concentration in Kitwe and Ndola. 483 (one-third of the total) are in the capital of Lusaka. Only 52 establishments are distributed over the remaining eight provincial capitals.

41. Although representation of the different categories is unbalanced, a wide range of industries is represented. Food and beverage production is restricted, as is the manufacture of textiles. There is a clothing industry, especially around Ndola and Lusaka, but little manufacture of footwear and leather products. This can be explained by the fact that there is no tannery in the country, and leather for shoes is supplied by the Bata Company.

42. Surprisingly few sawmills and woodworking shops are listed for a country endowed with vast forests of excellent timber. There is little ceramic manufacture, although suitable raw materials do exist; most ceramic products, tableware, etc. are imported.

43. Although the metalworking industries are still small, they represent a beginning on a scale larger than in most other African countries. There is some manufacture of machinery, including electrical machinery, and of motor vehicles and bodies, although it is understood that the vehicle assembly plants are operating well below capacity. There are few electrical repair

^{1/} ZIMCO: Directory of Zambian Industry, ZIMCO Information and Publicity Unit, June 1976.

Table 1. Distribution of Industry in Zambia 1976
(Number of Industrial Establishments)

ISIC Code Group	Products or services	Copperbelt														Other towns	GRAND TOTAL								
		Luanshya	Kitwe	Mwala	Luanshya	Chingola	Mufulira	Chililila	Ecobys	Kasowe	Livingstone	Kafue	Kasama	Manisa	Chipata			Mwala	Kaloma	Petauke	Mazabuka	Choma			
3111	Slaughtering and preparing meat	3																							
3112	Dairy products manufacture	2	1					1		1															
3114	Fish canning and preserving	1																							
3115	Vegetable and animal oils	2		1	1																				
3116	Grain mill products	1	2	4	2		1		1	1		1												1	
3117	Bakeries	9	3	4	1	2	1	1	1	2					1					2					
3118	Sugar refineries	1		1	1																				
3119	Confectionery	2		1	1																				
3121	Other food products	3	4	2																					1
3131-	Wines, spirits, malt liquors																								
3134	and soft drinks														1										
3211-	Spinning, weaving etc.																								
3219	textiles, knitting, carpets, corse etc.	12	1	9		1				7	1				1										
3220	Wearing apparel	20	9	10	4	2	5	1	3	19					3	1									1
3223	Leather goods			1	2																				
3240	Leather footwear	2		2			1																		
3311-	Sawmills, wood products,																								
3320	wooden furniture	23	3	12	4	2				2															2
3411-	Pulp, paper manufacture and																								
3420	printing, etc.	24	9	11		1	2		1	1	1														
3511/2	Basic chemicals and fertilizers	7	1	2																					
3521	Paints and varnishes	1	2	1																					
3522	Drugs and medicines	1	1																						
3523	Soap and toiletries	4	1	3																					
3529	Other chemical products	1		5																					
3540	Petroleum and coal products	1		3																					
3551	Tyre and tube industries	2	3	2		1																			
3559/60	Other rubber and plastic products	9	5	2		2																			
3610/20	Ceramics and glass products	2	4	2	1			1																	2
3691/9	Structural clay, cement and other non-metallic mineral products	18	12	12	1			1	1																1
3710/20	Iron, steel, non-ferrous basic	4	8	3	3	1	1		1																
3811/2	Metal hardware + furniture	13	5	5	1	1	1			3															1
3813	Structural metal products	11	22	9	4	4	4			1															
3819	Other fabricated metal	13	10	10	4	2	2			1	1														
3821/2	Engines + agricultural m/cs	3	2	1						1															1
3823/4	Wood + metalworking m/cs		1																						
3824	Other industrial m/cs		5	5	2	2				1															
3825/9	Office + other machinery	7	2	6	2	1	1																		
3832/9	Electrical, radio, television equipment	11	19	9		3	2	2																	
3843	Motor vehicles + bodies	7	6	6	1	2			1	1															
3843A	Distributors of cars	26	10	11	2	5	5		5	3				1											
3844	Cycles + motor cycles				1																				
3849	Transport equipment				1					2															
3849A	Transport contractors	21		1	1	1				1															
3851/3	Scientific, photographic goods, clocks + watches	3	2	2																					
3901/9	Jewellery + miscellaneous	10	10	5			1																		
5000	Construction + related	132	106	52	10	34	27	8	11	6	1			5	1	1	2	1	3	5					
9511	Repair of footwear	2		1																					
9512	Electrical repairs	7		4	1					1															
9513	Repair of motor vehicles	50	28	28	6	7	7	2	7	8		1	1	1	1	2		1	1	3					
9514/9	Other repair shops	2	2	9		1	1														1				
	TOTALS	493	310	278	54	79	63	17	38	57	4		1	12	4	3	2	5	6	17					GRAND TOTAL 1451

shops, but a large number of automobile distributors, most of whom presumably carry out servicing and repair work, as well as a large number of garages doing repairs. These and the very large number of construction firms are the only categories represented in most parts of the country.

44. One major deficiency of the ZIMCO Directory is that it does not give an indication of the size of the various enterprises, whether in terms of capital invested or numbers employed. It may be supposed that most of the firms listed are small, probably with less than 25 employees, and in many cases even smaller. Artisan craftsmen and very small enterprises in the informal sector are not likely to be included, and this accounts for the small numbers given for, for example, furniture making.

45. The great majority of the firms listed are privately owned, although the list includes the parastatals.

46. Employment in manufacturing industry declined between June 1975 and June 1977, as shown in table 2.

Table 2. Number of Employees in Manufacturing

<u>Average for quarter ending</u>	<u>Total</u>	<u>Public Sector</u>	<u>Parastatal Sector</u>	<u>Private Sector</u>
June 1975	44 670	490	16 810	27 370
December 1975	44 330	520	15 840	27 970
June 1976	44 560	520	17 900	26 140
December 1976	41 660	520	17 600	23 540
June 1977*	40 810	520	16 900	23 390

* Preliminary estimates.

Source: Office of the Prime Minister: Economic Report, 1978,
Lusaka, National Commission for Development Planning, 1979.

47. Employment in the private sector declined to a greater degree than in the parastatal and public sectors. This may have been because the parastatal companies did not lay off employees in slack periods, as private companies did, and because several private firms were transferred to the parastatal sector.

48. The TNDP gives the following figures for employment in manufacturing industry from 1971 through 1976.

Table 3. Employment in Manufacturing Industry, 1971-1976

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Number of employees	42 020	43 300	43 600	44 020	44 330	42 340

Source: TNDP, p.237, table X.2.

It can be seen that manufacturing employment in the formal sector changed little in six years, the roughly 5 per cent gain from 1971 to 1975 having been lost in the recession of 1976.

49. GDP for the years 1973 through 1978 are given in table 4. This shows that the share of agriculture increased over this period from 13.4 per cent to 14.2 per cent. The share of mining and quarrying also rose from 22.8 per cent to 24.6 per cent, while the share of manufacturing declined from 12.1 per cent to 9.9 per cent; it declined continuously throughout the period, except in 1974.

C. Structure of Industry in Zambia

50. Zambia's industrial structure consists of five "layers":

1. The mining companies and a few branches of multinationals (joint ventures), which with one or two exceptions are all located in the Copperbelt. These are generally well managed and operate according to international standards of practice.

2. The parastatal industries owned and managed by INDECO, a ZIMCO subsidiary. Most of these are medium-sized, and virtually all are located along or near the line of rail. Management and performance of these enterprises generally seem weak.

3. The engineering industries set up by expatriate engineers and technicians to provide goods and services to the mines, all of which are located in the Copperbelt. In a few cases Zambians have set up industries to serve the markets created by the mines and their employees and in Lusaka. Most of these generally small to medium-sized firms are well run.

4. Small industries established by Zambian entrepreneurs which operate with fairly modern technology. The number of these enterprises is small.

Table 4. Gross Domestic Product by Type of Economic Activity at
Producer's Values at Constant (1965) Prices

(K'Million)						
KIND OF ECONOMIC ACTIVITY	1973	1974	1975	1976	1977	1978
Total Gross Domestic Product	886.1	964.1	954.1	1023.0	1000.3	1001.1
Agriculture, forestry, fishing	118.8	124.3	130.2	138.9	139.7	142.0
Commercial Sector	35.0	39.5	43.3	49.8	48.4	48.4
Subsistence Sector	83.8	84.8	86.9	89.1	91.3	93.6
Mining and quarrying	202.4	222.1	197.7	239.8	229.6	245.6
Metal mining	198.3	217.6	193.3	235.4	226.2	242.2
Other mining	4.1	4.5	4.4	4.4	3.4	3.4
Manufacturing	107.1	114.3	102.2	98.6	92.5	98.9
Food manufacturing	11.9	6.9	9.2	11.5	11.2	38.2
Beverages and tobacco	31.0	35.0	30.2	28.9	26.0	
Textiles and wearing apparel	10.6	11.9	12.0	12.4	10.7	15.6
Wood and wood products	4.1	6.1	4.2	2.9	3.3	3.0
Paper, paper products, printing and publishing	4.3	4.0	4.5	3.6	4.0	5.2
Rubber products						
Chemicals, chemical, petroleum and plastic products	19.3	21.0	20.1	20.6	21.3	20.0
Non-metallic mineral products	5.9	5.6	4.5	3.9	3.7	4.8
Basic metal products	1.3	2.1	1.5	1.4	1.6	1.9
Fabricated metal products	18.4	21.2	15.5	13.0	10.3	9.8
Other manufacturing industries	0.3	0.5	0.5	0.4	0.4	0.4
Electricity, gas and water	40.2	47.8	50.8	54.6	60.0	61.0
Construction	57.1	65.4	80.1	90.0	88.3	61.0

Source: National Commission for Development Planning, Economic Report 1978,
Lusaka 1979.

5. The informal sector industries, almost wholly African Zambian owned and operated, which are mainly to be found in Lusaka and the towns of the Copperbelt. The number of informal manufacturing enterprises is estimated at 30,000. ^{8/}

51. Enterprises in the third group are increasingly being bought up by Zambians who operate them either as joint ventures with their former owners or maintain an expatriate technical staff. The number of Zambian entrepreneurs in this category is small, but this may be because they tend to form "mini-conglomerates". The Investments Holdings Ltd. group has acquired major shares in two engineering companies, in companies manufacturing titanium paints, and concrete pipes, and in a property company, and it is negotiating for companies in other fields. Another company started with a department store and now operates, inter alia, a good quality furniture making business, an upholstering firm and a fairly important metal factory. Other examples of this trend were also seen in Lusaka.

52. The fourth group, particularly in Asia and also in some African countries such as Cameroon, is expected to comprise the small enterprises capable of developing into medium and even large firms. This is the group which would normally be the recipient of credits and technical aid in any small industries project. It is largely lacking in Zambia and its absence poses problems for project development. The absence of traditional skills noted by Mr. Christie, and possibly the country's previous reliance on imports of most consumer goods, including durables, has caused this gap to arise. Zambians who have built up small enterprises (as opposed to artisan or one-man craft shops) seem to have gained experience from or to have been trained by the mining companies or other modern expatriate-managed concerns.

D. INDECO Ltd. ^{9/}

53. Although the parastatal sector does not strictly fall within the scope of this report, a brief look at the performance of the INDECO group of companies in 1978 and 1979 is revealing. The INDECO group is a wholly-owned subsidiary of ZIMCC. It is responsible for most of ZIMCO's manufacturing activities as

^{8/} Christie, Zambia, Second Urban Project - Aid to the Informal Sector, op. cit. p.2.

^{9/} INDECO, Annual Report 1978-79.

well as for a few trading and property companies. ZIMCO embraces virtually all the major economic activities in the country, including the mining companies, Zambia and Tazara Railways and Zambian Airlines. ZIMCO also recently took over the country's postal administration. (Road transport companies report to the Ministry of Transport.)

54. Table 5 shows the enterprises currently owned and operated by INDECO. In addition to these, INDECO is currently in the process of setting up a further ten enterprises, including three maize mills, a pharmaceuticals and a bicycle plant, and extensions to the chemical plant and the battery factory. Total loans approved for these projects to date amount to K 208,674,000.

55. Table 5 highlights a number of points already raised, notably the constraining effect of foreign exchange shortages on public sector industry. Substantial losses by the INDECO group of companies in 1979 occurred largely in the Zambia Sugar Company as the result of increasing the price of sugar. In total, only 16 of the 28 INDECO enterprises were profitable in 1979. The recession contributed to INDECO's poor performance, but inefficient production and obsolete plants were also responsible. INDECO's Annual Report mentions a serious loss of trained and skilled staff and a reduction in expatriate staff from 373 to 288 in the course of the year, and the enterprises currently appear to suffer from poor management and lack of qualified staff at all levels.

56. Finally, the locations of INDECO's plants points to the high industrial concentration in the Copperbelt and line of rail. On the other hand, efforts are being made to locate some of the new projects in the provinces.

E. Conditions and Problems in Zambian Small- and Medium-Scale Industry

57. Between them, the two members of the Mission visited some 30 small enterprises in Lusaka, Luanshya (Copperbelt), Chipata, Kasama, Mpulungu, Mansa and Mazabuka. These ranged in size from 162 employees to one-man businesses, and covered food, textile, clothing, woodworking (including furniture making), metal machining and fabrication, construction materials, fishing; transport and catering industries. Their principal characteristics are set out in table 6. All but two were Zambian-owned; one was owned and managed by an expatriate and the other was a Zambian/expatriate partnership.

Table 6. The INDECO Group - Performance in 1972 and 1973

Name of Company	Location	Products	1972			1973			Notes
			No. Employed	Turn-over (K'000)	Profit* (Loss) (K'000)	No. Employed	Turn-over (K'000)	Profit (Loss) (K'000)	
1. Zambia Sugar Co.	Nakambala Ndola	Sugar and related	6 751	30 233	(5 200)	4 534	28 809	(11 314)	Losses stated due to delay in fixing economic prices.
2. Indeco Milling Co. National Milling Co. Supa Baking Co.	5 Mills (Lusaka etc. Lusaka, Kitwe)	Maize, meal, flour, etc. Bread	3 206	13 035 64 517 15 500	(798) 2 457 1 760	3 217	16 030 51 106 10 601	(674) (1 791) 1 583	Losses stated due to non-approval of economic prices. Inadequate supplies of flour and old vehicles reduced possible bakery profits.
3. Zambia Breweries National Breweries	Ndola etc. NA	Lager beer (Opaque beer)	2 132	94 019 20 263	247 1 454	2 243	110 644 21 452	(1 915) 1 579	Both companies seriously affected by export duty, 70% of Zambia Breweries sales revenue. National Breweries suffered from old trucks and boilers.
4. ROF (1975) Ltd	Lusaka Ndola	Etible oil, soaps, detergents, etc.	1 512	15 526	1 741	1 504	34 111	512	Operating at 4% of installed production capacity due to lack of foreign exchange for raw materials and uneconomic prices charged.
5. Nitrogen Chemicals of Zambia, Ltd. Esfironda Explosives Ltd.	Kafue Mutulira	Fertiliser, nitric acid Explosives for mines	1 737	13 686 20 306	2 351 1 315	1 758	14 971 20 218	1 450 88*	Sole customer, NAMBOARD, refused to accept price increase. Reduced off-take of explosives by mining boys but some exports developed.
6. Kapiri Glass Ltd. Nongroup Plastics	Kapiri-Wposhi Ndola	Bottles and jars All types plastic products	340	1 268 1 020	(1 085) 206	352	2 761 874	(2 017) (182)	Plant closed 3 months in 1973 for overhaul. New plant purchased to meet heavy demand. Shortages of raw materials for plastics affected performance.
7. Kafue Textiles Kafue Industrial Fabrics	Kafue	Yarn and cloth Bags and cloth from synthetic fibre and jute	2 006	17 704 2 243	2 769 (1 190)	1 321	17 790 3 679	2 275 (219)	Kafue Textiles cannot meet demand and has major expansion plans. Kafue suffered from shortage of raw materials.
8. Metal Fabricators of Zambia, Ltd. (ZAMSPA)	Lusaka, Ndola, and branches	Copper rod, cables, etc.	395	9 606	2 199	361	7 490	291	Drop in demand for rod and cables by mining industry but exports rising.
9. Zambia Oxygen Ltd.	Ndola, Lusaka	Industrial gases	21 335	6 176	1 872	412	7 349	1 794	Production capacity very under-utilized.
10. Chilanga Cement Ltd. Crushed Stone Sales Ltd.	Chilanga Lusaka, Ndola, Kitwe	Cement	1 397	10 704	(2 739)	1 314	11 140	(3 251)	The combination of recession in the building industry, with a recent low demand for cement, production inefficiencies in both companies and competition are held responsible for poor results.
11. Zaabesi Steel and Building Supplies Zaabesi Sawmills Zaabesi Clay Industries.	15 branches Sheebake etc. Nega Nega Kalulushi Kitwe	Importers and mfrs. Wood prods. Bricks, sewage pipes etc.	1 830	29 313 844 764	4 399 (1 765) (3 244)	1 520	20 591 1 157 752	4 816 (1 326) (2 656)	Sales of building materials suffered from inadequate foreign exchange but this has improved. The sawmills have to undergo total reorganization. The future of the clay products company appears bleak.
12. Lusaka Engineering Co. Ltd. Monarch Zambia Ltd.	Lusaka Kitwe	Metal fabr., tankers, etc. Metal fabr. holloware etc.	1 095	6 459 3 535	215 164	1 041	5 789 3 244	246 319	Both companies suffered a decline in orders and from shortages of material due to foreign exchange shortage.
13. Livingstone Motor Assemblers, Ltd. Consolidated Tyre Services, Ltd. Motor Parts Distributors, Ltd.	Livingstone Lusaka and Copperbelt Lusaka Ndola	Piat car assembly Retreading and tyre sales Auto parts sales	761	5 222 10 249 1 788	(753) 1 178 510	742	5 018 9 789 2 230	(1 028) 647 484	Motor sales suffered from shortage of CKD kits due to foreign exchange and rigidly controlled prices. Retreading also suffered from the exchange position. The same applied to the auto parts business.
14. RUMI Industries Ltd.	Various	Small rural industries; coffee	487	2 586	(210)	420	1 990	(1 004)	Main revenue is from coffee processing. Most other operations made a loss. See main text.
15. INDECO Properties Kafue Estates Ltd. Muiseni Properties Auro Industries	Lusaka etc. Kafue Lusaka etc. Lusaka	Houses and flats Flats, shops, etc. Business premises Business premises	644	2 178 1 381 609 47	98 137 106 15	695	2 139 2 036 327 211	(15) 2 (2) 11	The loss shown on the INDECO Properties is due to changed depreciation charges. Higher rental revenues are expected.
16. Eagle Travel Ltd.	Lusaka etc.	Travel Agents	99	12 168*	163	99	13 159*	18*	*Sales plus commission.
17. Building Company	Lusaka	-	128	-	-	250	-	-	-
18. Mansa Batteries Ltd.	Mansa	Dry cells	201	-	-	223	-	-	Low production at start of operations due to faulty machinery to be changed by supplier.
TOTALS (from Report)			25 468	337 060	9 204	24 777	406 011	(12 139)	

Source: INDECO Annual Report, 1972-73

58. Most of the figures in table 6 must be treated with reserve. Cost breakdowns, value-added and sometimes turnover were calculated from data provided by the firms, which was then cross checked wherever possible with other data, e.g. labour costs. Experiences of similar industries and firms in other countries served as a further check. On the whole the figures should be treated as orders of magnitude. The fact that many firms were operating well below capacity because of material and other shortages falsifies some of the ratios, e.g. cost ratios. It can be seen that the value-added per worker varies greatly: one or two of the smallest firms have figures which suggest very meagre livelihoods, whereas some of the smallest seem to generate quite good incomes. Items 26-31 are artisan enterprises or individuals, and the figures are frankly estimates, although they are probably fairly accurate.

59. Of the establishments visited, six were subsidiaries of privately-owned groups. One, a hotel, was owned by the National Hotel Development Board, a ZIMCO parastatal, and two, both related to the fishing industry, were Government-owned. Of the remainder, two were limited companies and the others were owned by single owners or families.

60. Of the 32 small and medium enterprises visited, only 14 appeared to be reasonably well managed, particularly those run by expatriates. Four of the artisan enterprises also seemed to be well run. One of these was the Limuwera School Leavers Workshop and Farm, which is managed by a volunteer worker and his wife. The expatriate-managed engineering firms in Luanshya generally had technical competence, but the management could probably be improved. The three enterprises managed by women (two dressmaking businesses in Lusaka and a hotel at Mbala) seemed to have above average management. The hotel at Mbala, managed by a young woman who had received training in Italy and India, was better run than another hotel in the same parastatal at Kasama. In general, however, the need to strengthen enterprise management was evident.

61. An almost universal problem was the shortage of raw materials, whether imported or domestically produced, coupled in some cases with difficulties in obtaining spares. In the case of imported raw materials, there were problems in obtaining the necessary foreign currency as well as delays in obtaining import permits. Zambia currently has a backlog of payments of about 18 months for imported supplies. The adverse balance of payments situation in the last few years seriously reduced foreign exchange availability, and its effects

Table 1. Summary of Industrial Enterprises in the District

INDUSTRY SECTOR	LOCATION	OWNER-SHIP	DATE FOUNDED	PRODUCTS	NUMBERS EMPLOYED	INITIAL CAPITAL	WORKING AND OPERATING CONDITIONS	CAPACITY UTILIZATION	COST BREAKDOWN			SALES	VALUE ADDED	VALUE ADDED PER EMPLOYEE	CURRENT LOANS		FUTURE REQUIREMENTS		NOTES	
									RM	LAR.	OVERHEAD				INVEST.	WKG. CAP.	INVEST. CAP.	WORKING CAP.		KWACHA
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
TEXTILE	Duraka	Subsidiary small group (A)	1963	Men's socks, Tights	100 Sup 20 M (3 sh.)	NA	Hand circular knitting machine quite good	80	2	2	2	500 000 (stated)	10	10	-	RDZ	-	-	100 000	Only 1 shift in operation. Loan applied for raw materials. Stock of socks are still imported.
PRINTING	"	Subsidiary small (B, A)	1970	Offset printers	100 Sup 10 W	10 000 Pd. MF	2 offset presses, 5 letter presses and very old shop messy	High but could be better	70	10	10	150 000 (stated)	60	15 000	-	100 000 (stated)	-	-	-	Messy premises in Duraka. Very heavy stock held. Banks help for on file.
TEXTILE	"	Subsidiary (C, Duraka)	1970	Cotton sheets (weaving)	100 Sup (A) 10 W	NA	2 Lancashire and 4 improved looms also. Dry, and noise-keeping average	80	20	10	1 000 000 (est.)	20	2 000	100 000 (stated)	-	-	-	-	Short loan of 100,000 Kwacha and 100,000 for raw cotton. Flow supplied from India. Doubling capacity in Duraka at Dur.	
TEXTILE	"	Single owner (market)	1970	Dresses. Own market stall	Owner + 1	NA	2 sewing machines, sells through own stall	Sells all he makes	90	-	-	10 000 (est.)	10	1 000	-	-	-	-	Buyer imported materials at wholesale. Does not need financial aid.	
WOOD & SKINS	"	Single owner (market)	1970	Chairs and tables. Own stall	Owner	Very small	Hand tools only	Sells all he makes	Very high	-	-	10 000 (est.)	NA	NA	-	-	-	-	Problems with timber from government and wholesalers. Little raw material bought.	
METAL & SKINS	"	Single owner (market)	1970	Sheet metal products	Owner + 1	Small	Simple machines. Poor conditions	Sells all he makes	Very high	-	-	10 000 (est.)	NA	NA	-	-	-	-	Great difficulties with steel supplies. Does not need financial aid. (Do small to improve)	
WOOD & METAL	"	Ltd. Company	1968	Household and office furniture. Prefab houses.	100 Sup 100 W	Family bank	Old machines. Poor conditions. Slow tempo	Low	20	10	10	100 000 (stated)	Figures worthless due to low capacity working	-	-	-	-	-	Below requirements. Raw material shortages and lack of capital. Bank on quality but needs technical and financial. Technical staff new products. Low raw material because of low capacity.	
FOOD	"	Single owner	1971	Soft ice-cream	Owner + 1	Own funds	Ice-cream maker and refrigerator. Old but in good condition and clean.	High	20	10	10	100 000 (stated)	10	10 000	-	-	-	-	Problem of raw supplies and maintenance. Profit 10% (stated).	
METAL & SKINS	"	Ltd. Company	1968	Metal cans and drums	100 Sup 100 W	Own funds (Hotel)	2 million can capacity. Lines of can making machines, new machines. Shut down but well kept.	80	20	10	10	100 000 (stated)	Figures worthless due to low capacity working	-	-	-	-	-	No competition but need to close up to improve raw materials. Bank need expert assistance.	
TEXTILE	"	Single owner	1970	Dresses	100 Sup 10 W	10 000 own funds	Sewing machine hand, foot electric. Good conditions.	Not fully	20	10	10	100 000 (stated)	10	10 000	-	100 000 (stated)	-	-	Keen competition from local and imported. Low quality products. Raw material supplied through big firms difficult.	

11. TEXTILE	"	Single owner Z	1975	Overalls, work clothes, uniforms.	Owner + 3 W	2,000 own funds	Industrial and household sewing m/c's Good conditions.	High	30	10	30	300 000 (stated)	30	13 000	-	0/Draft facilities	-	Needed	Needed	Needed	Shortage of material. Inadequate competition. Inadequate material from factory.
12. TEXTILE	"	Single owner Z	1976	High class dresses. Own shop.	2 Sup 24 W	1,000 own + Bank 30,000	28 sewing m/c's elec. Good conditions, well org. maintained by Bernina.	Fully	NA	NA	NA	100 000 (stated)	NA	NA	-	0/Draft facilities	Needed	Needed	-	Needed	Inadequate supply of material, inadequate from factory. Need better site.
13. MISC.	"	Family Z	1974	Lampshades and shop	1 W	Family savings	Handwork with some welding for frames	Not fully	21.4	21	12.4	20 000 (est)	48	3 000	-	-	-	-	-	Needed	High competition. Difficult import of raw materials. Limited market.
14. METAL WORKING	Luanchya	Subsid. Z Group	1973	Repairs to machinery, struct. steel.	1 Sup 12 W	NA	Very old forging m/c's lathes elec. Well run conditions fair.	Fully Orders outstanding	60	30	30	600 000 (stated)	52	26 000	-	Holding company finances	-	Will need	-	-	Supplies of material. The only supplier. No suppliers outside the area. Mines do not have permits.
15. PLASTIC AND METAL	"	Joint venture Z E	1977	Fibreglass products Repairs for mines	1 Sup 14 W 2 Sup 10 W	Very small NA	Labour intensive. Well organized Welding and turning	Fully Fully	NA	NA	NA	750 000 (stated) NA	NA	NA	-	-	-	-	-	Mine supplies raw material for imported steel. Fibreglass produced locally.	
16. FOOD	"	Single owner Z	1973	Butcher (retail)	Owner 3 W	Very small	Not seen. Good reputation.	Fully	64	2	10	300 000 (est)	34	25 500	-	-	Needed	-	-	Present shop in poor quarter - needs to be replaced. Buy new shop. Consider 400 sq ft quarter. Buy 1000 sq ft shop supply from 20 km village.	
17. TEXTILE	"	Family Z Asian	NA	Cheap dresses, jeans, etc.	1 Sup 3 W	Small	6 sewing m/c's Bad conditions.	Low	30	15	15	300 000 (stated)	40	9 000	-	0/Draft facilities	-	-	-	Needed	Lack of Zambian raw material. Imported from Zambia. Shortage of suitable machinery.
18. WOOD WORKING	"	Subsid. Z Asian Group	1970	Furniture for mining co., govt. etc.	1 Sup 30 W	Own funds (group)	Range of woodworking m/c's. Old. Bad conditions, quality poor.	Not fully	30	30	10	1 000 000 plus	34	6 500	-	Barclays loan	Needed	Needed	-	-	Timber supplies from the area. Inadequate machinery. Inadequate transport facilities. Drying kiln, need new building.
19. TRANSPORT	"	Single owner Z	1976	Bus services in Copperbelt	1 Sup 24 W	NA	Second-hand buses (10) planned maintenance.	Fully	NA	NA	NA	NA	-	-	-	Barclays loan	-	23 000 1977	-	-	High cost of replacement by 1000 buses. Need better motor. Order Barclays 1977.
20. MISC.	Nicola	Single owner Z	1971	Candles	1 Sup 24 W	Bank 100,000	1 m/c's working, being put in production. Conditions awful.	No orders outstanding	The plant is working so erratically that no reliable figures are available.				-	-	-	-	-	-	-	Raw material from Zambia. Inadequate machinery. Major problem with maintenance. No spare parts.	
21. METAL WORKING	Kasama	Single owner Z		Pal. metal windows doors	Owner + 3 W	NA	Tidy and well org. Welding, drills etc.	Not fully	30	3	10	30 000 (est)	17	8 000	-	-	-	-	-	Needed	Good working capital. Very low price of material. No spare parts. Good machinery. No spare parts.
22. METAL WORKING	"	Group (S)		Buckets, charcoal stores	Inter. workers	Very small	Handmade in open air.	Not fully	15*	20*	5*	10 000 (est)	25	1 700	-	-	-	-	-	-	Shortage of raw materials. No spare parts. No spare parts.

*of turnover

FOOD	"	Shop	1971	Rice and maize mill	4 Shop 12 W	NA	Modern rice husking and maize grinding plant. Rice 100% only capacity.	Rice 100% maize fully	NA	NA	NA	1 000 000 (est)	NA	NA	-	-	-	-	-	Transport and raw supplies limit production and sales. No stock in Luwero. Transport hired and sub-contracted.	
RESTAURANT	Moala	ZIMCO Subunit	Apr. 1971	Hotel and bar	1 Shop 12 W	NA	Hotel accommodation, restaurant, bar. Well run. Bar high, profits low.	Highly	Hotel	10	10	14	1 000 000 (est)	11.2	1 200	Financed by holding co.	-	-	-	-	Various supply problems meat, flour, bread. Frequent shortages of other items. 10,000 bottles of beer/2 days. Being reorganized and renewed.
FOOD	Dzalawa	Government	May 1971 to Nov. 1971	Fishing boats	100 W	100% Gov. capital	One large and satellite boats. 100 fishermen. Well run.	Highly - Dependent on catch	10*	10*	10*	1 000 000 (est)	10	-	-	-	None	-	-	Founded by present boss manager, leaving Mar. likely to be serious problems when he leaves. Lack of spare parts, low equipment. *No electricity main cost input. Diesel tank, fuel, oil, fuel, etc.	
FOOD	"	Single owner	NA	Fishing boat (artisan)	Owner + 1 W (family)	no capital	Traditional wooden sail propelled (10) worked as in open.	Dependent on catch	NA	NA	NA	10 000* (est)	10	1 000	-	-	-	-	-	*No raw material inputs. Were offered K.P. (only APC) but could not use it. No raw fish available.	
WOOD WORKING	Chipata	Single owner	NA	Furniture	Owner + 1 W	no capital	Small workshop in market. Handmade. Low quality	Low	10*	10*	10*	1 000 (est)	10	1 000	-	-	None	-	-	Lack of regular raw material and high cost. Needs power tools and training.	
WOOD WORKING	"	Single owner	NA	Baskets, containers, etc.	Owner + 1 W	no capital	Open air manufacture in market area.	Seasonal	10*	10*	10*	1 000 (est)	10	1 000	-	-	-	-	-	Needs small shed. Inefficient raw material. Main sales in market after harvest.	
WOOD WORKING	"	Single owner	NA	Furniture	Owner + 1 W	no capital	Small workshop in market. Handmade. Low quality.	Low	10*	10*	10*	1 000 (est)	10	1 000	-	-	None	-	-	Lack of regular raw material supplies. Needs power tools and training.	
TEXTILE	"	Single owner	NA	Dresses	Owner + 1 W	no capital	Workshop in market. Main quality, mostly use home materials.	Mainly hand	10*	10*	10*	1 000 (est)	10	1 000	-	-	-	-	-	Shortage of imported raw materials, dippers, etc.	
LEATHER	"	Single owner	NA	Shoe repairs and shoe manufacture	Owner + 1 W	no capital	Small workshop in market. Main quality.	High	10*	10*	10*	1 000 (est)	10	1 000	-	-	-	-	-	No leather available. Repairs in city type. Low income when home + plants.	
WOOD WORKING	Dzalawa	Single owner	NA	Furniture & piece cutter	Owner + 1 W	no capital	Low modern building best quality veneer covered. All hand (no electricity in town).	High	10	10	10	1 000 (est)	10	1 000	-	-	-	-	-	Raw material supplies (no power sawmill). No power until Mar. 1971 in province. Shop closed with power.	

were further compounded by transport difficulties in delivering copper, huge stocks of which piled up waiting to be shipped, thus holding up a vital source of revenue. Further, the troubles with Rhodesia and the closing of the rail links through that country to the South African ports placed a strain on the Tazara Railway and added to the strain on the port of Dar-es-Salaam. As regards imports, long delays at port and large-scale theft, sometimes of complete consignments, added to the problem. One result of delays in payment for imports was the closing of some of the cheaper sources of supply in the Far East, where enterprises do not give more than 90 days credit, so that entrepreneurs must now rely on firms which operate export credit guarantee schemes, mainly in Europe and North America.

62. There were many examples of supply problems: a knitting mill producing socks was not able to obtain the foreign exchange for the yarn needed to keep the plant running at full capacity. On the other hand, large quantities of socks were being imported. A manufacturer of cotton sheets had to close his works for two months and finally flew to India to bring back yarn himself. Shortages of spare parts brought the Government repair yard for artisan fishing craft at Mpulungu to a standstill; it was also a major problem for a candle manufacturer at Ndola. The firms working for the mines can obtain what steel supplies they need for repairs to mining machinery through the mines' own generous quotas of foreign exchange, but ordinary metalworkers have serious problems in this respect. A steel can and barrel factory was only working part time. About 3,500 tons of scrap is collected every month in the Copperbelt and melted down by a major foundry in Kitwe. Most of it is used to produce steel balls for the ball mills in the mines' crushing plants and the firms serving the mines get what remains. All special steels, sections, etc. are imported. Small metalworkers buy through retailers at correspondingly higher prices.

63. The textile mill at Kafue at present supplies about 20 per cent of the country's needs. The Chinese are building a mill at Ndola, and a smaller mill is being built at Chipata. These mills will go some way toward meeting shortfalls, but it will still be necessary to import a great deal of textiles and perhaps yarn for a long time to come.

64. In 1979 the country suffered from severe food shortages, especially of maize for mealie-meal, which makes up the staple diet. Although the country should certainly be able to produce more than enough to meet its needs, large amounts of maize had to be imported. Maize grinding mills were also affected by the shortage.

65. The cessation of hostilities with Rhodesia and the reopening of the rail and air routes to South Africa should go some way toward reducing delays in raw material supply, although some of the shortages seem to have been due to inadequate enterprise planning. Those firms which carried large stocks, such as the printing works in Lusaka visited by the Mission, had few supply problems, although tying up working capital for long periods is frequently prohibitively costly for smaller firms.

66. Domestically-produced materials entail problems relating to transport and insufficient production. Many furniture makers voiced complaints about inadequate supplies of timber. There are few power sawmills, and much of the hardwood used is cut into planks manually. Although nine sawmill plants were imported, their machines were only capable of cutting softwood. This specific case points to the general need for proper advice on the choice of technologies and equipment.

67. Equipment, materials, and foodstuffs transported by truck from the Copperbelt to the Luapula and Northern Provinces must cross the Zairian enclave between Mansa and Kitwe along the Pedicle Road, which is closed periodically. Zairian authorities also sometimes hold up vehicles. A butcher in Luanshya visited by the Mission said that he had to buy meat at Mazabuka in the Southern Province and transport it 300 kilometres by train, which added considerably to the cost. The Northern Co-operative Union's rice mill at Kasama, which seems to be well run, could only operate one shift instead of three due to inadequate supplies, and an ice-cream enterprise in Lusaka was not able to obtain regular milk supplies.

68. There does not appear to be a co-ordinated policy for the production of agricultural raw materials. Farmers are sometimes urged to produce specific crops, but then cannot sell them, either because too much was produced or due to insufficient means of transport. Bureaucratic procedures are manifold. In order to obtain a signature authorizing them to take on consignments of maize at a depot in the Eastern Province for delivery to Lusaka, truck drivers had to first drive to Chipata, where the authorizing officer was. This added 120 kilometres to the route.

69. Comparatively few of the firms or artisans visited needed long-term credit for lack of expansion plans. In certain cases this was due to the fact that existing capacity was under-utilized because of material or spares

shortages. Due to the uncertainties over Rhodesia prevailing at the time the Mission was carried out, there was a general reluctance on the part of entrepreneurs to make firm plans during this period. With the advent of a climate of greater confidence and above all with the prospect of safe supply lines, many firms may consider expansion of capacity. The Mission identified the need for credit among the smallest firms and artisan operations for financing working capital requirements.

70. Most of the artisans visited in Lusaka worked in rather inadequate constructions situated around the market, in which they had stalls. They did not seem to feel the need for these buildings to be improved and were not interested in moving to an industrial estate unless it were sited at the market. (The main reason for the failure of the industrial estate in the Lusaka industrial zone seems to have been because it was located away from the market area.) On the other hand, tinsmiths working in the open air in Kasama and Chipata expressed their interest in housing, on the grounds that it would enable them to work while it rained. All said they would be able to pay rent.

71. A metal-worker at Kasama wanted to start a production of simple hand pumps for pumping water. He said he had received many inquiries for these and believed he could sell large quantities. He claimed to need assistance in procuring the valve parts, but in fact he probably needed design assistance. The design is simple and should not pose any problems to a competent engineer.

The Informal Sector

72. In his report An Outline Programme of Assistance to Very Small-Scale Businessmen and Self-employed Artisans in Zambia, Mr. Christie gives case histories of small artisans which complement those gathered by this Mission. Because his mission was specifically aimed at examining the informal sector, he was able to go into greater detail than this Mission. The Mission considers his findings to be very relevant, and the report should be read in conjunction with its own.

73. Under the heading "Lessons to be Learned from Case Studies of Informal Sector Artisans and Businessmen", Mr. Christie notes the following: ^{10/}

1. Training for self-employment. All those interviewed had been employees for fairly long periods before they became self-employed. The aim of technical skills training for young people

^{10/} Christie: An Outline Programme of Assistance to Very Small-Scale Businessmen and Self-employed Artisans in Zambia, op. cit., p. 15 et seq.

who cannot obtain places in the Trade Training Institutions should be to prepare them for both wage and self-employment. They should be taught to use tools in common use in the informal sector and competence in making products most in demand. New products may be introduced, but only after being market tested. Training should be production-oriented and approximate real conditions. It should include both buying materials and selling the products. In the light of the number of persons engaged in informal sector manufacturing, construction and repair (probably 30,000-45,000), some 8,000 will have to be trained each year. Informal training courses may be able to cope with about 2,000 per year.

2. Institutional obstacles to self-employment. There should be a relaxation of regulations prohibiting the use of private dwellings for trade purposes, except in cases where those trades cause a disturbance to other tenants. Although these regulations are not often enforced, when they are, it is usually arbitrarily. No local authority has provided premises for self-employed artisans and small manufacturers. Workshops provided should be simple in structure and close to the markets, not in industrial zones.
3. Extending production activities of the informal sector. The range of skills in the informal sector is fairly limited. Skills now practised in Zambia were learned from European-run workshops and factories in Zambia and Rhodesia and from Rhodesian Africans, sometimes migrants. The informal sector has also suffered from the availability until recently of cheap, machine-made goods from Rhodesia and South Africa. However, an extension of the range of products does not only mean introducing new products but also an expansion of the variety, design and quality of existing products. Artisanal skills must be up-graded.
4. The design and manufacture of appropriate tools and machinery. There is considerable scope for the use of simple but improved machines, often manually operated, which could be made in simply equipped, local workshops. New machines need to be designed, but not based on foreign obsolete designs. More extensive use could be made of small power tools and equipment if electricity were more readily available. In certain cases these could be adapted to a range of uses, e.g. hand power drills could also be used as sanders, polishers and even small saws.
5. Extension advice. There is a need for extension advice both in elementary business techniques, notably book-keeping and accounting, and in production techniques. Some of this could be done by Form V leavers after suitable training.
6. Credit. Very few self-employed artisans and small-scale businessmen complained of lack of credit. However, credit may be increasingly necessary as tools and equipment become more sophisticated.

III. GOVERNMENT AND OTHER ACTIVITIES IN THE PROMOTION
OF SMALL-SCALE AND RURAL ENTERPRISES

74. Small and medium private enterprises, whether rural or urban, received little or no encouragement from the Government or other official sources until comparatively recently. It was probably the drop in foreign exchange reserves and its effects on the country's economy which, more than anything else, oriented Government policy towards a better use of indigenous raw material resources and supporting low investment, labour-intensive small enterprises. The greater attention now being paid to the development of rural areas was also motivated by the desire to stem the flow of rural-urban migration.

A. The Industrial Development Act, 1977

75. The Industrial Development Act does not grant special privileges to small enterprises, although some incentives are offered to enterprises planning to set up in rural areas. These include eligibility for loans from DBZ; eligibility to purchase or rent facilities constructed by RUCOM, DBZ or other agencies approved by the Minister responsible for rural development; the use of RUCOM's marketing and extension services; and the use of the advisory services of any of these agencies in feasibility studies, accountancy, technology, marketing and choice of projects. However it is not known how many firms have made use of these facilities.

B. RUCOM Industries Ltd.

76. Previous World Bank reports have described RUCOM and the problems which it has encountered, and it is therefore not considered necessary to go over the same ground again in detail.

77. RUCOM Industries Ltd. was set up in 1961. Six categories came within its scope of competence: "factory-based industries likely to be profitable", "factory-based industries needing financial inducement in the early stages", industries which are "necessary ... but unattractive to private enterprise", industries organized "by groups of local craftsmen or co-operatives", village or cottage industries, and individual craftsmen. The last three groups were in fact the special responsibility of RUCOM Industries.

78. RUCOM ran into many problems. Attempts to set up workshops for rental in Chipata, Kasama and Choma failed. Although machinery was provided and technical assistance and advice were made available, most of the businesses failed and RUCOM Industries was faced with large arrears of rent and loan repayments which it could not recover.

79. According to Mr. Christie, the causes of this failure were the following:

Tenants were selected on the basis of their technical skills and not on their business experience. The failure rate would have been lower had the tenants been self-employed artisans with some business skill.

The RUCOM workshop managers often had little or no previous practical business experience and were not able to give advice to tenants.

A rented machinery was too sophisticated and rates too high.

The workshops were located in urban industrial zones, away from the main markets.

80. RUCOM initially (1971-1976) received Government subsidies and substantial technical aid from UNIDO. For various reasons this aid was less than successful.

81. The Government subsidy to RUCOM ended in 1976 and its activities with respect to entrepreneurial development ceased. Focus was to be given to profitability, and its activities in rural areas were to be reorganized into commercially viable projects which it would operate. These included a coffee growing and processing project funded by the World Bank, candle making plants, bakeries, the production of school furniture involving the manufacture of the furniture components in knock-down kits for assembly in various plants, the rehabilitation of the metal workshops which had been set up as part of the entrepreneurship development programme, an egg tray plant, tannery, pineapple canning factory, and repair and service operations. In April 1978, 15 of its enterprises were viable, 15 were non-viable, and 14 were new. There were five tenants. Employees numbered 625, of whom 107 were technical and professional staff and 518 non-technical.

82. By December 1979 the majority of the enterprises had been closed down. Many planned operations were not embarked upon. The only major viable enterprise is the coffee estate and processing plant, which contributes the major share of RUCOM's revenue. However, many units have been rented to tenants which appear to be operating satisfactorily.

83. According to top management officers with whom the situation was discussed, the failure of most of the enterprises was due to, inter alia:

- limited demand
- limited capacity
- irregular supplies
- high transport costs
- insufficient technical and professional staff
- RUCOM's low profile among INDECO companies
- lack of capacity to provide credits
- limited capacity for capital investment.

84. In addition, the UNIDO project suffered from conceptual confusion surrounding RUCOM at that time. The UNIDO Mission did not pay enough attention to training at all levels; there was no plan to follow through training, production, and supply and distribution in the workshops established, and no finance was allocated for follow-up.

85. Inexperienced management and, above all, lack of entrepreneurial skills on the part of both general management and managers of the individual enterprises were the major causes of RUCOM's failure.

86. If the Government goes ahead with the proposed Small-Scale Industries Development Corporation RUCOM's activities will be redundant.

C. Village Industry Service (VIS)

87. The Village Industry Service was set up in 1977 on the initiative of the Rev. John Papworth, an adviser to the President, who is currently its Director. Its objectives are to promote industries and crafts by small-scale, labour intensive units, to maximize village employment, and to generate village income. It is hoped that by making village life at once more interesting and more remunerative rural-urban migration will be stemmed.

88. The VIS is an independent trust, working in close liaison with Government departments, Party organizations and other bodies, including aid-giving institutions. Its official status is not clear. In July 1979, an appeal was launched for K 250,000 to enable work to proceed pending the availability of a more structured financing.

89. The VIS has an active Honorary Chairman, Mrs. Joyce Mapoma. Expatriate development officers worked with it since 1977. It has a staff of 22, including 5 technical personnel. So far it appears to have done little concrete work.

90. At present the VIS seems to be pinning its hopes on the development of the so-called K.K. Clubs modelled on the Limuwera (Mtowe) School Leavers' Project. However there are considerable problems inherent in taking action similar to the Limuwera Project, and it may not be wise for the VIS to concentrate solely on such an approach. Some other projects were mentioned in the discussions, but it was not clear how far they had progressed.

91. It is rather difficult to see where the VIS would fit in to any system to promote small industries and artisans since it is neither a commercial organization like RUCOM nor a government service. If the Small-Scale Industries Development Corporation comes into being, it seems probable that it would take over the promotion of economic activities in the villages and that the VIS would become more or less redundant. Its role, structure, possible lines of action and financing must be clarified.

D. Management Development and Advisory Service (MDAS)

92. The Management Development and Advisory Service was set up in 1971 jointly by the Zambian Government, UNDP and ILO. Its objective is to help develop effective Zambian management and institutions by providing management consulting, training and counselling services; by advising the Government on management development policies; and by assisting other organizations engaged in management development. It focuses primarily on the development of managers for large and medium enterprises, but it also plays a role in the development of small entrepreneurs.

93. The first ILO mission attached to the MDAS arrived in 1971 and remained for six years. According to the Director of the ILO Office in Lusaka, not much was achieved during this period, and the Mission has since been almost entirely restructured. The present Project Manager has been in post since October 1978. The rest of the five-man team, with one exception, joined during 1979. There is one small business specialist with experience in the Philippines and Swaziland.

94. MDAS ran a one-week programme for small manufacturing entrepreneurs in January 1980. A similar conference in October 1979, chaired by the ILO Project Manager, was intended to assist the Government in formulating an integrated programme and policies in this field. The recommendations of the conference supported the setting up of an integrated Small-Scale Industries Development Corporation similar to that proposed by the Indian Delegation, with extremely comprehensive powers. It also recommended a survey of prospects for small businesses. To meet the definition of small business agreed by the conference, enterprises should have between 5 and 100 workers and between K 10,000 and K 100,000 invested capital. This obviously excludes the smallest artisans.

E. Small-Scale Industries Development Corporation Act

95. Arising from the Government's acceptance of the proposals in the Indian Delegation's report, a draft legislation was drawn up for the setting up of the Small-Scale Industries Development Corporation. It is meant to be a subsidiary legislation under the Industrial Development Act of 1977. The draft copies the Indian recommendations almost exactly. The Mission's original terms of reference included assistance in the finalization of the draft. However, once the Mission was in the field it was decided that it could not fulfil this task within the time available, and it is therefore not included in the modified terms of reference.

96. The proposed legislation would give the Corporation all-embracing powers, including commissioning feasibility studies and surveys and giving advice on investments, industrial possibilities, choice of plant and machinery, and credit sources. It also envisages that the Corporation make bulk purchases, run a raw materials bank, manage a chain of retail outlets, liaise with Government and parastatal procurement agencies, undertake quality control, possibly provide common production services, set up industrial estates, undertake publicity and sales promotion, and conduct trade fairs and seminars. The Mission has serious misgivings about many of these proposed activities, although it realizes that the mere passing of legislation does not necessarily ensure that such activities will in fact be carried out.

F. Small-Scale Industries Development Corporation

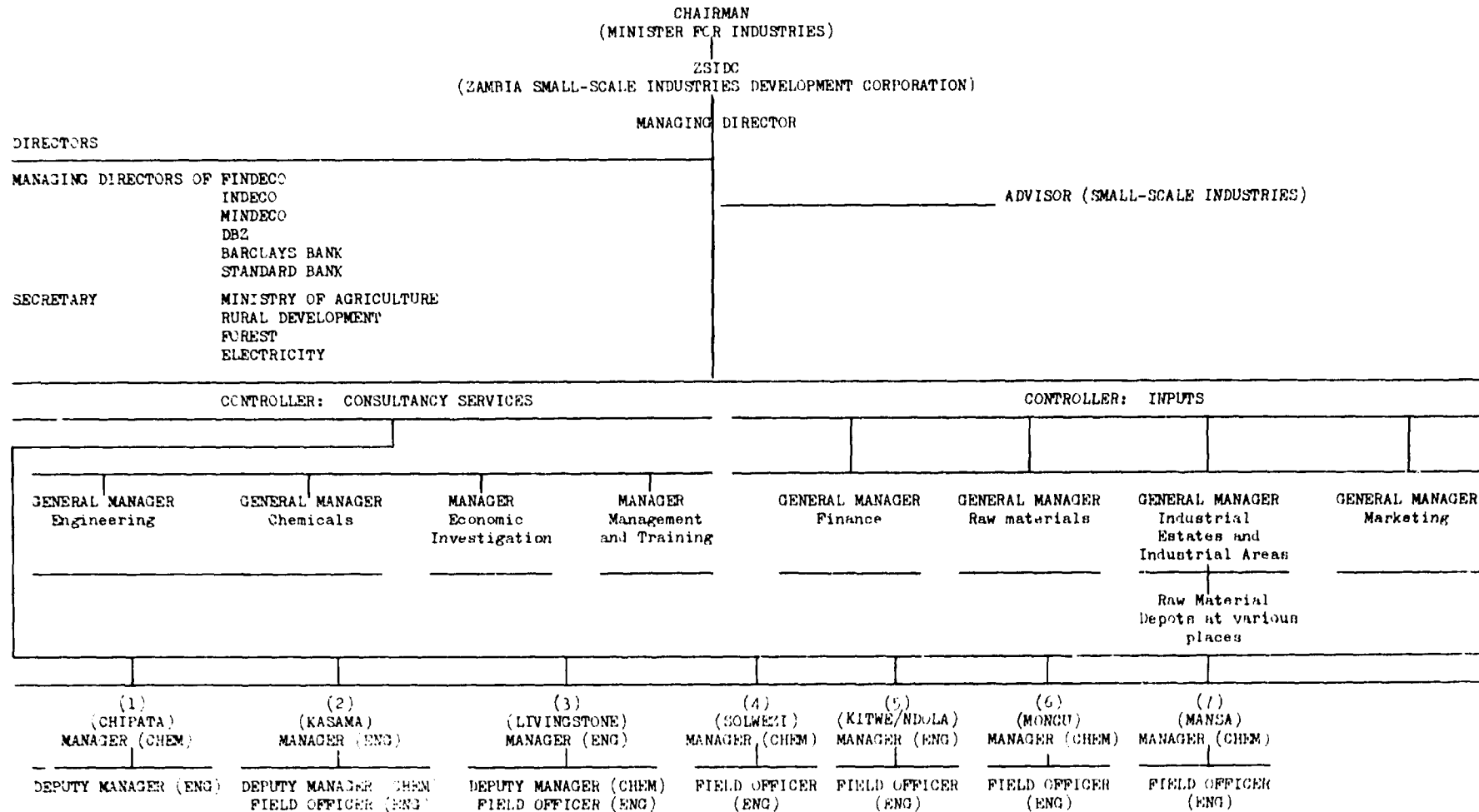
97. As already mentioned, the creation of a Small-Scale Industries Development Corporation had been suggested by the Indian Delegation which toured Zambia in 1977. Its report makes practically no mention of Zambian conditions; nothing is said about the structure of industry and no mention is made of the "missing layer" of small industrialists.

98. The proposed Corporation (table 7 gives its organizational chart) is presumably based on a modified form of the Indian Small-Scale Industries Commission. However, conditions in Zambia differ in almost every respect from those in India, and an organization set up to promote small enterprises in Zambia must take its conditions into account. A case in point is that the proposed organization calls for substantial numbers of qualified personnel - engineers, technicians, economists, managers and trainers - which are plentiful in India. On the other hand, qualified and skilled manpower is in short supply in Zambia, and this situation is likely to persist for some years to come, particularly in those fields not favoured by students, such as engineering.

99. The Indian organization was founded about 40 years ago and its present state of development is the result of constant improvements and modifications to cope with difficulties and changing conditions, as well as the eschewing of some lines of action and promotion of others. Some of the Indian Commission's activities, e.g. the setting up of industrial estates, were not particularly successful. The wide-ranging powers proposed entail a directiveness which, in the Mission's opinion, may not represent the best means of establishing small enterprises in Zambia which will last and develop. There is the risk that a new and equally unsuccessful RUCOM may be the result of such an approach.

100. The above criticism should not be interpreted as meaning that the Mission does not believe that a structured approach should be taken. On the contrary, this is essential. However, the experience of many countries in setting up organizations to support and promote small business has shown that few large organizations such as that envisaged have succeeded in providing services commensurate with expenditure involved, in terms of money, time and effort, and after a time they may tend to become bureaucracies. Moreover, if the organization's personnel are paid according to Government salary scales, it is bound to lose its best elements to industry and commerce.

Table 7. Organizational Chart of the Proposed Zambia Small-scale Industries Development Corporation (ZSIDC)



101. The lack of effectiveness of many small-scale industries' organizations leads the Mission to believe that the best approach to the development of small enterprises is that it be encouraged and supported as an organic development. This subject will be dealt with in more detail later in this report.

G. Non-Governmental Efforts to Promote Small-Scale Enterprises

1. The Limuwera (Mtowe) School Leavers' Project (White Fathers)

102. The Mission was told about this project by the Chairman of the Village Industry Service, and a two-day visit was paid to Chipata and the village of Mtowe where the project is located. It is only reported here insofar as it represents another approach to the setting up of rural industries and other economic activities with the aim of curbing rural migration.

103. The moving force behind this project is Mr. Adriano Nkhoma, a former village schoolmaster, who, although retired, continues to take an active interest in the project. The project was motivated by his concern about the future of his primary school pupils once they left school. Large numbers went to the cities, thus depriving the countryside of the manpower needed for agriculture and swelling the number of urban unemployed.

104. Mr. Nkhoma recognized that any effort to make remaining in rural areas more appealing to the young people would stand little chance of success were it not to generate additional income. He therefore persuaded some of them to form a club to make simple furniture for sale locally and in the surrounding villages. Girls were trained to make dresses, also for sale.

105. Initial efforts did not meet with success, but in spite of this Mr. Nkhoma persisted with his plans and was helped by the White Fathers, who arranged for an Austrian volunteer couple to be sent to Zambia by the Catholic Institute of International Co-operation in Vienna. The work done by this team since 1974 has been remarkable. At present there are some 40 young men and women working full-time, dividing their activities between the workshops, the club's agricultural plot of five hectares and their own or parents' plots. From simple woodworking they have been able to reach a good level of craftsmanship using a range of hand tools. There is no power in the village, but there are ingenious devices used to work

wood lathes and the forge air pump. They produce furniture, "Scotch carts", ^{11/} some original agricultural machines used with oxen, forged tools, including their own, and ceramics from a kiln designed by the volunteer. The girls produce clothes. Each has a personal plot which he or she cultivates and from which additional revenue can be derived. They keep chickens and have six pairs of oxen, the use of which they introduced to the villagers. A credit union was formed in 1976, and all members of the club have their own savings accounts. Two of the older boys have since married, built their own houses and run their own farms; a third teaches school leavers in a neighbouring village. To date at least some 40 young people have discovered that they can do well by remaining in their village.

106. Unfortunately, however, such an approach will not be effective on a larger scale. So far the project has no legal basis, being neither a limited company nor a co-operative. It certainly needs to be put on a more structured footing if similar units are to stem from it. Moreover, it has been very technical assistance-intensive. To reach its present position, where 40 young people have rejected urban migration, has called for the devoted and constant efforts over a period of four years of three individuals, and the part-time services of the volunteer's wife, all of whom are exceptionally capable. Because they are all working for very little pay the value of their services cannot be fully gauged, but if the services of the two principal expatriate workers alone were costed at the standard United Nations rate of \$60,000 per year, their fees would amount to close to half a million dollars. This is obviously a pilot project and much has now been learned which could be used to simplify operations and thus reduce the cost of similar projects in the future. The major problem is the acute shortage of personnel with the qualities necessary to carry out such projects.

^{11/} Two-wheeled rubber-tyred wooden carts mounted on the back axles of scrapped motor cars.

2. Family Farms Ltd.

107. Family Farms is financed by the Government. A few expatriate advisers are sponsored by their own countries. The general objective is to assist small farmers in the Magoye area. Family Farms runs a workshop for simple repairs to agricultural equipment and operates a hardware store where simple tools can be bought at cost prices.

108. Another hardware store was started at Nega Nega near the brick factory, but the store ran into difficulties when the factory closed down, and it too will be shut down.

H. Conclusion

109. Very little has been done so far in either the towns or countryside to promote small-scale enterprises in Zambia. Most attempts in this respect have been unsuccessful. The time has come for a new approach.

IV. FINANCIAL FACILITIES FOR SMALL-SCALE ENTERPRISES

110. There is no shortage of kwacha finance in Zambia. Indeed, the commercial banks have so much in liquid funds that some have even stopped accepting deposits. On the other hand, lending to small enterprises - whether in manufacturing, services, trading or farming - has had a regrettable history. Far from a situation whereby small borrowers have to contend with overly conservative lending policies on the part of the financial institutions (with the possible exception of DBZ), lending organizations have been overly generous and some have suffered severe losses as a result.

A. Industrial Finance Corporation (IFCO)

111. The Industrial Finance Corporation was established in 1969 and stems from an earlier credit function of INDECO, of which it was a wholly-owned subsidiary. After the reforms in 1969 it was involved in the take-over of retail businesses from expatriates. There was little lending to manufacturers. With the creation of the State Finance and Development Corporation (FINDECO) in 1971 for the State ownership of financial interests, IFCO was transferred to this holding company. It continued its financing of small retail businesses (shops, bars, etc.) and expanded its Hire Purchase Department for financing commercial motor vehicles, cars for members of ZIMCO's staff, industrial plants and equipment and machinery. IFCO went into liquidation in 1978, with debts amounting to seven million kwacha. FINDECO too was wound up. Debts on loans and hire purchases of over five million kwacha are outstanding to IFCO. The accounting firm Cooper and Lybrand Ltd. is acting as liquidator and is trying to recover as much as possible of the outstanding money.

112. IFCO's failure is an example, albeit extreme, of what has been happening to other lending organizations in Zambia. The reasons for its failure appear to be:

1. The target population of borrowers was one which would not normally be acceptable to prudent commercial houses. This made the likelihood of bad debts higher than usual, yet at the same time provision for bad debts was inadequate.

2. IFCO was under-capitalized. It started with capital of 1 million kwacha, which was later raised to 1 1/2 million kwacha. More than 5 million kwacha were lent, which meant that IFCO had to obtain the difference from commercial banks. Three million kwacha was borrowed from the National Commercial Bank alone.
3. The interest rate was too low (8 1/2 to 10 per cent) and made no provision for covering bad debts. When the original capital was exhausted, money had to be borrowed at 9 1/2 - 10 per cent, leaving no margin to pay current expenses and operating costs. In some cases, money was borrowed at even higher rates.
4. Many small businessmen went under in the recession. A major factor was their inability to obtain supplies, and, because of the breakdown in transport, this particularly affected rural areas. Very few defaults were the direct result of misappropriation of funds.
5. In some cases loans were approved because of political pressure and IFCO management was overruled. Loans were obtained by influential people either for themselves or to set up relatives in business.
6. One of the causes of failure to collect interest and, later, debts is the sheer size of the country and the inaccessibility of many rural areas. IFCO's head office was in Lusaka and there was a branch office in Mansa, but the company would have needed an office in each provincial capital in order to make personal visits to borrowers. The staff was too small to allow this to be done.
7. Inadequate general management.

No new organization to replace IFCO is being considered at present.

B. Agricultural Finance Corporation (AFC)

113. As the name suggests, the AFC is primarily concerned with providing loans to farmers. The Mission was unable to arrange a meeting with its general management in Lusaka, but a brief discussion was held with the manager of the Mansa branch.

114. There are three types of loans:

1. Seasonal - For seeds, fertilizer, wages, etc. The period of such loans is generally one year at 9 per cent interest.
2. Medium-term - For machinery, water pumps, oxen, etc. Up to five years at 9 per cent.
3. Long-term - Because it is impossible to purchase land, which is held on a communal basis, these are not common.

115. In its early days AFC lent to virtually all applicants and lost a great deal. Although lending policy has since been tightened, it still remains flexible and no security is required. Bad debts presently run at 40 per cent, and there are no guarantees.

C. Development Bank of Zambia (DBZ)

116. The conditions under which DBZ grants loans are more stringent than those of the two organizations mentioned above or of the commercial banks. It is oriented toward large and medium enterprises and in fact is not equipped to lend small amounts: the lower limit is fixed at K 25,000, which is higher than most loans required by small enterprises. An examination of the projects financed by DBZ as of 30 September 1979 shows a total investment cost of K 293,490,019 spread over 119 projects. The range of investment is from K 8,307 to K 126,400,000, and the mean loan is probably around K 400,000. Twenty-three loans are for more than K 1,000,000. Of the 119 loans, 100 are divided evenly between manufacturing and agriculture, the remainder are for tourism, mining and quarrying, forestry, and distribution and transport enterprises. 8,773 jobs are expected to be created at an average expenditure of K 33,454 per job. There are a few cases where the investment per job is very large, but disregarding these the mean is probably about K 15,000 per job. DBZ does not provide loans for working capital.

D. Commercial Banks

1. Barclays Bank of Zambia Ltd.

117. Barclays Bank seems to have done more than any other institution, apart from IFCO and AFC, to finance small enterprises. In the past few years the bank has lent about K 2 million to small enterprises, for the most part farmers. Compared with that of other lending organizations in Zambia, its bad debt rate of 20 per cent is reasonable, although admittedly high for a commercial bank.

118. Interviews were also held with branch managers at Chipata, Luanshya, Mansa and Mazabuka. The manager at Chipata said that the branch loaned from K 200 to K 4,000 to farmers; the sum depended on the reliability of the borrower. The rate of interest for agricultural loans is 9 1/2 per cent, and for non-agricultural loans the maximum rate is 12 per cent. Sometimes problems arise in obtaining repayment of seasonal loans: although a stop order may be made at a particular branch of the Eastern Co-operative Union, to which all produce is sold, a farmer may take his produce to another branch where it does not apply. The manager of the Chipata branch and other branch managers stressed the need for better technical services in connection with the loans.

119. The Luanshya branch deals mainly with loans to retail businesses; of about 75 loans and overdrafts to small enterprises, only about 12 were to small manufacturing or service industries. At present retailers in Luanshya are not faring well, partially due to the supply situation. There is also a considerable wage squeeze.

120. Three of the bank's clients were visited: a small clothing firm affected by lack of supplies; a furniture-making workshop with contracts from the mining company and a metalworking shop owned by the same group making, inter alia, metal stretchers for the mines; and a bus owner. The latter runs long distance buses in the Copperbelt and to Lusaka in competition with the State-owned United Bus Company of Zambia, and he seems to be doing well. He spoke of needing major loans in two years' time to replace his buses with larger ones.

121. The Mansa branch has about 100 current small loans, mainly to retailers who have been affected by supply shortages. Farmers in the area were not able to have their machines repaired, partly due to the shortage of spares and partly to the shortage of skilled mechanics to carry them out.

122. There is practically no industry in Mazabuka and loans are made mainly to farmers and fishermen. The branch manager felt there was a need for assistance in dealing with farm loans.

123. Barclays is not primarily concerned with earning interest on loans but would rather help launch industrial and other economic activities. It is backing two initiatives for loans to small farmers. The first entails the placing of five agricultural assistants (in effect extension officers) in selected branches. They are to visit farms in the area served by the bank to check on performance and give advice. Each is expected to cover about 200 farms.

124. The second initiative, associated with the first, is the Lima Loans Scheme (K 2.5 million) aimed at small farmers with 20-70 acres of land, initially in natural groupings (e.g. mission catchment areas, GRZ settlements, etc.). It will provide loans of up to K 10,000. Its scope will be limited to those with net saleable assets of at least K 1,500 and to five geographical areas. The scheme was initiated a few days before the departure of the Mission and was given considerable publicity. It is an example of the bank's policy to continue and develop its programme of loans to small enterprises. The scheme implies more than simple lending and involves substantial technical assistance to small farmers.

125. Its stated objectives are:

1. To expand credit to small-scale farmers, thereby assisting Zambia to grow more food, and to reduce the risks associated with this type of lending by closer control, though at little increased cost to the bank.
2. To work closely with the Department of Agriculture and other related Government bodies.
3. To educate small-scale farmers in credit management.
4. To limit debt write-offs to 4 per cent and carry over short-falls to 10 per cent of total.

126. The Managing Director expressed interest in the services of any future small-scale industries organization which may be set up and indicated that Barclays Bank might be prepared to contribute to it financially. He arranged a meeting for the Mission with the main commercial banks and DBZ to discuss how possible World Bank credits to small businesses might be handled. The key points of this meeting are noted elsewhere in this report.

2. Zambian National Commercial Bank

127. The National Commercial Bank was a small commercial bank incorporated in the FINDECO group. It is now the only State-owned commercial bank. It was anticipated that it would offer credit to the "average" Zambian entrepreneur; however Katherine Di Tullio reports that at the time of her visit no specific programme for manufacturers had been implemented.

128. The Mission spoke with its Managing Director, who informed that the bulk of its loans were to the parastatal sector. The bank had some very bad debts in the past and its lending policy has become quite conservative. It made some loans to farmers, mainly in the Southern and Eastern provinces, but the number of these was limited. No loans were made in the last three years to retailers or transport undertakings.

129. The bank has branches in most provincial capitals and larger towns and could possibly constitute one institute capable of channelling possible World Bank loans to small business. The Mission visited the Mansa branch, whose manager said that 11 loans had been made to coffee growers without security and that there had been defaults because the loans were for 24 months and did not take into account the fact that coffee takes three years to crop.

130. The bank suffered at least one severe default in a K 20,000 loan to a fisherman. It does not make many loans to agriculture. Inputs such as fertilizer are bought by the bank and given to the farmers. On the other hand, a major local retailer has an overdraft of K 150,000.

3. Standard Bank (Zambia) Ltd.

131. A visit was paid to the manager of the Standard Bank at Kasama. He said that the branch mainly lent amounts up to K 50,000 as working capital. It made seasonal loans at 9 1/2 per cent to very small farmers, mainly rice cultivators. The bank relies on the Ministry of Agriculture to recover its loans. Of the 125 loans current at December 1979, only 15 were to agriculture and 26 to entrepreneurs; the rest were personal loans.

4. Credit Union and Savings Association of Zambia (Co-operative) Ltd.
(CUSA-ZAMBIA) 12/

132. CUSA-ZAMBIA is a member of the African Credit Union Association (ACOSJA) and is affiliated to the World Council of Credit Unions. Zambia's first credit union was registered in 1967. At present there are 102 unions, with a total membership of 25,000.

133. The credit union movement is essentially a grass-roots movement. People with common interests, usually from the same village or district (e.g. the school leavers at Mtowe Village) form a union to save money together. Each union has a board of directors composed of 9 or 13 people. A member has to be accepted by the credit union's members and is expected to maintain an agreed rate of saving every month. The unions expect their members to contribute regularly and someone who fails to do so may be asked to account for his failure.

134. The credit unions provide loans to their members for both investment and working capital. At the end of 1979 CUSA-ZAMBIA had K 3 million in personal accounts, representing an 11 per cent increase over the previous year. Loans currently outstanding represent less than one third of savings. The rate of interest is 1 per cent per month for up to one year. The rate of interest is discussed with the borrower for longer term loans.

135. Loans to credit unions are always repaid, although special circumstances such as serious losses due to, say, drought receive special consideration. Because credit unions are small and formed by people from the same village or interest group, members know one another personally and there is strong pressure that the regulations be respected. A defaulting member may be expelled.

136. CUSA-ZAMBIA has four departments:

- Management and Finance
- Loans
- Supervision
- Education.

There is a business consultant section to advise small credit unions whose members wish to start small businesses. Once a union has K 10,000 in savings, the group may decide how to spend some of the money, e.g. K 3,000 for seed,

^{12/} Information based on a discussion with Mr. A.J. Dux Halubobya, Manager of CUSA-ZAMBIA, and the handbook, What Everyone should know about Savings and Credit Unions, CUSA-ZAMBIA, Lusaka, 1973.

K 3,000 for an industry, etc. In Kasama, where there is a large credit union, money was lent to a group of women to acquire 18 sewing machines. Money was also lent for an electric grinding mill. For agricultural loans there is an Agricultural Investment Committee with an Agricultural Officer, Veterinary Officer and Local Development Officer.

137. In the field of small industry, 45 diesel-operated grinding mills were purchased with letters of credit to importers. A furniture-making business was set up with Italian machinery by 12 members, each of whom took K 120 per month out of the business and put the balance in reserve. A woman in Petauke who became known for the quality of her home-baked bread was assisted in setting up a bakery with a traditional oven costing K 700. She repaid the loan within six months.

138. At present there are 17 volunteers from credit unions in the United States, Canada, Germany and the Netherlands assisting CUSA-ZAMBIA. When proposals are made for setting up small businesses, those who act as business consultants make feasibility studies and work out the terms of the loan. However it is the local credit union which ultimately decides whether a loan should be made or not.

139. The credit unions would appear to represent an ideal channel for possible World Bank credits to entrepreneurs in both rural and urban areas. All members of credit unions have some education in credit union membership procedures. Officials undergo courses in running unions, accounting, etc. The Manager of CUSA-ZAMBIA seemed to be highly competent.

E. Conclusion

140. If the question of financial aid and means of channelling finance to small businesses has been dealt with at some length, it is because this forms the basis of the need to ensure that effective use is made of World Bank credits. This point is discussed later when the form which projects may take is examined.

V. UNITED NATIONS AND OTHER TECHNICAL CO-OPERATION
TO SMALL BUSINESS IN ZAMBIA

141. There does not seem to have been much technical co-operation, either international or bilateral, which is directed specifically toward small enterprises, with the notable exception of the UNIDO team attached to RUCOM from 1971 to 1977. The principal assistance - past, present and planned - is discussed briefly below.

A. UNIDO

142. As already mentioned in chapter III, the UNIDO Mission attached to RUCOM was unsuccessful and nothing of its work remains.

143. There is a UNIDO Senior Industrial Development Field Adviser in the UNDP office at Lusaka whose main concern is the development of projects in Zambia and some neighbouring countries. A Small-Scale Industries Adviser was appointed recently to the Ministry of Commerce and Industry for a period of nine months to help the Government develop a policy for small enterprises - particularly small industrial enterprises - and to draw up an institutional framework for their promotion, including the Small-Scale Industries Development Corporation and the related legislations.

144. A project has been approved for the provision of expertise for a period of approximately two and a half years to develop five industrial projects in each of the nine provinces; US\$387,750 was allocated for 1978-81. Recruitment has not yet started.

145. Recent UNIDO technical co-operation projects do not seem to have been developed according to any sort of over-all plan. It would seem preferable to delay the implementation of the proposed UNIDO assistance until the present Small-Scale Industries Adviser has had a comprehensive look at the situation as a whole and until the proposals in the present report have been finalized.

B. ILO

146. Mention has been made of ILO assistance to MDAC. Nothing appears to have been done for small enterprises in the course of the first mission. There is a Small Business Expert with marketing management expertise in the present Mission. A one-week course for small business was held in January 1980. Resources are too limited to ensure any major degree of assistance.

C. Other Bodies

147. The aid given by credit union volunteers to CUSA-ZAMBIA in business consultancy and volunteer assistance in the activities of the Limuwera School Leavers' Project have already been mentioned. There are other volunteers in similar capacities connected with religious bodies and bilateral aid organizations in various parts of Zambia. While individually often of high quality and valuable in themselves, their efforts lack co-ordination. A Project Officer was recently attached to the Village Industry Service, but little seems to have been accomplished so far.

D. German Bilateral Aid

148. The Kreditanstalt für Wiederaufbau (KfW) proposes launching a major project for the development of small enterprises in rural areas. Discussions have been held between the responsible KfW official and World Bank officials. A further discussion was held in Vienna with Jan Mayer of KfW, together with the Project Manager under whose leadership the consultants will undertake the first phase of the project, and the members of the present Mission in order to exchange ideas and co-ordinate action.

149. Terms of reference for the consultants, the basic objectives of the project, and the contents of its first and second phases are given in annex 2. Phase I is scheduled to start in early March 1980 with the arrival in Zambia of a team of four consultants. Five man/months will be devoted to a critical appraisal of the actual situation of small-scale enterprises in Zambia and relevant adjacent sectors. The study will cover, inter alia, Government policies and legislation, possibilities of supply and sale, access to finance, existing promotion schemes and the availability of indigenous entrepreneurs and personnel. Based on this study, a nation-wide promotion scheme will be elaborated.

150. If the initial study, which will take four months to complete, shows possibilities for further effective action, a pilot scheme in a selected region will be developed. The Terms of Reference notes that this will be done "after a reasonable time of reflection" on the part of both of the Government of Zambia and KfW.

VI. NOTES ON SOME KEY MEETINGS AND OTHER ACTIVITIES
OF THE MISSION

151. The list of organizations and persons contacted (annex 3) gives a fairly complete picture of the range of meetings in which the Mission participated, either together or singly. Information arising from most of these has been incorporated in the appropriate sections of this report. The meetings and discussions described below are those which made important contributions to the formulation of the policies recommended by the Mission.

A. Ministry of Commerce, Industry and Foreign Trade

152. Meetings were held at the Ministry of Commerce, Industry and Foreign Trade at the onset and close of the Mission. The first meeting, chaired by the Under-Secretary in the absence of the Permanent Secretary, brought together a number of persons interested in small enterprise development. During the final meeting, held on 22 January 1980, Mr. Wynne-Roberts, who undertook the second part of the Mission alone, summarized the findings of the Mission for the benefit of the new Permanent Secretary and United Nations and other advisers to the Ministry. In general and tentative terms, he outlined the direction aid to small enterprises might take, and touched on problems which may be encountered in launching and operating a successful project.

153. At his request, a meeting was held with the Minister of State of the Ministry of Commerce, Industry and Foreign Trade, who is responsible for small enterprises. Mr. Wynne-Roberts was accompanied by the UNIDO Adviser on Small-scale Industries. It was clear from the discussion that Government policy focuses on the development of small enterprises in rural areas and that it is less concerned with urban enterprises. Self-sufficiency in rural areas is aimed at, concurrently with the build-up of agricultural production, including industries such as grinding mills, oil mills, sawmills and eventually canning or bottling plants, all capable of utilizing or transforming local raw materials and produce. It was pointed out that a major problem to date has been the lack of a co-ordinating policy relating what farmers should produce with the means of processing their produce, which periodically resulted in their over-producing and then finding that they were either not able to sell or to transport their produce due to the lack of processing or transport capacity. The farmers subsequently cut back their production, but by then processing capacity had been increased

and was not fully utilized. Adequate transport in rural areas is one of Zambia's most urgent needs. A great many vehicles and tractors are idle because of lack of spares or repair capacity. A comparatively small expenditure in foreign exchange for spares, coupled with the setting up of more repair facilities and additional training in the use and maintenance of mechanical equipment, would go a long way towards solving some of the more pressing problems in this respect.

B. Luanshya and Ndola

154. Mr. Wynne-Roberts visited Luanshya and Ndola as the guest of Roan Consolidated Mines Ltd. (RCM). Discussions were held with the general managers of both the Luanshya Division and the Central Services Division.

155. RCM is interested in promoting industries in both these towns, especially in Luanshya, which depends almost entirely on the mines for its existence. The setting up of engineering industries providing repair services and some metal equipment for the mines is strongly encouraged, if only because it represents a flexible facility to take the place of a single enlarged repair and maintenance workshop. Other industries offering goods and services less directly connected with mining operations have grown up. Many of these are now being taken over by Zambian nationals, sometimes in partnership with their original owners. Expatriate technicians are employed in most of such industries. Because the present seams are likely to be depleted within the next 30 years and increased employment opportunities outside the mines will therefore be necessary, industries which are diversified to the greatest possible extent should be promoted.

156. A meeting was also held with the company's Purchasing Agent in the Central Services Division. It is RCM's policy to buy as much as possible locally. As regards imported raw materials, the mining companies, as Zambia's key foreign exchange earners, have very liberal foreign exchange allowances which they can use to obtain materials from subcontractors and suppliers. As far as the metal industries are concerned, a major problem is the supply of cast iron and castings. 3,500 tons per month of scrap is collected in the Copperbelt and melted down by a single foundry which converts most of it into steel balls for the ball mills at the refineries. The remainder is supplied to outside firms for their own foundries or as castings.

157. The number of products used by the mining company which are made by small firms outside the metal trades is limited. Large quantities of furniture are purchased, as well as clothing and protective clothing. Since the company is a major owner of housing, more goods and services in this field might be supplied. A comprehensive study should be made of needs and of products and services available. The mining community, especially the expatriates, usually imports what it needs, and quality is essential were these imports to be substituted by domestically produced goods.

158. It was apparent from conversations with RCM officials that the company would like to take an active part in supporting the development of local small industries and other enterprises, e.g. hotels or restaurants in Luanshya.

C. Chipata

159. The main purpose of the visit to Chipata was to see the Limuwera School Leavers' Project. A meeting was held with the local authorities, chaired by the Under-Secretary to the provincial government. Almost the entire meeting was taken up with discussions regarding this project, and little was said about Chipata itself.

160. The Mission visited the Chipata market with the Under-Secretary and the Community Development Officer. Most artisans there work in the open or in a few workshops which, because they are very small, are normally not used. Standards of workmanship are low, especially in furniture making.

D. Kasama

161. Kasama is the capital of the Northern Province and is on the Tazara Railway. It is the centre for trade and government for a very large area. It lies more than 1,800 kilometres north-east of Lusaka and about 600 kilometres by dirt road from the Copperbelt. Most of its supplies come from the Copperbelt and are transported across the Zairian enclave, which is sometimes closed to traffic.

162. A meeting chaired by the Provincial Assistant Secretary was held with provincial and district officers. A list of possible projects had been drawn up in preparation for the meeting and many of the suggestions seemed valid.

163. The discussion was wide-ranging and informative. Facilities available in Kasama and the closer parts of the province include the RUCOM coffee estates and processing plant, a going concern supported by the World Bank which should generate some purchasing power, and the Northern Cooperative Union rice and maize mill, the recipient of a DBZ loan. The mill was visited by the Mission. Capable of handling 7,200,000 kg per year, it is too large for local needs, since production in the province is only 960,000 kg. It is planned to plant 30,000 hectares of rice. Kasama is comparatively isolated from other parts of the country; most roads are poor and transport is scarce and costly. Supplies of rice from elsewhere are therefore expensive, as are deliveries to Lusaka and the Copperbelt. The Tazara Railway is at present concentrating on priority exports (copper) and imports from Dar-es-Salaam.

164. In addition to rice, the province and district grow maize, wheat, beans, sunflowers, soya beans and groundnuts. One farmer in a nearby village has 800 apple trees. The Integrated Rural Development Programme (IRDP) in the Northern Province is supported financially and technically by the Swedish International Development Association (SIDA). It provides local farmers with technical know-how, as well as with inputs such as seeds and fertilizer. Counterparts are being trained.

165. Among industries which were established in the Kasama district are sawmilling and furniture making. However these are currently dormant because the co-operative which ran them has been disbanded. Although there is good clay in the area, brickmaking has also declined, owing to local preference for concrete blocks, for which cement has to be transported by truck from the Copperbelt. A great deal of food, especially vegetables and fruit, is going to waste because it does not reach the major markets. The food might be canned or bottled, but such an operation has not yet been set up. Other industries which could be based on local materials are a pulp and paper mill to produce boards and packaging materials; soap and candles manufacture; a pottery; a creamery; and the production of stock feed, of which there is an acute shortage. (There is in fact a critical shortage of meat in the district and province, partly due to the incidence of the tsetse fly, but measures are being taken to overcome this and Government ranches have been set up at Mbala.)

166. The province is notable for huge areas of lakes and swamps. They are being drained and irrigated and there is a large demand for water pumps. A metalworker visited in the Kasama market is trying to produce these but he has encountered supply problems and needs design assistance.

167. Other artisans visited in the market asked for small workshops in the market area so that they could work when it rained.

168. Briefly, the Kasama district and the closer parts of the huge Northern Province, such as Luwingu, Mbala and Mpulungu, the port on Lake Tanganyika, have a good deal of potential for development. The great distances from population centres make it especially important that a high degree of self-sufficiency be developed, while at the same time necessitates more rational transport, eventually using the railway, so that bulk products can be sent to other parts of the country. Mpulungu has an important export trade with Burundi which could be increased if the railway to Durban or Beira offered a viable alternative to Dar-es-Salaam. Cement is a major export up the lake.

169. Greater initiative should be taken by local entrepreneurs: once initiatives have been taken, technical assistance could easily be made available, for example in the preparation of feasibility studies or for training. In view of the need for increased local initiative, it was agreed that a working group be created to ascertain what could be set up and those who could be placed in charge. S.S. Banda of the Ministry of Commerce, Industry and Foreign Trade, who accompanied the Mission, could be the point of contact with his Ministry.

170. For a number of reasons, Kasama seems to be the best place to start a project in a rural area. There is enthusiasm which will have to be sustained; and there are some dynamic people in the provincial government. The district is reasonably served by roads for short hauls. A discussion was held with the Member of the Central Committee of the Party, the political head of the province, who was very receptive and whose support will also be an important factor.

171. A great deal of technical assistance will be needed for a long time to come because there is little knowledge about how to start, how to carry out feasibility studies, and so on. This will be discussed in the next chapter.

E. Mbala and Mpulungu

172. Mbala is a district headquarters near Lake Tanganyika, about 200 kilometres north of Kasama. There is an excellent new road from Kasama. A meeting was held with the District Governor and a few local businessmen. A local farmer recounted how he had committed himself to purchasing a flour milling plant from Switzerland worth K 230,000 (over US\$300,000 at the then current rate of exchange). He had obtained some financing from DBZ but had also been permitted to seek further finance abroad, the Governor's office having intervened with the Ministry of Finance, and he subsequently received a loan from Switzerland. The machine had arrived in Ndola, but DBZ refused to release it until the borrower put up 20 per cent of the cost price, which he did not have. It was apparent that someone had been remiss in allowing such a transaction to go through. No feasibility study seems to have been made, there was no provision for building or working capital and it is not even known whether enough wheat is produced in the district to keep the mill running.

173. Mpulungu was visited, where a long discussion was held with the local fisheries officer. Fishing is in an exceedingly bad state. The artisan fishermen cannot get nets, the Kafue works having closed down due to lack of foreign exchange. The Government workshops which repair the boats at cost (sometimes free of charge) have stopped because of lack of spares for motors and plastic materials for repairs to the boats. Lakeside Fisheries, a Government concern which has three big boats, was closed due to maladministration. The one remaining major enterprise, SOPELAC, which is well run, was formerly owned by a Greek who is just completing his contract as its manager. Unless he is replaced with a competent manager and fisherman it will almost certainly go downhill once he leaves. 2,464 tons were landed in 1979, which should be compared with over 12,000 tons in Burundi, at the other end of the lake. It is understood that a World Bank fisheries mission to Zambia will take place later this year.

F. Mansa

174. A meeting was held in Mansa under the chairmanship of the provincial Under-Secretary. In addition to the principal provincial and district officials, local bank managers, managers of the National Agricultural Marketing Board (NAMBORD) and AFC and some local traders were present.

The meeting generally followed the lines of that held at Kasama. Special emphasis was placed on shortages of both materials and spare parts, particularly by the two garage owners present, one of whom said that he could use K 25,000 in foreign exchange simply to meet current demands. Many tractors and other machines are idle due to lack of spares.

175. The RUCOM furniture factory has gone out of business, but there should be no problem in financing its revival as a private concern. The RUCOM candle factory, for which the building has already been erected, is in abeyance because objections have been raised to its site, which is close to a residential area, on the grounds of unpleasant-smelling emissions. Three licences have been taken out for bakeries, but there is an acute shortage of flour.

176. One question was raised in the meeting relating to the vetting of applicants for credit to set up new businesses. In principle, the local government should approve suitable applicants for major loans, but all that in fact seems to happen is that they are allocated a plot of land, which is a prerequisite to obtaining credit, without inquiries being made as to whether they are competent entrepreneurs or the projects viable.

177. Luapala Province, of which Mansa is the capital, contains Lake Mweru, an important source of fish, most of which is exported to the Copperbelt. The Lakeside Fisheries ice-making plant on the lake has been closed since the company went into liquidation, so that fish can no longer be transported by truck. Everyone is waiting for the Government to settle the problem, but no one seems to have taken any initiative to run this key plant on a temporary basis while negotiations are in progress and thus ensure that both the fishermen's livelihood and this vital source of food are maintained.

178. A fairly wide range of possible industries was suggested and discussed. Disappointingly, the traders did not offer suggestions for small industries, since they, knowing the markets and their own needs, are so often the logical promoters of these.

179. A visit was paid to the Mansa Trades School, which provides two years' training in brickwork and plastering, carpentry and joinery, plumbing and pipe fitting, sheet metal working and electricity. Its students come from all over Zambia. After training, the students must work for one year for an employer, who must provide a certificate of competence before their diplomas are awarded. The students then usually seek employment elsewhere, generally with larger employers.

180. There is considerable scope for the development of small enterprises in the Mansa District and the province. However it is suggested that it be accorded second priority, after Kasama, where conditions seem more favourable to an immediate project within a smaller area.

181. A visit was paid to the District Governor at Luwingu, half-way between Kasama and Mansa. A good-quality furniture factory was also visited. At present Luwingu has no power and the furniture (three piece suites covered in rexine) was all handmade. Power sawmills could be developed in the district, which is heavily wooded.

G. Meeting of Bank Managers in Lusaka

182. A meeting was held towards the end of the Mission with the managers of the principal commercial banks and representatives of DBZ with the objective of trying to determine how World Bank credits could best be channelled to borrowers. The problem arises because DBZ is not equipped to handle large numbers of small loans. In fact, it is specifically prohibited by law from making individual loans of less than K 25,000, although there seems to be one loan for a sum less than this. The law could be changed, but there is an understandable reluctance on the part of DBZ to become involved, since it would take up considerable staff resources for very limited returns. Moreover DBZ does not lend working capital and it would seem that, at least initially, working capital in foreign currency for raw materials and spares may be most in demand.

183. Loans to small enterprises seem likely to be divided into three categories: the first of these would be for capital equipment costing more than K 25,000 when a new plant is set up or an existing one is expanded. Even in Zambian terms, capital equipment to a sum of US\$200,000 could be considered as appropriate for a small enterprise. Loans of this order would not pose a problem, since they could be handled by DBZ, possibly with the aid of the World Bank-funded consultants, provided the borrower could raise 25 per cent of the total sum.

184. The second category embraces all loans for capital equipment amounting to less than K 25,000. This may cover fairly small loans for imported equipment for which foreign exchange is necessary, but which might have to be channelled through importers. Problems of funding purchases in kwacha do not seem to arise, but the importers themselves are short of foreign exchange. One solution may be the granting of blocks of exchange for this purpose to commercial banks or importers.

185. The third category concerns loans for the purchase of materials and spare parts with foreign exchange. At present these represent a critical bottleneck which is likely to persist for a long time to come. Such loans would have to be handled through the commercial banks or such agencies as the Credit Union.

186. Although Barclays Bank is keen to support the World Bank in financing small enterprises and has recently given evidence, through the Lima Loan Scheme, of its determination to pursue this policy as regards small farmers, the Managing Director admitted that at present it was difficult to see how he could handle possible World Bank credits. This view was shared by the other bankers.

187. A number of problems must be resolved. Those which were raised in the meeting included:

- Security for the loans;
- Foreign exchange risks;
- Lack of facilities to evaluate projects (although this is being tackled in the Lima Loan Scheme by the appointment of agricultural assistants);
- Interest rates.

188. All those present stressed the very heavy losses which had been incurred in the past. The commercial banks would need some protection if they were to participate in the distribution of possible World Bank credits because if their clients were to default it would be up to the banks to repay the money received from DBZ. It was suggested that the Government might guarantee the whole or part of the loans, especially in the first three years when the risk of default is highest. In this connection, it was pointed out that the commercial banks are not really geared to providing long-term financing.

189. Foreign exchange risk was discussed at some length. One question raised was that of who should carry the risk involved in, say, a devaluation of the kwacha against world currencies. It was pointed out that if the risk is passed to the ultimate borrower, he might find himself faced with having to repay a sum very much larger than that which he had originally borrowed, which could result in his bankruptcy. The commercial banks stressed their unwillingness to carry the risk and the question was whether the Government would take responsibility.

190. As regards the lack of facilities for project appraisal, it was pointed out that the World Bank had made provision for expert assistance to DBZ over a period of years and that this assistance could in principle also be made available to the commercial banks or other intermediaries. Not all projects, even those involving capital expenditure, would involve in-depth feasibility studies; indeed, in the initial period there might be very few. The commercial banks should be capable of assessing the viability of smaller projects or those involving the provision of working capital for established enterprises. In the case of pilot operations in rural areas, some aid might be obtained from volunteer workers.

191. The question of interest rates to the final borrower may pose some problems. If the World Bank rate to DBZ were in the neighbourhood of 8 per cent and DBZ were to charge 2 per cent for administering the loan, the money would reach the commercial banks at 10 per cent. Their charge to cover administration would also be 2 per cent, thus making a total of 12 per cent to the ultimate borrower. This would allow the commercial bank little or no profit in return for a good deal of work and some amount of risk. If the rate of the lending agency were lower and DBZ were prepared to allot credits in lump sums to individual banks to be administered by them, thus saving DBZ the major expense, DBZ could lower or even abolish its administration charge. This would in turn enable intermediate lenders to make slightly more profit from their operations and to cover themselves partially against bad debts without raising the final interest rate to an excessive degree.

192. The meeting was inconclusive. It is understandable that the commercial banks, however public-spirited they may be, are somewhat hesitant to involve themselves in an operation which would be marginal in terms of profits and which has a higher than average risk, unless means can be found to reduce this. For example, US\$2,000,000 would not be a large sum, especially when split among several banks, although this amount could increase if this first line of credit to small enterprises proved to be successful. On the other hand, it is obviously in the long-term interest of the banks to promote industry and commerce and thus ensure more prosperous clients in the future.

193. It was unfortunate that the Managing Director of DBZ was hospitalized during the whole of the second part of the Mission in January 1980, and that it was therefore impossible to discuss with him the Mission's findings and the means whereby a proposed line of credit could best be utilized.

VII. PROPOSALS FOR THE IMPLEMENTATION OF THE SMALL-SCALE ENTERPRISES CREDIT PROJECT

A. General Considerations

194. The revised terms of reference for the Mission include the development of projects in Lusaka, Luanshya and a rural area. The rural area recommended by the Mission for first consideration is Kasama District in the Northern Province, possibly together with one or more adjacent districts.

195. The different conditions prevailing in the three areas will call for projects structured in different ways. However there are some general considerations which will affect all three projects in varying degrees. The first of these is the fact that the "fourth level" of enterprises noted earlier, which comprises the logical target for this exercise, is weak in Lusaka and Luanshya and is virtually non-existent in the countryside. Particularly in Lusaka, this may mean that the "fifth level" - small artisans and very small businessmen - will have to be built up so as to fill the vacuum.

196. The second consideration is that, in both urban and rural areas, the project is likely to have to be extremely technical assistance-intensive. Many firms and individuals will need a great deal of technical support both before and after receiving credits. In this respect some industrial equivalent of Barclays' Lima Loan Scheme must be developed, if only so as to protect lenders.

197. Thirdly, the most pressing immediate problem is caused by lack of supplies of raw materials and spares, common throughout the country and at all levels. In the case of raw materials and spares from overseas, this is due to shortages of foreign exchange and the long delays in obtaining permits. In addition, there is said to be a backlog of payments for supplies already received from abroad of about 18 months, and as a result sources of supply are diminishing. Shortages of indigenous raw materials, in some cases due to insufficient capacity on the part of suppliers (e.g. hardwood produced by hand sawing) or, more frequently, due to chronic shortages, are the cause of reduced operations in existing plants. Misuse of transport, e.g. unnecessary journeys because of inadequate planning, is another factor. Many means of transport are also probably out of use due to lack of spares.

198. With a few exceptions, few of the sample of enterprises visited or businessmen spoken with seemed to have immediate plans for expansion or for setting up new enterprises, although it is recognized that in most cases

credit in kwacha does not present a hindrance. No doubt the recession, uncertainties due to hostilities with Rhodesia, and unused capacities were primarily responsible for this situation, which could change with a return of confidence. However, it would seem sensible to give priority to supporting those firms which are already going concerns by providing them with the foreign exchange and other credits necessary to obtain raw materials and spares. Enabling enterprises to reintegrate workers who have had to be laid off is the quickest and most economical way of raising employment. At the same time, however, a start must be made to upgrade existing small enterprises and create new ones.

B. Lusaka

199. The absence of the "fourth layer" probably makes itself felt more strongly in Lusaka than elsewhere, although there is a growing number of enterprises which fit this category, some of which were visited by the Mission. All were Zambian-established and owned and some were quite efficient. None seemed to have special problems of credit (this also applies to most of the market artisans), but all had problems of material supplies, whether imported or indigenous. The main development objectives in Lusaka therefore seem to be:

1. To ensure raw material supplies for enterprises which already operate reasonably efficiently, especially where foreign exchange is the problem and, where necessary, to ensure that they receive technical assistance and training to permit them to improve their performance and expand.
2. To upgrade small artisan industries so that they become true small enterprises.

200. If the commercial banks with which the first group have accounts are willing to handle possible World Bank credits, no special problem would appear to exist in providing funds to these enterprises, most of which are viable operations. Loans for capital equipment above the K 25,000 level can be handled directly by DBZ, where necessary with the assistance of consultants. Some training, e.g. in accountancy or production management, could be furnished by MDAS, although as far as the Mission could gauge these small firms seem to have adequate bookkeeping. Consultancy advice as well as more complete and on-the-spot technical aid and advice regarding choice

of machinery, marketing and purchasing would have to be done by the Small-Scale Industries Development Corporation, whichever form it may ultimately take. However, at the onset the loans could go through without such assistance, especially for working capital foreign exchange.

201. As regards the second group, the operation would be more complex and would have to be done in stages. The first stage would entail a sample survey of small enterprises in Lusaka - manufacturing, service and retail, and artisanal. This would be a major task if, as M.A.B. Christie estimates, there are 30,000 informal sector manufacturing or service artisans in Lusaka. For the purpose of this project it is suggested that the first survey should try to embrace a representative sample of 6,000 (20 per cent). It could be developed at a later stage into a city-wide and nation-wide census.

202. The objective of the survey would be to obtain a reasonably accurate picture of existing small-scale and artisan enterprises in Lusaka, their location and conditions of operation, tools and machinery employed, level of skills, trades and products and, in particular, the problems and needs which they face. Among needs to be identified would be the real demand for rented workshops. The survey would have to be carried out by means of interviews, for which university and technical college students could be employed in their vacation. The forms used should be simple and should be filled in by the interviewers. The ultimate purpose of the survey would be the identification of artisans and small entrepreneurs with the ability and ambition to develop into small enterprises and possibly beyond.

203. A good deal of preliminary work would have to be done in planning the survey, in designing and testing the forms, and in taking some test samples so as to ascertain the scale and nature of the task. This phase could last, say, four months. The actual survey should be completed in not more than six weeks by teams of ten students under a leader. Each would be expected to carry out four interviews a day. Five teams would thus be required. A further four months might be needed to analyse the results and to prepare for the next stage.

204. Among the information which would be revealed by the survey would be gaps in the trade and service structure in the small enterprise and artisan sector. Enterprises to fill these gaps could be promoted at a later date. Immediate attention should be devoted to those artisans who could be upgraded with technical and financial assistance. A reasonable estimate is that about 5 per cent (i.e. 300) may be eligible for such upgrading.

205. The ILO Small Industries Expert attached to MDAS reports that in Swaziland there had been 150 applicants to set up businesses on a small industrial estate. They were screened down to 15, who were required to undergo a full-time training course in management, elementary accounting, marketing and technical upgrading for three months. Nine completed the course; they were placed in businesses, all of which are now thriving. The fact that Zambian artisans selected for upgrading would still have to earn their livings would largely preclude full-time courses in the Lusaka project, but part-time and evening courses could be held. The successful completion of these courses would be a pre-condition for receiving loans and other aid such as allocation of workshops, if available. The real importance of such courses is that they would determine artisans suitable for upgrading. It is the view of this Mission that this would constitute the most important form of protection for the lending institutions and that it is therefore essential to the success of the project. It may also be worth while to send someone to Swaziland to study the project there with a view to ascertaining what could be applied to Zambian conditions.

206. The third phase would be follow-up action and continuing assistance.

207. Mr. Christie made the important point that it is more likely that those artisans who already have going concerns will be capable of upgrading and be reliable borrowers than newcomers to business,, even if the latter have good technical qualifications. Because many artisans are grouped close to one another, credit unions might be the best channel for funding and would be an additional protection against default. Furthermore, CUSA-ZAMBIA business consultants could be used to supplement and even replace personnel from the proposed Small-Scale Industries Development Corporation.

208. About three years from start of work on the survey to the establishment of the first group in the third stage would probably have to be allowed, assuming all proceeds satisfactorily. The national and international staffing needs are outlined later in this report.

C. Luanshya

209. As noted earlier, there are many small firms in Luanshya servicing and providing goods for the mines and the local population, which makes its living from the mines and is relatively prosperous. There is also an

important European and North American expatriate element accustomed to importing most of its needs from abroad. This element is diminishing and being replaced by Asian technicians whose needs are likely to be different. The demand for relatively sophisticated consumer goods and services should continue for a long time. Moreover, Luanshya is well situated to provide goods for the nearby large (300,000 inhabitants) city of Ndola and for other cities and towns of the Copperbelt where there are large expatriate populations.

210. The existing small firms in Luanshya, whose difficulties arise mainly from exchange shortages for raw materials and, in certain cases, capital equipment, can be dealt with through the banking network. A study needs to be made at the beginning of the project of small and artisan enterprises in Luanshya. This could be done by a small team after the Lusaka survey. Although much could be learned from such a survey, its emphasis should be on the possibility of replacing imports of consumer goods by goods which could be produced in the small-scale sector. In other words, the survey should be more market-oriented than the Lusaka survey and should go into more detail for more sophisticated goods.

211. Since the replacement of imported consumer goods will demand high quality, those selected to embark on providing these goods will need higher-level technical upgrading in both design and production, as well as more marketing assistance. This will involve the establishment of a small national team from the Small-Scale Industries Development Corporation, with some international assistance. In principle, the project could be conducted along the same lines as in Lusaka and it could perhaps be used as a pilot project for Lusaka, since it would be on a much smaller scale.

D. Kasama

212. The project in Kasama may be both easier and more difficult to implement than the two urban projects. Because it will start from a near zero base, few pre-conditions will complicate it. On the other hand, everyone - from local government officials downwards - will need a great deal of help and encouragement. Needs and individuals have to be identified over a wider area than in the cities and assessment may be more difficult. In this connection, the religious bodies operating in the district and province may be able to provide invaluable help. Many of the priests and others have been living in the area for 20 years and

longer, and some of them are involved not only in education but also in training and technical assistance, generally in agriculture and manual crafts. They know the people and they know who the competent ones are. Some of the other aid projects with volunteers attached to them could also be of assistance, and the project personnel should take the greatest possible advantage of their knowledge. There are branches of the Standard Bank and National Commercial Bank and a credit union in the town. Local government officers, such as the Agricultural Officer, Fisheries Officer and Forestry Officer, could also be very useful.

213. The first step in Kasama would be the appointment of a consultant to the provincial and district governments. He should have broad experience and wide knowledge of small industries and their processes, and should be capable of designing and conducting a survey and making simple feasibility studies. It is essential that he be practical and motivated, capable of encouraging those with whom he is working and sustaining their interest. It is understood that the provincial government has made provision in its 1980 Budget for an economist to undertake studies of this sort. This person would be the logical counterpart to the international consultant, although he may probably be a recent university graduate and require training. During the course of the survey and subsequent formulation of recommendations, the consultant must be able to have recourse to technical advice in fields in which he himself is not an expert. He may be able to obtain some expertise, especially in the agricultural field, from local volunteers or from Zambian officials. In other circumstances it may be necessary to obtain information from Lusaka or elsewhere.

214. It is imperative that the local authorities and the community as a whole are involved in the bulk of the work, especially in identifying those suitable for upgrading to entrepreneurial level or those who qualify for assistance in their development. If the impetus does not essentially come from local Zambians, the project will not be worth implementing. This is one reason why the personality of the consultant will be of such importance.

215. As regards the selection and training of recipients of aid, the rule that no aid will be given unless and until the would-be recipient has proven himself to be competent must be adhered to. It may be that in a rural situation, where most people have farms, it would be less problematic than in Lusaka for the candidates to attend full-time courses, since their wives or other family members could take over their work.

216. It is difficult at this stage to suggest a time schedule, but a reasonable estimate would be that some of the projects could be on-stream in three years. Further national technical assistance could presumably be furnished by the Small-Scale Industries Development Corporation, and the Village Industry Service could also perhaps contribute. This has to be examined further.

E. Technical Assistance Needs

217. The World Bank project makes provision for US\$300,000 for consultants to help DBZ in the appraisal and selection of projects and loans. One consultant should be a broadly-based economist with experience in banking and in loan appraisal and project evaluation in developing countries. Another should have a broad background in production management and production technologies, and be capable of advising on the selection of plant and equipment. Although the consultant cannot be expected to be an authority in all technologies, he should be capable of appraising offers of equipment to the point of being able to question their suitability for specific needs and knowing where to seek advice.

218. These consultants would presumably be located in DBZ, but their services should also be available to other banks handling World Bank credits. They should go to Luanshya and Kasama periodically, if only to bring themselves up-to-date regarding conditions in the field. They might be considered as the senior "backstoppers" to the project and could be administered by UNIDO. The terms and conditions offered should be such as to ensure experts of high quality. Further foreign expertise which may be needed is discussed after a brief consideration of national staffing.

F. The National Component of Technical Assistance

219. Staffing of the project's technical component will presumably be furnished by the proposed Small-Scale Industries Development Corporation, although local authorities should also play an integral role. M.A.B. Christie proposes the use of Community Development and Employment Officers to look after the promotion of artisans in Lusaka, and the community officers responsible for the various sectors of the city where the project would operate should certainly be brought into it, since they have local knowledge.

220. Mr. Christie also suggests using technical college teachers to run special courses in technical upgrading. This seems an excellent idea and would probably be welcomed by the teachers concerned.

221. The initial survey at Lusaka would possibly require 3 full-time officials, plus some 50 students and 5 leaders working part-time. Luanshya might be covered by 1 official and 11 students if the survey there were done after that in Lusaka. Clerical staff and computing facilities would be necessary.

222. The second stage in Lusaka would call for staff to organize the selection and training of the candidates as well as to provide technical advice on the selection of markets, products and equipment. It might require the setting up of workshops, which presumably would be done by the city authorities who would have to co-ordinate closely with the staff directing and running the project.

223. Those involved in direct assistance in the second and third stages would have to be selected very carefully. In the light of the experiences of small enterprise institutions throughout the world, it is the view of the Mission that it would not prove beneficial to make use of young engineering or economics graduates as the main staff to come into contact with small entrepreneurs and artisans. Technical aspects must be dealt with by technicians at the supervisory level with sound practical experience and capable, where necessary, of demonstrating how a job should be done. A number of such personnel, who might be recruited for different trades, are in the Copperbelt. They would need some further training and possibly upgrading. This also applies, although perhaps to a lesser degree, to the bookkeeping and marketing fields.

224. Staff coming in direct contact with the artisans and small entrepreneurs will have to be backstopped by graduates who before being engaged should have spent at least three months as an executive in a small firm, either in production or marketing, and should have assisted in its administration, so that they learn about the problems and realities of small business. Their performance in improving techniques and production, reducing costs and finding better markets would be assessed by their employers and this assessment would be a deciding factor in their final engagement. Graduates with degrees tend to regard themselves as being due for management jobs and there needs to be some form of inducement for them to undertake such training. This could be achieved by a salary scale which is on a par with industry and

higher than the Government scale; otherwise many will leave for industry. The same applies to technicians, who are paid less than the graduates on a Government scale.

225. The question of competitive salaries is one reason why any organization dealing with small enterprises must be independent of the Government and have its own budget and salary scales. In this connection the banks and some of the major companies, for example the mining companies, might be prepared to offer some subsidies or to second personnel for a period.

226. It is not possible at the moment to indicate how many national staff will be needed in each category when. If the general form of the project is accepted, it will be necessary to appoint someone to work out details, co-ordinating with the various bodies involved both directly and indirectly, possibly with international or bilateral assistance. This person might be expected to become the national project manager and would logically be the person assigned to develop the Small-Scale Industries Development Corporation.

G. International Technical Assistance

227. Apart from the consultants to be funded by the World Bank, further assistance will also be required. If it is found that Zambia lacks the competence necessary to design and run the small enterprise survey, it will be necessary to employ an expert in this field for about a year. A consultant to supervise and co-ordinate the Kasama project should be recruited for three years. An industrial management expert with wide experience in small and medium industry and business will be needed to co-ordinate and develop aid to small enterprises and artisans.

228. It is very difficult to make any concrete proposals regarding other technical expertise at this time. However, if the cost of international technical assistance is to be kept reasonable, serious consideration must be given to alternatives. It was noted regarding the Limuwera School Leavers Project that the assistance received from the missions and volunteers funded by charity would have cost about half a million dollars if it were to be costed at standard United Nations rates. The quality of these volunteers and their devotion to their work is usually high, and it is felt that as much use as possible should be made of such volunteers, even if the financing agency were to subsidize church organizations in order to obtain their services. This of course does not preclude the use of United Nations volunteers, but church volunteers have the advantage of being integrated into an organization

which has long experience in the country and in the regions concerned. There also ought to be a much higher degree of collaboration than hitherto seems to have been the case, and it is strongly suggested that possibilities of strengthened co-operation be seriously examined.

229. One of the main reasons for the above suggestion is the fact that international experts and volunteers are usually only in the country temporarily and Zambia, like many other countries, has seen institutions established or strengthened through international aid collapse soon after technical aid or expatriate management were withdrawn. The continuing presence of the church organizations, of whatever denomination, with top posts often filled by Zambians, may be a guarantee that continuity will be maintained.

H. Conclusion

230. A great deal of work has to be done to develop the mechanics of this project once the main lines have been approved. Before this is embarked upon, a small working group comprised of Zambian authorities and representatives of international agencies, which could also include persons from the churches and other voluntary organizations, should be formed to work out details and timing.

VIII. CONCLUSIONS AND RECOMMENDATIONS

A. General

231. Zambia is a large and underpopulated country. The discovery of copper and other minerals has resulted in Zambia's becoming one of the most industrialized countries in Africa. However its industrialization is uneven, both geographically and structurally. Economic activities are concentrated in the Copperbelt, in Lusaka and along the line of rail running from the north of the Copperbelt to the Rhodesia frontier at Livingstone. In 1974 about 53 per cent of the population lived within this narrow area, which only represents about 5 per cent of the country's total area. Over 90 per cent of industry and commerce is located in this area.

232. Industry's development has been uneven. Much industry originally grew up in the Copperbelt to provide goods and services to the mines. This led to the growth of an important engineering industry. However it is adversely affected by persistent shortages of supplies of steel, since scrap generated within the country is not sufficient to either sustain it or permit its development. Lusaka has become Zambia's principal single industrial and commercial centre, although the Copperbelt still has a major share of industry. There is quite an important garment industry, although most textiles are imported. No leather industry exists; the footwear industry is dominated by a single firm. In spite of vast forests of excellent timber, the woodworking industry is not very developed. There is no ceramics industry, with tableware and the like being imported.

233. Such an uneven development of industry and the absence of some key industries producing consumer products may largely be the result of the past prosperity of the mining industry. Until 1975 it generated a substantial surplus in the balance of payments each year, which permitted the wealthier sections of the population, largely expatriate, to import consumer goods. The less prosperous sections of the population were served by cheaply-produced goods imported from South Africa and Rhodesia, against which local small industry was not able to compete. It has been the cutting off of these two sources in the last few years, due to balance of payments deficits on the one hand and the political situation to the south on the other, which has enabled some of the local consumer industries to make headway. A further factor for the under-development of small industries has been that Zambia

lacks a tradition of crafts and manual skills. Most skilled tradesmen have learned their skills in foreign-owned or managed firms, although in recent years there has been some inflow of skilled workers from Rhodesia.

234. The result has been a rather unusual structure of industry, which may be considered as consisting of five "layers":

1. The mining companies, large corporations whose operations are located in or near the Copperbelt. They are managed and operate at good international standards.
2. The parastatal industries, owned and managed by INDECO within the ZIMCO conglomerate, most of which are medium-sized and located along or near the line of rail. Quality of management and performance vary, but in general they seem to be weak.
3. The engineering industries set up by expatriate engineers and technicians to provide services and some equipment to the mines, all located in the Copperbelt. To these must be added some industries set up by expatriates and, in a few cases, Zambians, to serve the markets created by the mines and their employees and, increasingly, Lusaka. A number of these are in the small-to-medium range and employ expatriates in technical positions and as accountants.
4. Small industries built up by Zambian technicians and entrepreneurs, with some machinery, operating with modern technologies. There are comparatively few of these, although their number is increasing steadily.
5. The informal sector industries, almost wholly Zambian-owned and operated, located in and around the markets of Lusaka and the Copperbelt towns and, to a much lesser extent, in some provincial towns. These are estimated to number 30,000 and possibly as many as 45,000.

235. The enterprises in the third group are increasingly being taken over by Zambians. The number of Zambian entrepreneurs in this category still appears to be quite small but this may result from the tendency to form "mini-conglomerates".

236. The fourth group, which in many developing countries provides the small enterprises that are capable of expanding into medium and even large firms, is very weak. This is the group which would normally receive a major portion of the credits and technical aid in any small industries project, and its weakness poses problems in project development.

237. In the past, Government policy supported the take-over by the Government of all important industries, or at least a State participation of 51 per cent. ZIMCO is the holding company for all State enterprises, including the mines, airways, railways and, very recently, the postal administration (although not road transport). With more than 100,000 employees, it is one of the world's largest corporations. INDECO is the holding company within ZIMCO for manufacturing and other non-mining industrial concerns, including some realty and other non-industrial activities. In 1979 it made a loss of K 12,139,000, most of which attributable to the sugar company; some losses could be partly offset by a few profitable operations. The two main problems are claimed to have been the shortage of raw materials due to foreign exchange shortages and uneconomic prices fixed by the Government for various commodities and products.

238. INDECO includes a company for the promotion of small industries, RUCOM Industries Ltd. Established as a body to support small firms, it was not successful and Government subsidies were withdrawn in 1976 with the intention that it become a profit-making company. However, most of the small workshops set up in the various provincial centres have either been closed down or sold, and the company is maintained largely by profits from its coffee growing and processing operations.

B. Conditions and Problems in Zambian Small and Medium-Scale Industry

239. Over 30 medium, small and artisanal industries and businesses covering a fairly comprehensive range of manufacturing and service industries were visited in Luşaka, Luanshya and some provincial towns. Most of the established small and medium-sized firms gave the impression of being reasonably well managed. There was evidence of a need for further management training and, in some cases, for technical upgrading.

240. By far the most dominant problem was the shortage of raw materials, especially imported raw materials, due to foreign exchange restrictions and long delays in obtaining permits and allocations. The delay in payment for supplies already delivered from abroad amounts to about 18 months, and this has had the effect of restricting sources of supply, since some countries do not operate export credit guarantee schemes. Severe problems have also been caused by transport delays through Dar-es-Salaam, which for a long time was the only supply route open, as well as by serious losses due to theft. These bottlenecks, which also affected the export of copper and thus further aggravated the exchange problem, ought to be reduced now that rail links with Rhodesia and South African ports have been reopened.

241. Shortfalls in the supply of domestically produced raw materials due to insufficient capacity, inefficient production, severe shortages of imported spares which put machines and transport out of action, as well as a general shortage of transport and the size of the country have affected even those firms not dependent on external supplies. This is especially noteworthy in the field of agricultural produce such as rice and in timber, where there is a shortage of power sawmills. In general, supplies of agricultural products have been uneven in the past because, having been urged to produce specific grains or products, farmers were unable to transport them to the markets or because the capacity to process them was lacking. If an agricultural processing industry were built up, whether in large or small units, some basic production planning must be done so that supply corresponds to processing capacity as it develops. Otherwise farmers will become discouraged and reduce their production.

242. A second factor which causes major disruptions in industry, transport and mechanized farming is the shortage of spare parts due to the currency situation. Many garage owners, agents for machinery and manufacturing firms could use substantial amounts of foreign exchange simply to meet current needs.

243. Only a handful of the representatives of management or artisans interviewed felt that credits in kwacha posed a problem. Indeed, the banks are suffering from over-liquidity and in certain instances no longer accept deposits. Some of the artisans felt that they could use credits to buy materials from importers or wholesalers so as to bypass retailers.

244. Only a few of the firms visited had immediate plans for the purchase of new or additional equipment necessitating foreign currency allocations. This may be partly due to past political uncertainties in the area and to the fact that most firms were working below capacity because of the supply situation.

C. The Informal Sector

245. The informal sector was studied by M.A.B. Christie in 1977 on behalf of the World Bank. He produced two reports which could have formed the basis for earlier action. He noted the need for training for self-employment, in both technical upgrading and elementary management, especially accounting, the removal of some institutional obstacles, the extension of production activities, the production of simple machines and tools, and extension services as well as a possible need for additional credit facilities for tools and equipment that are more sophisticated than the simple equipment currently used by most artisans. Mr. Christie's reports should be read in conjunction with the present one.

D. Government and Other Activities in the Promotion of Small-Scale and Rural Enterprises

246. Earlier Government policy focused on the establishment of State-owned and controlled enterprises, mainly large to medium, and as a result the small-scale sector was largely neglected. The Industrial Development Act of 1977 does not offer special privileges to small enterprises as regards taxation or remission of import duties, although there is some degree of encouragement of rural enterprises. Consideration should be given to suitable fiscal or other incentives when the general question of small enterprise promotion is studied. The Third National Development Plan was the first to lay considerable stress on the need for small enterprises, particularly in rural areas. A new approach is being sought following the failure of RUCOM Industries.

247. A result of the Government's increased preoccupation with developing employment opportunities in rural areas through medium or small enterprises was the establishment of the Village Industry Service in 1977. This is an independent trust, financed mainly from voluntary contributions. Its status and future role are not clear, particularly since anticipated financing has not materialized.

248. The Management Development and Advisory Service, set up in 1971 with UNDP/ILO aid, only recently began to provide some training for small businessmen in the form of a one-week course for some 20 participants. It also ran a meeting in October 1979 which was intended to help the Government to formulate policies with respect to small enterprises. Its conclusions and recommendations are open to some question.

249. As a result of the visit of a delegation from the Indian Small-Scale Industries Commission in 1977, the Government is anxious to set up a Small-Scale Enterprises Development Corporation along the lines proposed for such an organization in the team's report. A draft Act of Parliament has been drawn up aimed at facilitating the establishment of this body. In the view of this Mission, the report did not take into account the reality of the Zambian situation and, if established on the lines proposed, the Corporation will be cumbersome, will add to the shortage of qualified manpower, and will risk becoming still another bureaucratic operation. On the other hand, it will be necessary to establish some kind of organization to provide services for small enterprises. It will have to be tailored strictly to Zambian conditions and start on a modest scale, developing organically as needs become better understood. The question is currently being studied by the UNIDO Small-Scale Enterprise Adviser to the Ministry of Commerce, Industry and Foreign Trade.

250. At present Government policy is strongly oriented to developing industry and other enterprises in the provinces away from the Copperbelt and line of rail, which were wholly neglected in the past, apart from the unsuccessful efforts of RUCOM Industries. Work has to start from the bottom up. However there are some non-governmental bodies, particularly some church organizations and bilateral aid bodies, working in this field, mainly in agriculture and training. A notable experiment has been made near Chipata to provide gainful occupation for school leavers at the village level in order to try to stem rural-urban migration. Although apparently successful in the pilot village and just beginning to be extended to neighbouring villages, the operation is very technical assistance-intensive and will require further structuring before it finds wider application. One of the scheme's major merits is that it represents a local initiative and was not introduced by external aid, although this has since been provided in the form of church volunteers and locally-based missionaries.

E. Financial Facilities for Small-Scale Enterprises

251. There is no shortage of kwacha finance in Zambia. On the other hand, lending to small enterprises, whether in manufacturing, services, trading or farming, has had a regrettable history. Far from being overly conservative, commercial banks and other lending institutions have been generous to the point of imprudence and have suffered severe losses. Some are still eager to provide credit for small enterprises but are looking for a means to do so which carries less risk.

252. The Industrial Finance Company (IFCO) was set up in 1969 for the purpose of financing business. The bulk of its loans went to such enterprises as retail shops, bars, etc., and a few went to manufacturing industry. There was also a hire purchase department. IFCO went into liquidation in 1978 with K 7 million of debts. The reasons for its failure are multiple and have been described in the main text of this report. Efforts are being made at present to recover some of the outstanding debts. No new organization to replace IFCO is foreseen. The Agricultural Finance Corporation, which lends to farmers, has also had heavy losses due to its over-generous policy. Although it has been reorganized and credit policies have been tightened somewhat, there is still a high rate of bad debts.

253. The Development Bank of Zambia is not permitted to lend sums of less than K 25,000. It does not provide working capital. The majority of its loans are for far larger sums, the average being for several hundreds of thousands of kwacha. DBZ is not equipped to deal with small loans at present and is not anxious to do so.

254. The only commercial bank to lend to small enterprises on a large scale so far is Barclays Bank of Zambia Ltd. The first programme of US\$2,000,000 went mainly, but not entirely, to farmers. There was about 20 per cent of bad debts. Nevertheless, as a matter of policy Barclays is anxious to continue lending to small enterprises and has recently launched a scheme for small farmers involving K 2.5 million. It embodies a form of agricultural extension service, the purposes of which are to improve standards of farming and at the same time to protect its loans. Visits to Barclays' clients suggest a responsible policy and a considerable amount of informal assistance. None of the other commercial banks has a programme approaching the same scale. The Zambian National Commercial Bank has incurred many bad debts and has terminated its lending to retail businesses and transport undertakings. Most of its loans go to parastatal companies.

255. A small but growing and very efficient organization is the Credit Union and Savings Association of Zambia (CUSA-ZAMBIA); it is affiliated to the World Council of Credit Unions. There are 102 branches in Zambia, with 25,000 members. Credit unions are grass-roots organizations arising from local initiatives and are generally made up of people with common interests. New members have to be vouched for. Pressures within groups operate against defaults, and these are therefore rare. Loans are made to start businesses, as well as to buy additional tools and equipment, livestock, fertilizer, etc. There is a business consultancy service, operated mainly by volunteers from American and European credit unions. Officials from local unions undergo training courses and there are various courses for members. CUSA-ZAMBIA would be capable of handling possible World Bank credits and in fact appears to be a good channel, since the discipline of members is high. Its services would be particularly valuable in rural areas.

F. United Nations and Other Technical Co-operation to Small Business

256. There was a UNIDO mission attached to RUCOM Industries from 1971 to 1976. Due to personal and other problems it was not successful. There is a Senior Industrial Field Adviser in the UNDP office whose main function is to develop projects in Zambia. A UNIDO Small-Scale Industries Adviser has recently been appointed to the Ministry of Commerce, Industry and Foreign Trade for nine months. The sum of US\$387,750 has been allocated for 1978-1981 for expertise to develop five industrial projects (not specifically small industry) in each of the nine provinces, but recruitment has not yet started. Recent UNIDO technical co-operation projects do not seem to have developed in a co-ordinated manner, and it would seem preferable to delay further assistance until the Small-Scale Industries Adviser has been able to make a comprehensive review of the situation and until the proposals contained in the present report have been finalized.

257. Mention has been made of ILO assistance in the field of management. The present programme for small enterprises is small and of limited value.

258. Aid given by credit union volunteers to CUSA-ZAMBIA has been noted. There are many other aid-giving bodies, working mainly in the rural areas. Many of them do excellent work, mostly in agriculture or agro-related activities. There appears to be no co-ordination between them, other than on a personal and ad hoc basis. The Kreditanstalt für Wiederaufbau (KfW)

has proposed launching a major project for the development of small enterprises in rural areas and is sending out a study team in March 1980. The Mission had discussions with KfW officials and it was agreed to maintain contact and exchange information.

G. Key Meetings Held by Members of the Mission

259. Meetings were held at the beginning and end of the Mission with officials and advisers of the Ministry of Commerce, Industry and Foreign Trade and with the Minister of State. It was emphasized that the Government accords highest priority to the development of small enterprises in rural areas and in the provinces away from the line of rail.

260. The members of the Mission individually held meetings with provincial officials, bank managers, entrepreneurs and others in Kasama, Mansa, Luanshya and various provincial centres. At a meeting with senior management of Roan Consolidated Mines at Luanshya, interest was expressed in promoting small industry in the area. The Kasama meeting involved senior officials of the Northern Province government and of Kasama District. There appears to be considerable possibility for small enterprise development in the district and province. Factors such as the level of competence in the local government, the enthusiasm generated, and the support of the political head of the province, the Member of the Central Committee of the Party, suggest Kasama should be accorded priority as the location for a development project in a rural area. A meeting with local officials, entrepreneurs, and bankers and other finance organization executives was held in Mansa to discuss conditions and needs in the province and district. Possibilities for development in this region are also considerable, but are less clearly defined than in Mansa. It is therefore suggested as the second choice for the location of a project.

261. An important meeting was held at the end of the Mission with the general management of the commercial banks and representatives of DBZ to discuss means by which a possible World Bank loan could be distributed. The bankers anticipated a number of problems, notably security for the loans, foreign exchange risks, lack of facilities for project evaluation and high interest rates due to the World Bank having to channel loans through both DBZ and a possible further lending organization before they reach final borrowers. No definite conclusions were arrived at. The Managing Director of DBZ was in hospital at that time and the Mission was not able to consult with him.

H. Proposals for the Implementation of the Small-Scale Enterprises Credit Project

262. The revised terms of reference for the Mission called for the development of proposals for projects in Lusaka, Luanshya and a rural area. The rural area recommended as a result of the study is Kasama District in the Northern Province.

263. The three projects will each have to be treated in a different manner. A great deal of technical support is likely to be needed in each location over a substantial period if solid foundations are to be laid.

264. The greatest problems currently besetting Zambian industry, both large and small, are the high failure rate of businesses and the unused capacities due to shortages of raw material supplies and spares, particularly those which are imported. In view of this, it is proposed that a portion of any credits received should be allocated to existing firms to enable them to obtain the necessary foreign exchange and thus bring their idle capacity into use and reintegrate the workers who have been laid off. This seems the more important step since plans for expansion and imports of new equipment do not seem to be widespread. At the same time, a start must be made to upgrade existing small enterprises and create new ones.

265. The absence of the "fourth layer" of industry seems to be more keenly felt in Lusaka than elsewhere in the country. In addition to providing the foreign exchange needs of existing small enterprises, which might include importers, it is suggested that initiatives be made to start the process of upgrading artisan enterprises, with a view to their filling the gap in the higher category. Assistance to DBZ in project evaluation and loan appraisal should be provided by the consultants foreseen in the World Bank line of credit arrangements, but detailed consultancy and training for small firms will have to be done by other organizations.

266. Before embarking on the task of upgrading artisans to small entrepreneurs, a survey should be made of a representative sample of artisan enterprises and individual artisans in Lusaka, possibly covering some 6,000 of the estimated 30,000 in the city and district. This survey

would reveal the structure of artisan enterprises, the gaps in trade which might later be filled by the creation of new enterprises, and needs for credit, training, suitable premises and the like. Some form of training might be considered obligatory before loans were granted, both to ensure basic standards of business knowledge and as a guarantee of the borrowers' earnestness.

267. A similar programme could take place in Luanshya, with greater emphasis on substitution of imported consumer goods supplied to the area and on quality.

268. In the case of Kasama, the first step should be the appointment of a consultant to assist the local authorities in the identification of projects and individuals suitable for receiving development assistance. The main impetus must come from the local authorities and the community as a whole and the consultant, in addition to his technical role, would have to be an "activator". He should be able to call on specialized technical advice when necessary.

I. Technical Assistance Needs

269. The World Bank-financed consultants to DBZ should comprise an economist and a production technologist, both with broad experience. Although they will be based in DBZ, their services should be available to assist the commercial banks channelling possible World Bank credits in the more important loan projects and to act as "backstoppers" to other consultants and experts involved.

270. The staffing of the technical component of the project will have to be done by the proposed Small-Scale Enterprise Development Corporation, whatever form it may ultimately take, although local authorities must also be involved. Community Development and Employment Officers could deal with the development of artisans. Technical upgrading could possibly be done by college teachers. The survey of small enterprises and artisans could be carried out by college students during their vacations.

271. Staffing of small-scale enterprise units demands special attention. Front line staff in contact with enterprises should in the main be technicians with industrial experience. Young graduates lacking industrial experience should be required to work in small firms before being confirmed in their posts. Salaries will have to be competitive with those in industry,

otherwise it will be impossible to retain the more effective members of the staff; for this reason the organization must be autonomous and not dependent on Government salary scales. It is not yet possible to determine exact staffing needs. The national staff involved in these first projects may form the nucleus of the proposed Corporation, which should not be allowed to expand until sufficient experience has been acquired.

272. There will be a need for United Nations expertise to assist in the development of the project. If the proposed projects in the three centres are to have a firm basis and continue to develop satisfactorily, a great deal of technical assistance will be required for a long time. In order to keep costs within reasonable limits, it is strongly suggested that use be made of volunteers to supplement international experts. Those attached to church missions appear to be of good calibre, and the fact that the missions remain in the country for many years results in continuity from volunteer to volunteer. Possibilities of funding volunteers from church organizations should be explored. This does not in any way exclude the use of United Nations volunteers of the right quality, nor co-operation with other voluntary or bilateral aid organizations using volunteers. Better co-ordination of all aid is needed.

273. Before embarking on this project, it is suggested that a study group be formed composed of the Zambian authorities most directly concerned, and representatives from the World Bank, UNIDO, the church missions and other voluntary and bilateral aid organizations.

Annex 1

TERMS OF REFERENCE

The original terms of reference for the Mission were as follows:

1. To review existing documents and literature on the small-scale sector.
2. To draw preliminary conclusions on the efficiency of existing schemes and policies.
3. To assess the status and prospects of small extension services at workshop and plant level on a sample basis in selected towns and villages in the Copperbelt and Southern Provinces.
4. To orient work in the field of identification of projects and marketing constraints to small-scale enterprise developments.
5. Eventually to propose a census of small-scale enterprises to be conducted by the Government of Zambia with UNIDO/ILO support.
6. To suggest changes in institutional policy framework to make the small-scale enterprise development programme more efficient.

By the end of the second week of the Mission it was apparent that it would be impossible to fulfil the terms of reference within the time allotted (three weeks), and that in any case it was desirable to modify the terms of reference somewhat. The reasons for this, among others, were:

- The impossibility of carrying out an adequate survey of small-scale enterprises in the Southern Province due to the destruction of road bridges by military action.
- The need to obtain a more complete view of conditions in the regions outside the line of rail.
- The impossibility of providing the Government with proper guidance regarding the Small Industries Development Corporation and the proposed legislation relating to it within such a short period and with the limited knowledge available to the Mission of conditions in small-scale enterprises in the country.

In order for the Mission to be effective, it was felt that its duration should be extended so as to permit visits to other provinces and to restrict the terms of reference to limited and concrete objectives.

This view was put to the Permanent Secretary of the Ministry of Commerce, Industry and Foreign Trade and to the Managing Director of the Development Bank of Zambia. It was agreed that Mr. Wynne-Roberts should seek to prolong

Annex 1 (cont'd)

the Mission by three weeks and develop revised terms of reference. The World Bank and UNIDO authorities concerned agreed to this, and discussions took place in Washington on the basis of the Mission's interim report. As a result, a three weeks' prolongation was agreed to and the terms of reference were modified to include the following:

1. To undertake a study of potential for small-scale and village industry development in a selected region of the country, focussing special attention on any local initiatives in this respect.
2. From this study, as well as from those carried out during the first half of the Mission, to develop proposals for the development of projects in three specific locations, namely Lusaka, Luanshya (Copperbelt) and a district in a rural area. These projects would embrace the provision of lending facilities to industry, both manufacturing and service, including artisan industry, retail stores and selected small farms. Priority in lending to farmers should be given to those whose products lend themselves to further processing and to the promotion of agro-industries. A quota must be placed on such loans in rural areas to ensure that sufficient funds remain available for the promotion of industries.
3. To undertake discussions with the Development Bank of Zambia on the manner in which it could implement these projects and the form which any assistance provided for under the technical assistance component should take.
4. To discuss with the management of Barclays Bank and other commercial banks their views on participating in the implementation of the project and the means for doing so.
5. To inform the Ministry of Commerce, Industry and Foreign Trade of the objectives of the Mission and to obtain the necessary support. The possibility of support from the World Bank in carrying out a census of small-scale industry and the means for doing so may be examined. The Mission will not deal with the question of eventual institutions to promote or service small-scale enterprises.
6. To inform the Village Industries Service of the objectives of the Mission and to enlist aid and support both for the immediate study in a rural area and eventual future co-operation in the project.

While Mr. Wynne-Roberts was in Washington, Mr. Zimmermann carried on the work of the Mission and made arrangements with the Ministry of Commerce, Industry and Foreign Trade and the Village Industries Service for surveys to

Annex 1 (cont'd)

be carried out in the Eastern Province (Chipata), Northern Province (Kasama, Mbala, Mpulungu), and Luapula Province (Mansa). Mr. Wynne-Roberts undertook these between 9 and 19 January 1980. Mr. Zimmermann had to attend to other duties at UNIDO, which made it impossible for him to participate. With the prolongation of the Mission and the very active assistance of the authorities concerned, it was possible to carry out most of the activities required under both the original and the revised terms of reference.

Annex 2

PROMOTION SCHEME FOR SMALL-SCALE ENTERPRISES IN ZAMBIA

Study to be carried out by Kreditanstalt für Wiederaufbau (KfW),
Federal Republic of Germany

Terms of reference

1. Basic objectives

1.1 Third development plan of Zambia

1.2 Sectoral objectives pointed out by the Minister of Industry
(letter dated 8 September 1978) i.e.

- enterprises especially in rural areas (i.e. outside Lusaka and Copperbelt)
- highly labour intensive
- based on locally available raw material and, if possible, with backward linkages to cottage industries
- simple technologies
- producing goods/services asked for locally and eventually for export

1.3 Promotion of private initiative

PHASE I

2. Critical appraisal of the actual situation of small-scale enterprises
in Zambia and relevant adjacent sectors

performance and development potential

government policies

taxation and other legislation

possibilities of supply and sale

equity capital, access to commercial loans (conditions, loan
policy of commercial banks)

existing promotion schemes

availability of indigenous entrepreneurs and personnel

Annex 2 (cont'd)

3. Elaboration of a nation-wide promotion scheme
 - suitable subsectors and regions of intervention
 - legislative framework
 - institutional framework
 - administration
 - extension service
 - financial schemes (e.g. loans, equity participation, guaranty)
 - infrastructural facilities (e.g. rural industrial development centres, mini-estates, industrial estates, mobile extension service)
 - other measures
 - priorities in action and time
 - identification of a regionally limited pilot scheme

The promotional institution eventually to be recommended shall be financially and administratively autonomous.

PHASE II

4. Detailed sectoral analysis of the region identified for a pilot scheme
5. Elaboration of a pilot scheme on feasibility level
 - 5.1 Site
 - 5.2 Assistance to entrepreneurs
 - buildings
 - supply and sale
 - finance
 - extension service
 - 5.3 Institutional framework
 - 5.4 Infrastructure
 - 5.5 Personnel for extension service and administration

Annex 2 (cont'd)

5.6 Realization and time schedule

5.7 Investment and recurrent costs

5.8 Financial implications and economic/socio-economic justification

After Phase I has been concluded and after a reasonable time for reflection, the Government of Zambia and KfW will decide whether Phase II should be continued, and if so how and in which region.

Annex 3

ORGANIZATIONS AND PERSONS CONTACTED*

MINISTRY OF COMMERCE, INDUSTRY AND FOREIGN TRADE

Minister of State	Rt. Hon. L.S. Subulwa
Permanent Secretary (to 1 January 1980)	Mr. E.S.S. Nebwe
Permanent Secretary (from 1 January 1980)	Mr. K. Nyirenda
Under-Secretary	Mr. M.X. Mufwaya
Senior Economist	Mr. O.S. Krishnamurti
Acting Senior Economist	Mr. R.S.K. Manyika
Economist	Mr. S.S. Banda

MINISTRY OF FINANCE

Economist	Mr. C.H.C. Mhango
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NATIONAL COMMISSION FOR DEVELOPMENT PLANNING

Economist	Mr. J. Ngulube
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PROVINCIAL GOVERNMENTS (Officials, other than those participating in meetings)

Northern Province

Member of Central Committee UNIP	Mr. A.K. Shapi
Governor - Mbala District	Mr. A.K. Ntinda
Governor - Luwanga District	Mr. N.R.E. Daka
Fisheries Officer	Mr. Peter Kasangola

Luapala Province

Permanent Secretary	Mr. L.E. Kawesha
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ZIMCO

Managing Director	Mr. James Mapoma
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* Officials of provincial governments who participated in formal meetings with members of the Mission are included.

Annex 3 (cont'd)

Roan Consolidated Mines Ltd. (RCM)

Managing Director	Mr. David Phiri
Central Services Division - General Manager	Mr. B.G. Moyo
Central Services Division - Purchasing Agent	Mr. John Garrett
Luanshya Division - General Manager	Mr. Philip Stables
Luanshya Division - Senior Buyer	Mr. A.M. Shilemuna
Other senior executives	

INDECO Ltd.

Financial Director	Mrs. N.G. Silangwa
Manager - Development Service Department	Mr. L. Borgheda

RUCOM Industries Ltd.

General Manager	Mr. R.L. Brulawi
Assistant General Manager	Mr. F.F. Kapanga

Nakambala Sugar Estate and Factory

General Manager	Mr. C.C. Campbell
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BANKING AND FINANCIAL INSTITUTIONS

Development Bank of Zambia

Managing Director	Mr. L.M. Nyambe
Manager - Planning and Promotion Department	Mr. O.H. Mutale
Senior Economist*	Mr. F.B. Mpundu
Planning Officer*	Mr. B.V.J. Kumar

Agricultural Finance Corporation

Manager - Mansa Branch	Mr. N.C. Ngoambi
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Zambia National Commercial Bank Ltd.

Managing Director*	Mr. P.K. Chiwanda
Manager - Mansa Branch	Mr. P. Chenda

* Attended Bankers' Meeting

Annex 3 (cont'd)

Barclays Bank of Zambia Ltd.

Managing Director*	Mr. Mark J.C. Tress
Assistant Manager	Mr. G.C. Mallett
Manager - Chipata Branch	Mr. R.H. Ashmole
Manager - Luanshya Branch	Mr. John Williams
Manager - Mansa Branch	Mr. J.M. Katutwi
Manager - Mazabuka Branch	Mr. R. Francis

Standard Bank (Zambia) Ltd.

Managing Director*	Mr. J.A. Norris
Manager - Kasama Branch	Mr. G.M. Simwana

Grindlays Bank International Ltd.

Managing Director*	Mr. J.B. Simpson
Official*	Mr. T.J.M. Kapapa

Credit Union and Savings Association of Zambia (Co-operative) Ltd.

Manager	Mr. A.J. Dux Halubobya
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VILLAGE INDUSTRY SERVICE

Hon. Chairman	Mrs. Joyce Mapoma
Director	Rev. John Papworth
Development Officer	Mr. M. Cabezas

Cooper and Lybrand Ltd.

Accountant	Mr. B.I. Gadsden
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Limuvera School Leavers' Project

Project Founder	Mr. Adriano Nkhoma
White Fathers of Africa	Fr. Theo Nieland
White Fathers of Africa	Fr. Claude Galmiche
Volunteer Workers	Mr. Johannes Rauch
	Mrs. Rauch

Many industrialists, businessmen and artisans
in enterprises visited, junior officials, etc.

* Attended Bankers' Meeting.

Annex 3 (cont'd)

UNITED NATIONS AND WORLD BANK

UNDP Resident Representative
UNDP J.P.O.

Mr. J. Mufti
Miss Daphne Carey

World Bank Resident Representative

Mr. A. Jalil

ILO

Regional Office Director
Chief Technical Adviser - MDAS
Expert

Mr. N.N. Gordon
Mr. T. Abdel-Malik
Mr. J.M. Cortes

UNIDO

SIDFA
Senior Industrial Adviser -
Ministry of Commerce
Small-scale Industries Adviser
Expert - National Commission for
Development Planning

Mr. K.C. Sen
Mr. V. Loewenberg
Mr. K.K. Manjappa
Mr. V. Kaigl

Federal Republic of Germany

First Secretary - Embassy
Kreditanstalt für Wiederaufbau,
Chief Economist*
FGU-Kronberg GmbH, Manager*

Mr. R. Steck
Mr. Jan H. Mayer
Mr. Dieter Unverzagt

* Met in Vienna after return.

Annex 4

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