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for Zambia, organized within the framework
of the Industrial Development Decade for
Africa (IDDA)

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Lusaka, Zambia, 14-17 May 1990

IDDA NATIONAL WORKSHOPS ON INDUSTRIAL STRATEGIES
US/RAF/86/291

Final report*

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INTRODUCTION

1 BACKGROUND

At the Ninth Meeting of the African Ministers of Industry held in Harare 29th May, to 1st June, 1989, the Second Industrial Development Decade for Africa (IDDA) 1991 to 2000 was proclaimed. The Second IDDA is a successor to the first IDDA (1980-1990) whose objective was focussing greater attention and evoking greater political commitment and financial and technical support, at the national regional and international levels for the industrialisation of Africa.

The Secretariats of the organisation of African Unity, (OAU), United Nations Industrial Development Organisation (UNIDO) and the Economic Commission for Africa (ECA) have therefore prepared a framework to assist African Centres and international organisations in their formulation of their respective programmes for the Second IDDA. The framework places heavy responsibility on African Governments as the initiators and formulators of the programme.

Within the context of the Second IDDA, the Zambian Government through the Ministry of Commerce and Industry in conjunction with UNIDO, organised the National Workshop on Industrial Strategy, from 14th May 1990 to 17th May, 1990. The major objectives of the Workshop were:

1. To assess national industrial objectives and priorities.

2. To identify measures for re-adjusting or reformulating industrialisation strategies in accordance with (1) -
3. To lay the ground work for the preparation of an industrialisation plan which would provide the framework for implementing the government industrialisation programme.
4. To identify ways and means of ensuring more effective coordination and consultations of the existing institutions in the industrialisation process.
5. To identify ways and means for creating an environment more conducive to industrial activity.

2 ORGANISATION OF THE WORKSHOP

A UNIDO Consultant, in conjunction with the Ministry of Commerce and Industry was involved in the organisation of the Workshop. 11 National Consultants were identified and later appointed to prepare background papers on various aspects of Industrial Development in Zambia.

A total of 41 participants representing 19 institutions registered for the Workshop.

The programme of the Workshop consisted of plenary sessions where background papers were presented by the National Consultants. Each presentation was followed by questions and answers, observations, comments and general discussion. The Workshop was officially opened by the Minister of Commerce and Industry, Hon. R. Chongo.

The United Nations Industrial Development Organisation (UNIDO) Director for Zambia, Mr. Taylor also

made a statement during the opening ceremony. The National Commission for Development Planning was elected Chairman of the Workshop while the Ministry of Commerce and Industry was elected Rapporteur.

PROCEEDINGS OF THE WORKSHOP

1 ZAMBIA'S INDUSTRIAL POLICY AND PERFORMANCE

Mr. J. Nakalonga, Senior Economist in the Ministry of Commerce and Industry presented a paper entitled "Zambia's Industrial Policy and Performance."

In the presentation the following were highlighted:-

- Promotion of Industrial Development at the National level is an activity that must be deliberately and consciously planned for. A National Industrialisation strategy was therefore a must.
- The major instruments of Industrial Policy in Zambia have been the Annual and Medium Term National Development Plans and Legislation. Over the years industrial legislation has evolved towards the creation of a legal framework which is conducive for promoting investments and industrial production in particular.
- While industrial performance was highly successful during the first National Development Plan, performance during the subsequent plans has been less than expected. A major reason for this is attributed to inadequate foreign exchange for the sector for procurement of imported inputs.
- The problem of foreign exchange is also linked to the inability to achieve plan objectives such as localisation of raw materials, export promotion and small scale development.

A major reason why these objectives have not been attained is institutional inadequacy which has meant that National Plan objectives can not be translated

into institutional operational programmes and activities.

A major recommendation of the paper was the need to strengthen institutional capacity under the Department of Industry and organisations auspices, ie Small Industries Development Organization (SIDO), Zambia Bureau of Standards (ZABS) and International Council of Zambia (ICZ).

Other recommendations include the design and adoption of Industrial Promotion Programmes, the exports development programme, the localisation and the Investment Promotion Programme.

In the discussion, it became apparent that the lack of private investment was a major factor and that the Government policy was already evolving in this direction. For example the Government was now encouraging investment in industry and the Government programme for Small Scale Industries was based on supporting private entrepreneurs.

It was also emphasised that money investment in the strengthening of institutions responsible for industrial promotion would flow back into the Government, because the economic activities to be generated would enlarge the tax-base.

2 NATIONAL DEVELOPMENT PLANNING

Dr. N. Mwamba of the NCDP presented a paper "Planning of National Economic Development in Zambia - Tendencies and Contradictions". The following were the salient features:

Development Planning in Zambia centres (the formulation of five-year plans intended to embrace all the national economy. However, that intention was mere formality mainly because state control

refers only to certain isolated levels of the economy and not to all macro-economic proportions. Historically, state planning in the country evolved under great influence of private ownership of means of production and after foreign experts played an important role formulating the plans. Besides, it is not unoften that foreign monopolies interferred with the planning system and manipulated it to their advantage.

The mono economy Zambia inherited from the colonial days meant that the main parameter of national development were rendered extremely vulnerable to external factors which are above their control. Among these are the frequent fluctuation of commodity prices on the world market.

The process of developing the planning system is difficult. In order for state planning to become a real instrument of development it is necessary to constantly improve upon the methodologies and planning institutions themselves. Attempts to simply copy planning methodologies from abroad tend to pose confusion rather than assist resolving the acute, socio-economic problems.

The following recommendations were therefore suggested:

1. There is need to be very well equipped with a theoretical background for people making national plans.
2. The manufacturing sector should be given preference as regards to agriculture and infrastructure - it is by first injecting dynamism into the manufacturing sector that both agriculture and infrastrucure can develop, because the goods manufactured will be inputs to agriculture and the materials for infrastructure will also come from the manufacturing sector.

3. Science and technology have become the main factor of material production. This necessitates the application of science on all decision making procedures be it economic, political, social or ideological. But the successful application of science and technology requires the services of highly qualified manpower. Hence the Government should come up with a package of conditions of service conducive enough to retain highly qualified manpower.
4. The channelling of foreign assistance should be matched with the relative rate of returns obtained in the sector to avoid placing the state into a debt cob-web.
5. The strategy of import-substitution and the drive for export oriented products should be balanced. The optimum combination should be found.

A major issue that arose in the discussion was the lack of follow up to donor aided projects. It was therefore common that after the external financiers left, such projects also collapse e.g. roads constructed could not be maintained in the medium and long term. It was therefore important that planning and identification of follow up action was done during the initial stages of planning donor funded projects. Without such follow up action there would be no continuity.

It was also emphasised that a lot of external aid had been channelled to the agriculture sector without a

corresponding level of support to the related sectors like manufacturing. As a result linkages between manufacturing and agriculture were now very weak since manufacturing could neither absorb all the agriculture produce nor supply all the required agriculture inputs.

There was also need to exercise caution so that over dependence on foreign aid was prevented, long term and self sustaining development would largely come about from the efforts and initiatives based on local manpower financial and material resources. It was observed that in the Industrial Sector there was a heavy dependence on foreign experts in the undertaking of various consultancy services despite the fact that there was a wide range of local experts available. This was attributed to the fact that funding local consultancy had been left to external organisations. There was therefore need for local institutions to be involved in financing industrial consultancy so that local experts could be utilised and exposed.

3 STRATEGIC MANAGEMENT OF INDUSTRIALISATION PROCESS

A UNIDO Industrial Development Officer, presented a paper on the strategic management of the Industrialisation process. The following highlights the salient points.

The lack of consistency in terms of policies, legislation and incentives was identified as a major cause of the economic crisis in Africa. This was

worsened by red tape and excessive protection. There were a certain environmental deficiencies. Organisational prerequisites and other infrastructures are also inadequate.

Structural Adjustment Programmes recently introduced in many countries have triggered major changes in industrial policies and legislations. There is thus a significant shift towards market economy principles, and private initiative is taking on a growing importance and responsibility.

The strategic management of industrial development is an approach to support the restructuring and development of an industrial system based on a system of cooperation in the industrial sector. The overall objective is the development of an efficient and competitive industrial system, which will contribute to the overall modernisation and growth of the economy.

The main features of this approach are:-

1. Improving organisation and functioning of the industrial sub-system including developing new industries, expanding existing industries and developing the required technology, marketing managerial and other capacities.
2. Strategies and action programmes are formulated and monitored by strategic consultative groups established for each sub system. These include key industrialists, distributors, finance, technology and training institutions.
3. The Government with, if necessary, the assistance of external organisation can support operators

in each subsystem in the implementation of their strategies and action programmes with specific measures and policies.

The basic organisational framework supporting the strategic management includes:-

- (a) A technical support and information system, usually based at the Ministry of Industry and working in close cooperation with actors operating in the industrial sector as well as other concerned Ministries.
- (b) An inter-governmental decision making system for the selection of priority industrial subsystem to be included.
- (c) A consultative system between the Government and the actors operating to review regularly the performance of the industrial sector.

The methodology for the approach include:-

1. Industrial survey - identification of priority subsystem.
2. Formation of strategies .
3. Formulation of action programmes, implementation and monitoring.

There was general consensus that the establishment of an industrial information system to facilitate flow of information between the industrial policy formulators and implementors was essential. Furthermore, it was also accepted that regular consultations between the relevant institutions would facilitate effective evaluation and monitoring of the implementation of

Industrial Policy objectives and strategies.

4 ROLE OF PRIVATE SECTOR

The paper on the role of the private sector was presented by Mr. Chisanga from the Zambia Confederation of Industries and Chambers of Commerce. In the presentation, the following were highlighted:-

- ZACCI was a representative of the business community and sat on various Government committees and boards. The organisation was also involved in initiation and undertaking of Trade missions, Trade fairs and exhibitions, market surveys, business luncheons and seminars, and promotion of enterprise to enterprise co-operation between Zambian and external companies.
- The private sector had a very significant role to play in the development of the country. As long as the enabling environment was created private entrepreneurs would significantly contribute to the fulfilment of important objectives like employment creation. The following recommendations were therefore proposed.
 1. The Government should make it mandatory for entrepreneurs to be members of ZACCI.
 2. Chambers of Commerce at local level must be involved in the activities of local District Councils.
 3. Government Ministries and District Councils should subcontract certain services like garbage collection.
 4. The monopolistic structure in the economy must be dismantled.

5. A stock exchange as a forum for mobilising resources must be created .

In the discussions, there was general consensus on the important role of the private sector in the industrialisation process. However, it was noted that the parastatal sector also had an important role. The recommendations in the paper were accepted except for the one on mandatory membership of ZACCI. It was observed that making membership of ZACCI compulsory through statutory provision would defeat the whole rationale for emphasising private sector initiative. Although the Government welcomed the existence of a strong and representative Chambers Movement, its formation and continued existence should be based on its own ability to attract and retain members.

The lack of consistency in long term Government macro-policy framework was identified as a factor preventing the creation of an enabling environment for promoting industrial activities.

5 DEVELOPMENT OF TECHNOLOGY

Mr. Tambatamba presented the paper on the activities of the technology development and Advisory Unit (TDAU) of the University of Zambia (UNZA). TDAU was established in 1974 as part of the School of Engineering.

The main goals of the Unit could be summarised as:

1. To help and advise on the design and production of agricultural and household equipment locally.

2. To serve as a development centre for new equipment and processes aimed at replacing imported models.
3. To act as a clearing house for designs and prototype development for other organisations.
4. To stimulate grass-root development of rural areas towards self-sufficiency.
- 5.. To serve as a centre to pool advice from UNZA to various local industries.

In its present form TDAU is in the first place a development institution.

Rural craftsmen will be assisted in upgrading to the level of rural workshops where repair and maintenance of equipment already existing in the rural areas.

Eventually the workshops will also start production of implements. TDAU will assist in making suitable (re) designs available. Zambian industry as well as Governmental and International organisations can seek the assistance of TDAU in testing, redesigning and production of prototypes.

This is done on a commercial basis in the form of consultancy.

TDAU has a well equipped workshop with design facilities. Industries which have no adequate workshop facilities can be assisted with the production of spare parts.

A service which TDAU can offer to the consumers of Zambia and to the Zambian industry in general is that

of quality control.

It is recommended that the Zambia Bureau of Standards works out standards and minimum requirements for the quality of small and medium scale agricultural and processing equipment. TDAU could be involved in technical matters and be given the assignment for the quality control.

As the situation is now TDAU does not focus on the large scale industry. On one side because the capacity of TDAU is limited on the other because the idea exists that these industries have their own access to research and development and their own sophisticated workshops.

There are however good reasons to verify this presupposition, especially in the light of the findings on the consultancy mission which concluded that there is a definite need in Zambia for a National Centre for Engineering Design and Manufacturing.

If the suggesting of the consultancy mission to make TDAU the seat and main coordinating body of this National Centre is taken over by the Zambian Government TDAU itself can see possibilities to transfer or extend the unit in such direction.

Solutions have then to be found for the extension of the capacity of TDAU, the recruitment or training of design engineers and the retainment of personnel.

Training courses in engineering design, machine design and mechanical engineering draughtsmen should be organized

in close cooperation with the School of Engineering of UNZA.

There is little use in improving the design capacity in Zambia if at the same time the craftsmanship necessary to implement these designs is not upgraded.

Therefore a National design centre should include or be directly related to an institute which offers training courses to promising craftsmen from the trade centres.

A condition which must be strictly adhered to is that extension or transferring of TDAU does not in any way jeopardize the present task of stimulating small and medium scale industry and by that, stimulating Zambia's most important resources: the farmers.

If this would be a serious threat the National Centre should be established as a separate institution.

There was general consensus that there was need for the establishment of a National Centre for Engineering Design and Manufacturing. The activities of TDAU were also affected from inadequate funding, hence the need for identifying sources for financing research and development activities in the country. It was also noted that in order to promote commercialisation of research results, industries must be involved in the research activities from the initial stages.

6 DEVELOPMENT OF SMALL SCALE INDUSTRIES

Mr. R. Sanyikosa, Acting Projects Development Manager, SIDO presented a paper on the role of Small Scale Industries in the industrialisation process.

It was emphasised that an integrated and self sustaining industrial structure has to consist of the small scale sector, medium and large scale sectors, with the small sector being the base supporting and supplying inputs to the others.

Until recently, the small scale sector was largely ignored. The small scale sector was the basis for restructuring the economy. To adhere the expected results, the sector required a lot of support from the Government. The following recommendations were therefore proposed:-

1. Creation of a special fund by the Government for financing of small-scale industries at concessionary interest rates to enable them acquire modern equipment, technology, improve quality, subcontract, export etc.
2. Creation of a small-scale industries bank under the auspices of SIDO and the Ministry of Commerce and Industry. It will be specialised and will enable SSI get package assistance services offered by SIDO. SIDO is already undertaking limited project financing.
3. Strengthening SIDO's institutinal base.
4. Establishment of Integrated Technology Development and Testing Centre for SSI in Zambia in a specialised centre to cater for a cross-section of manufacturing activities and help build indege-neous technology capacity.

5. Introduction of a Local Content Programme aimed at systematic improvement of the content of local resources in products made in Zambia.
6. Targeting investment into production lines with
 - a. high value added
 - b. major local raw material base e.g. brass, timber textiles, food processing etc.

In the discussions, there was consensus that the small scale sector was a significant element in the industrialisation process. It was also agreed that there was need for an increase in the level of Government assistance to the sector.

7 RESOURCE POTENTIAL - THE MINERAL SECTOR

Mr. J. Tether of the Geological Survey Department presented a paper on the mineral sector where the following were highlighted.

The Zambian economy has been dominated by the copper mining industry whereas the potential for other mineral based industries has not been developed to contribute meaningfully to the well being of the economy. In order to overcome the long dependence on copper, Zambia is diversifying into Gemstone and Iron and Steel industry, to provide among other things a basis for import substitution and export development or industrial base.

In trying to develop other mineral bases methodological geological mapping, gathering of all mineral data and correct interpretation of the base information is required. Maps and reports from geological surveys,

rural residents and traders provide the starting point in mineral prospecting and overall mineral development.

Through mineral exploration and classification, it becomes possible to determine, the economic use value and chemical affinity of particular mineral that creates market demand for it and justifies its exploitation. In other words an evaluation of its viability should be made before a company decides to continue or stop an exploration operation.

In terms of mineral; classification, sub divisions occur according to the needs and conditions prevailing in any particular country. However, in terms of Zambia, minerals are classified in terms of their intrinsic value in the following order:-

noble metals (Gold)

gemstones,

Base metals (copper), Ferrous metals, fossil fuels (coal) Agricultural minerals (limestone, apatite) chemicals and industrial minerals (gypsum, graphite, talc) and construction materials (sand, cement, gravel).

In Zambia like in any other country, mining operations are governed by legislation. However, in the Zambia case it has been found that, the legislation in force is outdated and inappropriate, especially for the small miners as they are considered to be excessively demanding and has no practical enforcement value. The law in small scale mining tends to alienate itself from the people

it is supposed to serve to the extent that the small scale miners resort to illegal activity. However, it is noted that appropriate statute are being considered in the Ministry of Mines with a view to producing separate and suitable legislation for gemstone prospecting and mining.

It has been observed that further mining development in Zambia whether at large, medium or small scale levels have met some problems. The problems can be identified as lack of capital, lack of mining experience, expertise and management skills, insufficient technical back up services, inadequate and inefficient plant, marketing problems and inadequate local services.

Finally any further mining development should be focussed at redressing the above mentioned problems.

The workshop discussed at length the problem associated with the mining processing and marketing of gemstones in Zambia. Despite the fact that Zambian emeralds are reckoned to constitute 20% of the world market and are of high quality, much of it does not benefit the country because of illegal mining and clandestine marketing.

In view of this, the workshop recommended that the small scale miners should also be involved in the marketing of their products and that as much as possible all emeralds should be processed and designed in such a way that it will satisfy consumer markets abroad. It was also recommended that Zambia's cut emeralds should be

marketed in tourist outlets such as hotels.

8 PRICE POLICY AND INFLATION

Mr. D.K. Chiwele, Acting Assistant Director at the Price and Incomes Commission presented a paper on price policy and inflation where the following salient points came out.

Price Controls have been the official price policy that has regulated the price mechanism for most of the period that Zambia has been independent. Of central concern has been the need to control inflation and the perception that the price control policy offers the best strategy against inflation. On the other hand, a liberalised price policy has been perceived as being inherently inflationary as it gives business houses the ability to set prices at will.

The concern with inflation arises from the fact that high rates of inflation quickly erode the incomes of the citizens of a nation. Wages and other forms of earnings fail to rise fast enough to match the skyrocketing prices. It also robs firms the ability to plan and rationalise their business activities. There is a loss of business confidence in an inflationary atmosphere that discourages new investment. Galloping inflationary rates also tend to fuel capital flight because residents find their wealth safer kept in foreign banks than in the domestic banks where it is denominated in a local currency whose value is fast being eroded. The following recommendations were therefore proposed:-

1. There is need to have a price policy that would enhance production rather than abate galloping inflation with revulsion.
2. There is need to take drastic measures to reduce the monopolistic dominance. All statutory restrictions that prevent investments in certain markets must be urgently repealed.
3. The Government must also investigate ways that would make it easy for companies to raise the required capital. A good measure worth considering is the establishment of a stock exchange market. This will allow the private sector to grow to compete effectively with parastatal companies.
4. The strategy to restrict money supply by Government is likely to prove more effective in fighting against inflation than price controls. But there is need to accompany this strategy with measures that have a direct effect on production to boost the supply of goods.

it was agreed that the ultimate solution for minimizing inflationary pressures lay in solving the supply bottlenecks in the economy. It was also emphasised that a restrictive or tight monetary policy negatively affected industrial development since financing industrial development would suffer from the credit restrictions. It was therefore important that measures to reduce growth of money supply were accompanied by other measures to ensure that financial resources continued to flow into productive

ventures.

The need for relating price levels to income levels was also highlighted. Although it was agreed that there was currently free collective bargaining which was in consistency with the Decontrol of prices policy, the Government as a major employer and also as the worst hit by the brain drain, had to come up with conditions service which would help it retain manpower.

9 FINANCING INDUSTRIAL DEVELOPMENT

Papers on Financing of Industrial Development were presented by Mrs A. Chiwe (Credit Officer) from Zambia National Commercial Bank, Mr. A. Mwape (Manager) of Bank of Zambia and Mr. P.H.M. Mwambulima (Manager) of the Development Bank of Zambia.

9.1 ZAMBIA NATIONAL COMMERCIAL BANK

In an effort to promote indigenous industrial entrepreneurship the Government established the industrial Finance Company, Development Bank of Zambia, Small Enterprises Promotion, Village Industry. Services and other facilities like the industrial estates in the provinces, Credit Gaurantee Scheme. Indeed, support has also been given to the Non-Governmental organisation 'fraternity' to include credit components in their development programmes.

These institutions were created because it was realised that inspite of the existence of the commercial banking sector, their conventional activities did not meet the development goals of

a developing country like Zambia. In normal circumstances the commercial banking sector just specialises in the provision of short-term working capital for the day to day operation of the industry. Some of the most common facilities provided by banks are the following:-

1. Overdraft facilities
2. Loans
3. Letters of credit
4. Gaurantees
5. Leasing

The paper made an attempt to look at the historical development of the Zambian commercial banking sector. The services that the banks provide were described. The paper also showed the advantages and weaknesses of collaborative banking.

The major limitation of commercial bank exposure to the industrial sector is the import dependent structure of the economy and the scarcity of foreign exchange. It was also felt that the present finance credit structure of banks is not conducive enough to the people without collateral. Those most affected in this case are small scale entrepreneurs.

9.2 BANK OF ZAMBIA (BOZ)

Bank of Zambia, the nations central bank has the role to evolve a sound financial infrastructure conducive to economic development. The task includes efficient mobilisation of savings and allocation of resources which

are consistent with the outlined development objectives and has close links with credit systems. BOZ supervises and monitors all commercial banks. The bank has also allegiance to overall monetary policies in the country and the policy instruments used are generally administrative.

For mobilisation of funds for credit, BOZ does not do it directly but does so through commercial banks. By end of 1988, commercial banks had 120 branches excluding Lima Bank and National Savings and Credit Bank and 27% were in rural areas. For a commercial bank to be set up with Government participation, minimum equity is K5 million and for private ones with no government participation, it is K2 million.

From 1970 to 1979, the manufacturing sector accounted for an average of 20 percent of the total commercial bank advances to the private sector and from 1980 to 1988, it dropped to 17.2%. Decline by commercial bank lending has been due to inadequate foreign exchange available to the sector which is dependent on imported inputs. The decline in availability of foreign exchange has been due to the decline in copper earnings and export receipts which are reflected in low import bill and has direct bearing on the performance of the industrial sector.

During the auction period and the New Economic Recovery programme from 1984 to 1988, the bidding system enabled firms to compete effectively and have access to foreign exchange and loans/overdrafts from commercial banks. This period also led to the formation of foreign exchange management committee (FEMAC) which was assigned

the task of allocating foreign exchange to priority areas and still functions to date.

The government has had a deliberate policy to initiate the development of small scale industries. This was due to the constraints facing the small scale industries in regard to acquiring machinery, equipment, factory premises, management of business and access to credit from commercial banks. The government in 1985 adopted the credit guarantee scheme to assist this sector which is now a priority in development after agriculture. Small scale entrepreneurs face problems in obtaining credit from banks as they lack collateral security. Under BOZ the central bank guarantees 70% of both the principal and interest components of the loan, and the Financing institutions shoulders 30%. The scheme caters for enterprises in manufacturing, agriculture and provision of service.

Since the scheme started, its operations as at end of October, 1989, 88 applications have been received and 54 or 61 of these were approved.

There is need for the promotional activities to be devised in terms of ways and means of ensuring that firms who have access to finance are able to utilise it adequately and ensure sustainance of the projects. The promotional institutions in the small scale sector must direct entrepreneurs on aspects of management, marketing and finance. Infrastructure should also be developed to improve the industrial environment.

9.3 DEVELOPMENT BANK OF ZAMBIA

The bank was established to mobilise resources to lend to the following sectors of economy.

- (a) Manufacutirng
- (b) Mining
- (c) Tourism
- (d) Transport and Storage
- (e) Large scale corporate
- (f) Forestry
- (g) Fishery

The bank's operational policies are equivalent to those of the National development priorities as laid down in the National Development Plan. For example those projects which satisfy the following investment criteria:

- (a) Utilisation of local raw materials.
- (b) Export promotion.
- (c) Fostering linkages with other industries.
- (d) Development of local technology and manpower skills.

The following recommendations were proposed:

1. Conditions attached to the mobilisation of funds for long-term lending should be eased. The requirements to rollover whatever money is raised through promissory notes over one year should be extended.
2. The restriction in servicing of foreign debts to 10% of net foreign exchange earnings has adversely affected the utilisation of the negotiated foreign currency resources. In this regard DBZ appraised projects should be given priority at FEMAC. Further

DBZ should be a member of FEMAC.

3. The Development Bank of Zambia should be considered for placement of source of the funds available to the government the counter value funds scheme.
4. The government should give consideration for absorbing the foreign exchange losses incurred by DBZ due to currency fluctuations or alternatively the exchange rate should be crystallised at the time DBZ makes a kwacha cover repayment regardless of whether or not the foreign exchange is available at the time such a deposit is made.

From the discussions, it was brought out that BOZ has no obligation to subject itself to promoting a specific sector. It has broad policy objectives which incorporate all sectors.

On inflation, the representative from BOZ informed the workshop that the bank had a target to reduce inflation by 40% by December 1990 through monetary policies and other measures. At the moment, inflation is about 123% and it was felt that fiscal measures should also be used to curb inflation.

On interest rates, it was disclosed that BOZ could influence the flow of credit for the industrial sector by ensuring that rates are affordable and attract live to industrialists. It was felt that there was need to review the rates.

BOZ, it was learnt, is able to release information on foreign exchange allocations to the manufacturing sector

provided the receipt is cleared by the Research Section of BOZ.

On credit guarantee scheme the workshop deliberated on the commercial banks refusal to accept the 70% guarantee by BOZ and shoulder 30% on loans. Commercial banks fear that the projects might fail. The loans are also on short term and the commercial banks have now the leasing system which is long term.

It was also observed that commercial banks were primarily involved in lending on a short term basis. These were therefore industrial financing gaps in terms of long term financing. Although institution like Development Bank of Zambia provided long term finance, areas such as Research and Development were not supported. There was also a serious gap in the financing of small scale industries at concessional rates.

SUMMARY OF ISSUES AND RECOMMENDATIONS

1 CONCLUSIONS

1. Industrial development is a process involving a range of issues which are inter-related. Among the important ones are technology, small scale industries, utilisation of local inputs, mobilisation of financial resources, manpower development, development of industrial infrastructure and export promotion to the sub-region and other markets. This raises the need for high level co-ordination and National Guidance.
2. The manufacturing sector has a significant role to play in the generation of foreign exchange. The sector is not only a major contributor to the country's Gross Domestic Product (GDP) but it is also the source of high value added products.
3. Institutions which have been created to promote industrial development have not performed according to expectations. A major reason for this has been inadequate Government support which has resulted in institutional inadequacy.
4. The enabling environment for promoting industrial development must include the existence of a long term macro-economic policy framework. Consistency in macro-economic policy framework is therefore an important aspect for promoting industrial development.
5. An integrated and self sustaining manufacturing sector

must include small, medium and large scale industries with strong intra-sectoral linkages. The strategy for the development of small scale industries should therefore emphasise on production of industrial inputs for supply to large scale industries and to the agricultural sector.

6. Linkage between the manufacturing sector and agriculture must be encouraged and emphasised. The manufacturing sector is not only able to process agro output, it is also the supplier of agricultural inputs including machinery, chemicals, storage and transport requirements. To effectively forge the linkages, it is important that the status of the manufacturing sector is raised to the level where Government financial and technical assistance to the sector should be equivalent to the Government support to the agricultural sector.
7. Financial assistance to industrial development includes both short and long term financing. While there are institutions providing this finance, there are definite gaps in the areas of financing of small scale industries preferably at concessionary interest rates. There is also no adequate mechanism for mobilising and channelling financial resources into productive ventures.
8. Development of technology requires that indigenous technologies should be identified, improved and utilised. The design and manufacture of machinery is also an important component of the technology

development process. To this end the Government should support and implement the National Engineering and Design Centre Project. There is also need to involve industries in Research and Development so as to ensure that industrial involvement and thus commercialisation of research results can be enhanced.

2 RECOMMENATIONS

Arising out of recognition of the pivotal role industrial development plays in the national economic development, a role, which has hitherto not been fully realised, due to bad performance arising out of a lack of a co-ordinated and well implemented industrial strategy, the national workshop on Industrial Strategy and Planning held in Lusaka from 14th May, 1990 to 17th May, 1990, sought to redress this situation and let Zambia fulfill the objectives of the Second Industrial Development Decade (1991 - 2000) by recommending the following:

1. The Department of Industry should be strengthened to enable it cope with the challenge of promoting industrial development. Apart from economists, the Department should also have other professionals including engineers, and data processing personnel. An Industrial Information System to facilitate monitoring and evaluation of industrial performance should also be established in the department. Further, the minimum levels of budgetary resources should be provided. A strengthened department of

Industry will not only have the capacity to create the necessary linkage between macro-economic policy framework and the micro-enterprises level activities but it will also have the ability to design and implement industrial promotion programmes including:

- i) The industrial exports development programme
- ii) Small Scale Industries Development Programme
- iii) Localisation of inputs Programme
- iv) Industrial technology development programme
- v) Investment promotion programmes.

Strengthening the Department of Industry should also include the statutory and other bodies under its auspices. These are the Zambia Bureau of Standards (ZABS), Small Industries Development Organisation (SIQO), Village Industry Service and Investment Council of Zambia (ICZ). These bodies should be provided with adequate financial and other resources to enable them successfully undertake Industrial Promotion Activities and Quality Control.

2. Strengthening of industrial promotion institutions should also be accompanied by the introduction of conditions of service which will enable the institutions to attract and retain manpower.
3. In order to facilitate increased long term financing for industrial development, the Government should take the initiative to get the existing financial institution involved in long term financing of small and medium scale industries.
4. In order to facilitate mobilisation of resources for productive activities, a conducive environment

should be created for the establishment of a stock exchange.

5. In order to facilitate research and development, a fund be established through which both the private and public sector could channel funds for Research and development.
6. The monopolistic industrial structure should be dismantled in order to encourage competition. This should be backed by an immediate Government Policy and legislation to this effect.
7. In order to promote effective linkages between and within manufacturing and other sectors, Government support to the manufacturing sector be increased to levels which will enable the sector supply, agro-inputs, transport and storage requirements. The increased level of Government support to manufacturing should be reflected in both budgetary allocations and external resources to be channelled into the sector.
8. The Government efforts to minimise inflationary pressures through restricting growth of money supply should be accompanied by other fiscal measures to ensure that credit for investment activities is limited to only technically, financially and economically feasible projects that could be financed to the level of sustaining in light of the prevailing credit "Squeeze".

9. Externally funded projects should and must be accompanied with a programme for sustaining the project by local expertise after the foreign donors have departed.
10. The development of technology is key to various industrial promotion programmes including small scale industry and utilisation of local resources. A programme for development of technology, to include financing of research and development, upgrading and utilisation of indigenous technologies, and development of a capital goods industry should be initiated and implemented. This will go a long way in creating a sound technological base.
11. To improve the performance and expand the Gemstone industry, the Government should allow private lapidaries to operate and liberalise the marketing system. Strigent controls should be emphasised at the point of production.
12. To facilitate development of primary industries in the mining sector, a Mineral Advisory Bureau should be established at existing institutions like the (NCSR), the Geological Survey Department (GSD) and MINEX.
13. Development and strengthening of small scale industries should be directed at production of inputs for medium and large scale industry. Conditions for facilitating sub-contracting between small and large industries should be identified and encouraged. Furthermore,

existing marketing houses should support the sector by distributing the finished products.

14. In order to facilitate promotion of exports of industrial products strong linkage must be created between industrial production and participation in Trade Promotion activities e.g. participation at trade fairs.
15. Priority in terms of foreign exchange support should be given to manufacturing companies with export potential to procure inputs.
16. In order to ensure effective implementation and monitoring of the recommendations of the workshop it is proposed that similar consultative processes be initiated on a steady basis, possibly within the framework of IPU project, to elaborate further on industrial strategies and related operational issues.

ANNEX I

AGENDA

Monday, 14 May 1990

08.00 - 09.00	Registration of participants
09.00 - 10.30	Paper by Ministry of Commerce and Industry
10.50 - 12.30	Paper by the Zambian Confederation of Chambers of Commerce and Industry (ZACCI)
14.00 - 15.20	Paper by National Commission for Development Planning (NCDP)
15.40 - 17.00	Paper by Small-scales Industry Development Organization (SIDO)

Tuesday, 15 May 1990

09.00 - 10.30	Paper by the Geological Survey Department
10.30 - 11.00	Official Opening by the Honourable Minister of Commerce and Industry
11.00 - 11.30	Address by UNIDO UCD, on behalf of the UNDP Resident Representative
11.30 - 12.00	Address by the PTA Secretariat
12.00 - 13.00	Paper by the UNIDO delegation
14.00 - 15.20	Paper by Zambia Development Bank (ZDP)
15.40 - 17.00	Paper by Prices & Incomes Commission (PIC)

Wednesday, 16 May 1990

09.00 - 10.30	Paper by Technology Development & Advisory Unit (TDAU - University of Zambia)
10.50 - 12.30	Paper by Zambia National Commercial Bank
14.00 - 15.20	Bank of Zambia
15.40 - 17.00	Debates

Thursday, 17 May 1990

9.00 - 13.00	Wrap-up discussion and adoption of the conclusions and recommendations
14.00 - 15.00	Adoption of conclusions and recommendations, official closing

ANNEX II

LIST OF PARTICIPANTS TO THE NATIONAL WORKSHOP
INDUSTRIAL STRATEGY AND PLANNING

<u>NAME</u>	<u>TITLE</u>	<u>ORGANISATION</u>
1. Mr. D. Chiwele	A/Ass. Director	P.I.C.
2. Mrs. A. Chime	Credit Officer	Zambian National Commercial Bank
3. Mr. B. Chisanga	Acting Chief Executive	ZACCI
4. Mr. John Tether	Acting Director	Geological Survey
5. Mr. R. Sanyikosa	A/Projects Dev. Manager	SIDO
6. Mr. M.I. Tambatamba	Project Engineer	TDAU/UNZA
7. Mr. P.H.M. Mumbulama	Manager	DBZ
8. Dr. N. Mwamba	Head of Macro- Research Unit (NCDP)	NCDP
9. Mr. Austin Mwape	Manager	Bank of Zambia
10. Mr. J. Nakalonga	Senior Economist	Min. of Commerce and Industry
11. Mr. Akhvlediani	UNIDO Officer	UNIDO, Vienna
12. Mr. Earle Taylor	UNIDO Country Director	UNIDO, Lusaka
13. Mr. A.S. Nasir	Chief Technical Advisor	UNIDO, Ministry of Commerce and Industry
14. Mrs M. Pokane	Programme Officer	UNIDO
15. Mr. Ph.R. Scholtès	UNIDO Officer	UNIDO, Vienna
16. Mr. Egil Kjerstad	Ass. Country Director	UNIDO, Lusaka
17. Dr. James P. Dee	Consultant	UNIDO
18. Mr. Eldon Warner	Chief Technical Advisor	UNIDO/PTA
19. Mr. K. Maddison	Ag. Head and Advisor	Commonwealth Secretariat
20. Mr. S. Mwambazi	Director	Zambia Bureau of Standards

21. Mr. R.C. Sampa	Senior Economist	National Commission for Dev. Planning
22. Ms. E. Phiri	Economist	Min. of Commerce and Industry
23. Mr. B.S. Kumwenda	Principal Geologist	Geological Survey
24. Mr. K.C. Ziko	Market Research Officer	Export Board
25. Ms E. Kachamba	A/Senior Econ.	Min. of Commerce and Industry
26. Mr. L.H. Hangwele	Economist	Min. of Commerce and Industry
27. Mr. M.F. Kancheya	Director of Industry	Min. of Commerce and Industry
28. Mr. M. Mooto	Senior Credit Officer	National Commercial Bank - Head Office
29. Ms. Y. Kabeya	Economist	Commerce and Industry
30. Mr. G. Tembo	A/Senior Economist	Commerce and Industry
31. Mr S.S. Chanda	Procurement Spesicalist	AMAG
32. Ms A.M. Banda	Ass. Registrar	REgistrar of Companies
33. Mr. A. Opio	Senior Industrial Expert	PTA Secretariat
34. Mr. J.E.O. Mwencha	Director of Industry & Energy	PTA
35. Mr. M.A. Salah	Industrial Expert	PTA
36. Mr. L.E.C. Banda	Deputy Director of Industry	Commerce and Industry
37. Mrs. J. Mapoma	Hon. Chairman	Village Industry Services
38. Mr. R.E. Mwiambi	Information Officer	UNDP
39. Mr. Alfred Mwila	Agric Economist	NCDP

40. Mr. P.M. Chewe	Ass. Transport Planning Officer	Power, Transport and Communications
41. Mr. C. Munshya	Economist	Commerce and Industry

SECRETARIAT

Mr. C.C. Chanda	Registry Supervisor	Commerce & Industry
Mrs. P. Imasiku	Stenographer	Commerce & Industry
Ms F. Masamu	Typist	Commerce & Industry
Mr. P. Moyo	Ass. Clerical Officer	Commerce & Industry