The profile and productivity of Zambian businesses

June 2010
Acknowledgements

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This brochure is extracted from the Zambia Business Survey (ZBS) main summary report, The profile and productivity of Zambian businesses. This summary report, in turn, presents key findings from four technical papers that are listed below:

- The business landscape, which looks at the environment in which Zambian businesses operate
  (The business landscape for MSMEs and large enterprises in Zambia)

- Productivity, which examines the productivity of Zambian enterprises
  (Who’s productive in Zambia’s private sector? – Evidence from the Zambia Business Survey)

- Access to finance, which explores the demand-side data relating to access to financial services
  (Demand-side analysis of access to financial services for businesses in Zambia)

- The Business Facilities Measure, a model that groups enterprises and divides the market into more manageable segments
  (Segmenting the market into powerful pictures: Application of the Business Facilities Measure – BFM)

These reports are available via the web or from the offices of the four partner agencies that produced this work:

- Private Sector Development Reform Programme www.psdrcp.org.zm
- Zambia Business Forum www.zbf.org.zm secretariat@zbf.org.zm
- FinMark Trust www.finmark.org.za julietmunro@iconnect.zm
The Zambia Business Survey

The Government of the Republic of Zambia (GRZ) recognises that a vibrant and productive private sector is the key to promoting growth and prosperity in the country. This vision is articulated in the Fifth National Development Plan (FNDP), which underscores the importance of stimulating broad based wealth and job creation.

Sound macroeconomic policies coupled with political stability have helped to encourage investment and realise economic expansion in recent years. Nevertheless, while these factors provide a necessary foundation for growth, they are not sufficient for Zambian industries to be competitive and generate much needed wealth. The private sector continues to be dominated by small, informal enterprises that face a number of challenges to growing their businesses and thereby contributing to the economy.

Accelerated and diversified growth will require a substantial increase in investment and business productivity which, in turn, will depend on improving infrastructure (especially energy, transport and Information Communication Technology (ICT)), as well as access to financial and educational services within the context of an enabling business environment.

GRZ and other stakeholders are determined to broaden growth in rural, as well as urban, areas. However, this can be accomplished only if the characteristics of Zambia’s private sector, and the constraints that it faces in doing business effectively, are better understood.

Although almost all Zambian businesses are micro, small and medium enterprises (MSMEs), there has been little information about these businesses to date. This lack of information has made it difficult for policymakers, businesses and donors to design policies, services and programmes that can help these MSMEs improve their productivity and growth.

To bridge this information gap, GRZ, through the Private Sector Development Reform Programme (PSDRP), has entered into a joint venture with the private sector, through the Zambia Business Forum, as well as with FinMark Trust and the World Bank, to undertake the Zambia Business Survey (ZBS).

The ZBS comprises two separate surveys:

- **The MSME survey** is a nationally representative survey of 4,800 businesses employing up to 50 individuals in urban and rural areas in all nine provinces in Zambia. This survey identifies key obstacles to doing business in Zambia and explores how these constraints affect productivity and diversity;

- As a supplement to the MSME survey, the **Large Business Survey (LBS)** samples 161 businesses employing 51 or more individuals. The LBS helps to benchmark MSMEs against large businesses as well as identify factors that most affect the productivity and growth of these larger businesses.

The ZBS provides a snapshot profile of the private sector: who they are, what they do and how they do it. It includes all types of businesses, ranging from informal, household enterprises, to large formal enterprises. In addition, the survey explores the impact that various constraints have on productivity and growth.

It is anticipated that the findings will be useful for policymakers, industry associations, training institutions and companies that seek to improve service delivery to the private sector and thereby promote business growth and wealth creation throughout Zambia.
Figure 1: The geographical distribution of the Zambia Business Survey MSME sample of 4,800 businesses
The universe of Zambian businesses is sharply divided into two worlds – one comprising large businesses and the other, MSMEs. The firms in these two worlds are extremely different. They behave differently, interact with the government differently, and face different constraints. Therefore, policymakers, businesses and donors need different approaches, policies and services to help firms in both these worlds improve their productivity and growth.

One world is comprised of MSMEs – the majority of which are tiny, microenterprises – that are mostly informal, owner-operated businesses. Most have no paid employees and are more like home-based, income-generating activities than clearly structured businesses. Most are located in rural areas (81 percent), and are involved in agricultural production (70 percent) or wholesale/retail trade (21 percent). Very few MSMEs are registered with any government agencies.

The other world consists of a small number of large businesses – only a few thousand – that produce the bulk of the country’s industrial output and contribute the majority of tax revenues and exports. Although bigger than MSMEs, even large Zambian enterprises are small by international standards. Close to half have between 51 and 70 employees – just above the notional cut off size of 50 employees for medium-sized enterprises. Almost all large enterprises are registered.

While large enterprises drive the economy, MSMEs employ the vast majority of the labour force. Of the 4.1 million Zambians who are employed, most (88 percent) work for informal enterprises with less than five employees.

On average, large businesses are far more productive than MSMEs. The average Zambian MSME in the agricultural and service sectors produces only about one-sixth of the average large enterprise in the same sectors. The difference for manufacturing and retail enterprises is even greater – MSMEs produce about one-ninth of the amount that large enterprises do in the manufacturing sector and less than one-twelfth as much in the retail trade sector.

MSMEs and large enterprises face very different constraints. Most MSMEs do not have access to basic infrastructure, whereas most large enterprises do. Similarly, few MSMEs have access to formal financial services, whereas almost all large enterprises use some form of formal financial services.

Only a fraction of rural MSMEs have access to hard infrastructure (energy, transport, water).

Only six percent of MSMEs in rural areas are connected to the public electricity grid, compared to 24 percent of urban MSMEs. Similarly, 27 percent of rural MSMEs report having access to water (primarily through shared pumps or boreholes), and 30 percent of urban MSMEs report having a water connection, mainly through a municipal pipeline.

MSMEs that have access to and use hard infrastructure are far more productive than those that do not. The least productive Zambian MSMEs do not use hard infrastructure (energy, transport, water and ICT). This can be seen when firms are disaggregated by location: businesses along the line of rail are 30 percent more productive than firms which are away from the rail – mainly because businesses on the line of rail have access to such infrastructure. Non-agricultural firms in rural locations are 37 percent less productive than their counterparts in urban areas.
Soft infrastructure is also important. MSMEs using financial services are more productive than those which don't. Likewise, education is important – non-agricultural MSMEs owners who have completed secondary school are 25 percent more productive than their counterparts who lack a secondary school education.

Improvements in education can deliver both direct (e.g. better business and financial management) and indirect (i.e. higher propensity to adopt technology such as irrigation or cellphones) benefits. Many MSME owners have only basic levels of education – especially in rural areas. About half of MSME owners in rural areas have a primary education and about 45 percent have a secondary education. Very few in rural areas have any vocational training and virtually none in urban or rural areas have a university education. The return on improving physical infrastructure – whether for irrigation or access to cellphone banking – will be higher when concomitant investments in education are made.

Improving physical access to banking infrastructure, encouraging alternative distribution strategies such as cellphone banking, and reducing the high cost of banking products is needed to improve MSMEs’ access to finance. Physical proximity is one important factor that limits the use of banking services. But the high cost of basic banking services also plays a role. Estimates suggest that of the 90 percent of firms that do not use banking services, only about six percent are potential users based on the cost and availability of services. Increasing use will therefore require both a significant increase in banking infrastructure and the adoption of alternative, less expensive, distribution strategies.
A new approach gives us a new view

Although most Zambians work in MSMEs, little information is available about these businesses. While large enterprises drive the economy, they account for only seven percent of employment. Of the 4.1 million Zambians who are employed, most (88 percent) work for informal enterprises with less than five employees (see Figure 2). These informal microenterprises are more common in rural areas, where they account for 91 percent of employment. Despite this, little information is available on microenterprises. This information gap has made it difficult for policymakers, businesses and donors to design policies, services and programmes that can help these MSMEs improve their productivity and growth.

The Zambia Business Survey (ZBS), was designed to bridge this knowledge gap. The ZBS is made up of two surveys that used similar, although not identical, survey instruments: a survey of MSMEs and a separate survey of large businesses. Both surveys were conducted between September and December 2008.

The MSME component of the ZBS is a nationally representative survey of 4 800 MSMEs, covering urban, peri-urban and rural areas in all nine provinces. The survey used a rigorous sampling methodology based on the International Labour Organization’s 3-stage sampling system to ensure that a nationally representative sample was collected. More details about the methodology and fieldwork are available in the main summary report, The profile and productivity of Zambian businesses.

The survey design ensures that small, difficult to find, and informal businesses are fully represented in the report; this is critical because these informal businesses make up the bulk of the business population. In contrast to other enterprise surveys in Africa (see, for example, Box 1 on the Investment Climate Assessment), that draw from a sample of highly visible, large enterprises, often only in the manufacturing sector, the ZBS survey design makes sure that small, informal businesses are represented. The sample includes enterprises in all regions of Zambia and covers sectors often excluded from other surveys. Notably, the sample includes enterprises in rural areas, including in the agricultural sector. This allows the report to fully reflect the constraints and challenges that all enterprises – not just large manufacturing enterprises – face and provides a snapshot of the entire business sector.

To ensure that large enterprises are not excluded a survey of 161 large enterprises with more than 50 employees was conducted as a supplement to the ZBS MSME survey. Although large enterprises account for only a small share of employment, they account for a large share of output. Making sure they are properly represented is therefore important. Ensuring that these enterprises were covered required that a different sampling methodology – described in detail in the main summary report – was used. As a result, although the findings from the two surveys can be compared, the two datasets cannot be merged.
The 2008 Investment Climate Assessment (ICA) Report is based on a survey of 484 formal sector firms (those that are registered and have more than five permanent full-time employees) in the urban areas of Lusaka, Kitwe, Ndola and Livingstone. The survey includes firms in manufacturing, services and retailing sub-sectors. It was the second ICA report for Zambia, building on an earlier ICA completed in 2004.

Overall, the report notes that although the business environment improved substantially relative to the 2004 ICA, Zambia still requires vast improvements in its business environment for its workers to become more productive, and for its firms to compete with those in other countries regionally and globally.

Highlights of this report include:

Zambia’s labor productivity continues to be much lower than its best performing regional competitors such as Kenya, Botswana, Namibia, Swaziland and South Africa. It is also much lower than high-performing international competitors such as China, Thailand and Brazil. Even so, Zambia could be competitive in export markets if lower productivity was offset by lower wages paid to workers. But this is not the case. Zambia’s unit labor costs remain higher than these comparators. Therefore, increasing the productivity of Zambia’s labor force remains a key policy issue.

Large firms can thrive despite low labour productivity in the formal sector because they face only limited competition from domestic and foreign companies. Without pressure from competitors, these firms enjoy large market shares within their product niches. They can offset the higher production costs by charging their customers higher prices. Lack of competition within the formal sector has an adverse effect on the rest of the economy that sources from these firms; the net effect is a high-cost economy overall.

Limited competition among formal sector producers is due to various business environment problems that deter entry of foreign and domestic firms. These include cost of finance, which remains high relative to most Sub-Saharan countries, macroeconomic stability caused by a fluctuating Kwacha due to dependence on copper, taxation policy which has led to a disproportionately high tax burden on smaller formal enterprises, corruption, and continuing problems with physical infrastructure particularly power and transport.

MSMEs and large enterprises in Zambia occupy two different worlds

Zambia’s private sector is dualistic, consisting of a small number of large enterprises and a significantly larger MSME sector. The large enterprise sector, which generates most of the economic growth, exports and tax revenues, is made up of a few thousand enterprises with more than 50 employees. About 200 large enterprises produce the bulk of Zambia’s industrial output.

While large enterprises drive the economy, they account for only seven percent of employment. Of a total labour force of almost five million people, 16 percent are unemployed. Of the 4.1 million Zambians who are employed, the vast majority (88 percent) work for informal enterprises with less than five employees. These informal microenterprises are more common in rural areas, where they account for 91 percent of employment. Reducing poverty and increasing prosperity in rural areas depends on increasing the productivity of the microenterprises – an outcome that has proved challenging in recent years.

Most MSMEs are based in rural areas and are small agricultural farms (70 percent) or retail traders (21 percent). Larger enterprises are much more diversified. About 24 percent of large enterprises are in the manufacturing sector and nine percent in the hotel and restaurant sector. Only 14 percent are in the agricultural sector and only nine percent in retail or wholesale trading (see Figure 3).

Figure 3: MSMEs are predominantly in agriculture and retail trade

Distribution of MSMEs, by sector

- 70% Agriculture
- 3% Manufacturing
- 21% Retail or wholesale trade
- 2% Hotels, food and beverage
- 4% Other

Distribution of large enterprises, by sector

- 14% Agriculture
- 24% Manufacturing
- 9% Retail or wholesale trade
- 9% Hotels, food and beverage
- 44% Other

MSMEs produce far less output for each worker they employ than large enterprises in the same sectors (see Figure 4). The average Zambian MSME in the agricultural and service sectors produces only about one-sixth of the average large enterprise in the same sectors. The difference for manufacturing and retail enterprises is even greater – MSMEs produce about one-ninth of the amount that large enterprises do in the manufacturing sector and less than one-twelfth as much in the retail trade sector.

Figure 4: Average sales per worker per year

<table>
<thead>
<tr>
<th>Sector</th>
<th>Average Sales per Worker per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>$1,071</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>$1,025</td>
</tr>
<tr>
<td>Services</td>
<td>$1,366</td>
</tr>
<tr>
<td>Retail</td>
<td>$16,972</td>
</tr>
</tbody>
</table>
Most MSMEs in Zambia are very small. Thirty-five percent of MSMEs have no employees other than the owners and only 21 percent have employees paid in cash (see Table 1). Most MSMEs are small home-based, self-employed individuals or family enterprises. Combined with other information from the survey, this suggests that many unpaid employees are probably family members. Although family members play some role in the enterprise, the enterprise owner does not pay them a cash salary. In other words many — and arguably the majority — of Zambia’s MSMEs are more like home-based, income-generating activities rather than formal business located on separate business premises.

<table>
<thead>
<tr>
<th>Employment Definition</th>
<th>All paid and unpaid employees</th>
<th>Only employees paid with cash or in-kind</th>
<th>Only employees paid in cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>No employees (excluding owner)</td>
<td>35%</td>
<td>67%</td>
<td>79%</td>
</tr>
<tr>
<td>Micro (1 to 10 employees)</td>
<td>58%</td>
<td>30%</td>
<td>19%</td>
</tr>
<tr>
<td>Small and medium (11 to 50 employees)</td>
<td>7%</td>
<td>3%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Table 1: Distribution of enterprises based on different definitions of employment

Note: Each column shows firm size based on that classification of employees. For example, the first column counts all unpaid and paid employees. So it says that 35 percent of firms have no paid or unpaid employees. Similarly, column 2 shows that two-thirds of firms have no employees paid in cash or in-kind.

MSME owners have less formal education than large enterprise managers. Virtually all (94 percent) managers of large businesses have either a university or vocational education (46 percent and 48 percent respectively). Very few have less than a secondary education. In contrast, most MSME owners have only a primary or secondary education. This is especially true in rural areas, where half of the entrepreneurs have no education or only a primary school education. Less than one percent of the owners of MSMEs have a university level education (see Figure 5).

Figure 5: Highest education level reached by entrepreneur/top manager: percentage of firms
Box 2: Zambia’s large enterprises are just as productive as those in Sub-Saharan Africa – but lag far behind those in more successful low- and middle-income economies

Zambian MSMEs are far less productive than Zambian large, formal enterprises – something that is true throughout Africa. Unfortunately, because the ZBS is a new type of survey, it is not possible to benchmark Zambia’s MSMEs against similar firms in other countries in the region. It is, however, possible to benchmark larger enterprises in the manufacturing sector in Zambia against similar enterprises in other countries in the region using data from the World Bank’s Enterprise Survey programme.

Large enterprises in Zambia are more productive than in many other low-income countries in Sub-Saharan Africa. The average large manufacturing business in Zambia reports that it produces about US$4 000 of value-added per worker as illustrated in Figure 6. This is higher than in many other low-income countries in the region and elsewhere in Sub-Saharan Africa. For example, the median large manufacturing firms produces more value-added per worker than similar firms in Tanzania, Uganda, Malawi or Mozambique.

The performance of large Zambian manufacturing businesses – as measured by labour productivity – lags far behind the performance of large manufacturing enterprises in the best performing economies. As described in the main summary report, this is true for the best performing economies in both Africa (e.g. South Africa and Mauritius) and in other regions such as Asia (Thailand and Malaysia) or Latin America (Brazil, Chile and Argentina).

Zambia has a small population, hence to achieve higher growth rates, Zambian firms must penetrate other markets. If Zambian firms want to succeed in international markets, they will have to compete with firms from successful economies by becoming more productive. These comparisons are, therefore, important.

Low productivity fuels informality – as opposed to a desire to avoid taxes and regulation

Almost all large enterprises are registered with the relevant government agencies. About 99 percent of large enterprises are registered with the Patents and Company Registration Office (PACRO), about 96 percent report that they have a Taxpayer Identification Number (TPIN), and about 98 percent report that they have an operating licence from local government agencies (see Table 2).

In contrast, few MSMEs – especially in rural areas – are registered with any government agency. Only about one in 20 MSMEs report registration with any one of three different authorities. About one in 30 reported that they were registered with PACRO; and about one in 50 had a TPIN from the Zambia Revenue Authority. Lack of registration was far more common in rural areas than in urban areas among MSMEs.

Table 2: Percentage of MSMEs and large enterprises registered with each agency

<table>
<thead>
<tr>
<th></th>
<th>% of rural MSMEs</th>
<th>% of urban MSMEs</th>
<th>% of large enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered with any agency</td>
<td>3%</td>
<td>21%</td>
<td>100%</td>
</tr>
<tr>
<td>Registered with PACRO</td>
<td>1%</td>
<td>12%</td>
<td>99%</td>
</tr>
<tr>
<td>Have operating licence from Local Government</td>
<td>2%</td>
<td>18%</td>
<td>98%</td>
</tr>
<tr>
<td>Have TPIN from the Zambia Revenue Authority</td>
<td>0%</td>
<td>7%</td>
<td>96%</td>
</tr>
</tbody>
</table>

Low incomes and poor access to needed information often drive informality. Informality is often seen as a deliberate scourge that constrains growth and narrows the tax base. While some informal enterprises deliberately remain under the radar to avoid paying taxes, many remain informal for other reasons. To better understand the reasons for informality, the ZBS asked MSME owners who were not registered with any of these agencies why this was the case. The most common reason given (37 percent) was that the business does not make enough money (see Figure 7). In this respect, informality should be seen as a symptom rather than a cause of problems in the business environment. Waving the wand of formalisation, as an end in itself, is therefore unlikely to generate the jobs or income needed in rural areas. Instead, efforts to improve productivity of rural businesses can, if effective, increase formalisation and thereby broaden the tax base.

Figure 7: Percentage of MSMEs giving reason for not registering

Note: Firms could give more than one response
Differences in access to infrastructure drive differences in productivity. Informality is a rational choice. The survey shows that many unregistered firms have access to public services such as connections to the electric grid and to public water. Access to services is not restricted to registered enterprises; therefore firms will not formalise just to gain access to infrastructure services.

Making infrastructure services more available will, however, encourage registration by improving productivity. The evidence from the survey suggests that access to infrastructure is, however, an important driver of productivity. Improving access to infrastructure will therefore boost firm performance. Since low income affects registration, improving access to infrastructure will improve productivity, increase firm income and therefore indirectly encourage formalisation.
Most MSMEs especially those in rural areas do not have access to basic infrastructure

Whereas most large enterprises have connections to infrastructure services, most MSMEs do not. Access is a particularly serious problem in rural areas. Only six percent of MSMEs in rural areas are connected to the public electricity grid, while 24 percent of urban MSMEs have such access. Similarly, 27 percent of rural MSMEs report having access to water primarily through shared pumps or boreholes, while 30 percent of urban MSMEs report having a water connection, mainly through the municipal pipeline (see Figure 8). Although access is better in provinces that lie along the line of rail, few MSMEs have access even in these provinces.

For farmers, lack of available water and electricity means they are dependent on rain. The variability and unpredictability of rainfall each season leads to fluctuations in the output produced and lowers farm productivity. Without a year-round water supply, farmers cannot produce crops in rotation. Most farmers report producing a single food crop – maize.

Basic infrastructure services that are required for agro-processing are also missing. As a result, this industry remains virtually non-existent outside urban areas. Poor infrastructure also affects the productivity of other enterprises. Retailers, for example, can only use efficiency enhancing cellular telephones or ICT when they have access to some form of energy.

Transportation is a more serious problem for rural MSMEs than urban MSMEs. Owners of rural MSMEs reported spending more time taking their products to customers or markets. Close to one third (31 percent) of urban firms reported that it took them less than half an hour to deliver their products to market and only about 35 percent said it took them more than one hour. In contrast, only 12 percent of rural firm owners said it took them less than 30 minutes and 59 percent said it took them more than one hour (see Table 3). Consistent with the objective data, owners of rural MSMEs were far more concerned about transportation than owners of urban MSMEs.

| Table 3: Percentage of time delivering products for urban and rural firms |
|-------------------|--------|--------|--------|
|                   | All    | Urban  | Rural  |
| 0 – 10 minutes    | 2      | 5      | 1      |
| 11 – 30 minutes   | 13     | 26     | 11     |
| 31 minutes to one hour | 28    | 31     | 27     |
| 1 hour – 1 day    | 52     | 32     | 56     |
| more than one day | 3      | 3      | 3      |
| don’t know        | 2      | 3      | 2      |
Other than cellphones, few MSME owners have access to most types of information and communications infrastructure. Less than one percent of MSMEs have an operational landline telephone, only three percent have access to a computer; and only two percent have access to the Internet. The one exception is cellphones – about 44 percent own or have access to a cellphone. Once again, access is worse in rural areas. Whereas about 83 percent of urban MSMEs own or have access to a cellphone, only 36 percent of rural MSMEs do.
Compared to large enterprises, MSMEs have limited access to finance

**Very few MSMEs use any formal financial services.** Although almost all large enterprises have access to formal financial services, access is far less common among MSMEs. Only 11 percent of MSMEs use transactions products such as cheque accounts and money transfers, compared to 97 percent of large businesses. Access to credit is even more restricted – only 2.3 percent of MSMEs use credit products, compared to 45 percent of large businesses. The contrast between MSMEs and large enterprises is most obvious for insurance products. Less than one percent of MSMEs have any insurance, compared to around 97 percent of large businesses (see Figure 9).

**Figure 9: Percentage of MSMEs and large enterprises using various types of financial services**

<table>
<thead>
<tr>
<th>Service</th>
<th>Large enterprises</th>
<th>MSMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactions</td>
<td>96.9%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Insurance</td>
<td>96.7%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Savings</td>
<td>84.5%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Credit</td>
<td>45.3%</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

As there are very few banks outside the urban areas, MSMEs in rural areas have limited access to finance. Only about five percent of rural MSMEs use formal services from a bank, compared to 20 percent of MSMEs in urban areas. Although this increases when informal services are included, the figure is still low: about 15 percent of rural MSMEs use some type of financial services from either formal or informal service providers compared to about 41 percent of urban MSMEs (see Figure 10).

**Figure 10: Percentage of MSMEs that use banking services, services from informal and formal providers and that do not use any services**

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>Banked for business</td>
<td>6</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Other formal</td>
<td>6</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td>Financially excluded</td>
<td>80</td>
<td>59</td>
<td>85</td>
</tr>
<tr>
<td>Informal</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Although use of financial products and services is important, it is crucial to understand the reasons why firms do not use these. Are firms excluded because they do not need financial services or are they excluded because of the cost, the difficulty of getting to the banks, or other reasons? Could MSMEs not using financial products use them if they wanted to? To answer these questions, data from the ZBS was used to assess whether MSMEs could reasonably afford and access the facilities that would allow them to use several financial services that are available in Zambia. The financial products assessed were a selection of the lowest-cost savings accounts available on the market. These savings accounts were: Barclays Business, Finance Bank Savings, NatSave Ordinary Savings, Zanaco Savings, and Zanaco Xapit. The methodology is described in detail in a background paper, Demand-side analysis of access to financial services for businesses in Zambia.

This analysis suggests that most MSMEs are unable to access these products. As only 10 percent of MSMEs are banked, this means that up to 90 percent of MSMEs could potentially be served by these products if they were inexpensive enough and were available where the MSMEs are located. The analysis, however, shows that only an additional six percent of MSMEs are potential customers for these products in their current forms.

Poor physical access to banking infrastructure and the high cost of banking products are the most important constraints on banking access. The constraints of trust, awareness and identification do not vary across products. Physical proximity is, in contrast, an important constraint for some of these products. National Savings and Credit Bank, for example, had only 27 branches across the country at the time the survey was undertaken and physical access constraints for that bank are most pronounced – resulting in 83 percent of the MSME market being effectively excluded from NatSave’s Ordinary Savings product. Likewise, the affordability of the different products also varies. Based on the data from the survey on firm sales, location and other factors, the analysis suggests that even for the most affordable product, namely Zanaco’s Xapit product, its current cost is high enough to exclude two-thirds of the market (see Figure 11).

Figure 11: Access to financial products

<table>
<thead>
<tr>
<th>Product</th>
<th>Current Market</th>
<th>Market enablement zone</th>
<th>Market development zone</th>
<th>Supra market zone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zanaco Xapit</td>
<td>10</td>
<td>5</td>
<td>82</td>
<td>3</td>
</tr>
<tr>
<td>Finance</td>
<td>10</td>
<td>4</td>
<td>83</td>
<td>3</td>
</tr>
<tr>
<td>Zanaco Savings</td>
<td>10</td>
<td>2</td>
<td>86</td>
<td>3</td>
</tr>
<tr>
<td>NatSave</td>
<td>10</td>
<td>2</td>
<td>86</td>
<td>3</td>
</tr>
<tr>
<td>Barclays</td>
<td>10</td>
<td>2</td>
<td>88</td>
<td>3</td>
</tr>
</tbody>
</table>

- Banked
- Have access but don’t use
- Don’t want a bank account
- Monetised but cannot access
- Not monetised

Note: The access frontier methodology segments the market into those who currently use the product; those who have access to the product but are not current users (the market enablement zone); and those who do not have access to the product either because they appear to be too poor or because various features of the product effectively exclude them from using it (the market development zone). Those who are too poor for a product fall into the supra-market zone.
Transformation banking models are those which open up services to currently unbanked people. However, even if models using cellphones were made widely available, access would remain severely limited. Using pricing parameters based on the successful Kenyan M-Pesa money transfer product, a best case scenario of a transformational cellphone-based banking model would increase the number of MSMEs able to use this product to only 11 percent (as opposed to six percent for the best existing product). Fifty-nine percent of the market would still not be able to afford even this best case product; and over half would not be able to access it because they have no cellphone. Improving access using these technologies will need improvement in ICT infrastructure, especially in rural areas.

Enhancing effective access will require a significant increase in banking infrastructure, including the adoption of alternative distribution strategies, as well as fees being reduced significantly. To the extent that alternative channels are less costly, both objectives may be simultaneously achievable. In other words, supply is most definitely not sufficient, and there is scope for market growth through the development of new products.
Access to credit products is even more limited for MSMEs than access to other banking services

A similar analysis of credit products yielded an even more sobering view of the market. This focused on three basic products, the Barclays SME loan, the Pelton group loan product, and Blue Financial Services personal loan product. The analysis of access to the Barclays and Pelton loans suggests that only a negligible number of MSMEs (i.e. less than one percent) are potential customers for these products in terms of cost and physical access. In contrast, around 17 percent of the salaried market in Zambia, corresponding to around three percent of the adult population, would be able to access the most affordable product, Blue Financial Services personal loan product. The analysis shows that the Barclays and Pelton loans are not suitable for most Zambian MSMEs. The minimum turnover that firms need to qualify for these products would exclude about 90 percent of Zambia’s MSMEs.

Figure 12: Percentage of access to credit

Overcoming the severe barriers to accessing finance requires coordinated interventions that address obstacles systematically and enhance access in a sustainable way. This could be done from the perspective of potential borrowers (to avoid overindebtedness), lenders (to prevent losses but at the same time to increase product use) and the financial system as a whole. A number of simultaneous constraints affect access. Efforts to overcome some barriers are likely to impact on others (for example the increased physical presence of lenders in an area is likely to lead to a greater awareness of their products). While supply-side constraints are significant, it is worth highlighting that demand-side barriers, such as very low incomes and low levels of education, are significant too.
The productivity of MSMEs is affected by poor access to both hard and soft infrastructure

MSMEs are not a homogenous group of enterprises – there are large differences in their productivity. Some MSMEs are very efficient and have high growth potential. The bottom quarter of agricultural enterprises in terms of productivity produce only $427 of output per worker or less (see Figure 13). Enterprises in the top quarter produce at least seven times that of enterprises in the bottom quarter (at least $3,321 of output per worker). Similar differences exist in other sectors, with the service sector (hotels, restaurants, transport) showing the widest gap. The large gap between the best and worst performers shows that it is possible to overcome the barriers that prevent MSMEs from becoming more productive. The important questions, therefore, are what are these barriers and how can they be overcome?

Some drivers of productivity affect the entire population of MSMEs, such as access to finance and access to water/energy. Other productivity drivers are specific to a business and/or its manager. A range of characteristics can drive productivity at the enterprise level, including the experience and/or education level of the owner; the amount of capital – machinery and equipment – used, financial record-keeping, and use of cellphones and other ICT services.

MSMEs managed by educated owners are more productive (see Figure 14). Many studies demonstrate that education is crucial for improving enterprise productivity. Just one year of additional education can increase productivity in wage employment by 10 percent, even after controlling for other factors. One reason is that better educated people are more flexible; they absorb new information faster and apply unfamiliar inputs and new processes more effectively. This is true in both the agricultural and non-agricultural sectors. Non-agricultural MSMEs owned by people who have completed their secondary school education are 25 percent more productive than enterprises owned by people with less education. In agriculture, more education is also associated with greater productivity.
There are strong complementarities between human capital and other forms of investment. In Zambia, where average levels of education are low, the full returns on physical investment — adding irrigation infrastructure, providing access to cellular telephone and banks — cannot be realised without concomitant investments in education.

MSMEs that have access to electricity and water are more productive. Productivity in agriculture is significantly affected by access to electricity and water, and access to financial services, particularly lending facilities (see Figure 15). Non-agricultural enterprises are less affected by the availability of a water supply. Non-agricultural firms that have access to electricity, at least a secondary school education, banking sector access and access to lending services are more productive than others.

Infrastructure has a large impact on the productivity of MSMEs. Agricultural enterprises with access to public water are almost twice as productive as enterprises that do not have access. Non-agricultural enterprises with access are one and a half times as productive as those that do not. The effect of electricity on productivity is even greater. Non-agricultural MSMEs with access to energy are twice as productive as those without. Productivity gains are even higher for agricultural MSMEs with access to energy. These firms are almost four times more productive than those without. This emphasizes the large gains that could be associated with improving access to basic infrastructure.
The more productive firms use technology, and especially for small retailers and service providers, cellphone use is related with higher enterprise productivity. Enterprises that report using their cellphones to contact customers and suppliers, particularly those in the retail sector, are significantly more productive than other enterprises. Enterprises that use cellphones only for personal purposes are no more productive than average. Similarly, although very few enterprises have access to the Internet, those that do are far more productive than those that do not, particularly in the non-agriculture sector, which is dominated by retailers (see Figure 16).

Figure 16: Output per worker for firms that do/do not have cellphones and Internet services

Numbers shown at the lower end of the bars represent the number of observations
Not all MSMEs are the same

Just as it is useful to compare the differences between large businesses and MSMEs, it is also useful to determine the differences within the populations of MSMEs and large enterprises. Policymakers, service providers, donors and other market actors often need to divide MSMEs and large enterprises into well differentiated groups so that they can effectively design and target policies, assistance, and products and services.

When segmenting the market, there is a trade-off between size and specificity of the segments. If the segments are too narrow and too numerous, it will be difficult to differentiate between the segments and will be costly to design policies and assist each individual segment. If the segments are too broad, then the firms in each segment will not be sufficiently differentiated to design policies and assistance specifically targeted at that segment.

Common approaches towards segmentation are not ideal in the context of the Zambian business landscape. Analysts segment business in various ways. One approach is to segment the market based on the number of people that businesses employ. Another is to focus on differences between registered and unregistered businesses. These approaches, however, do not provide sufficient information to differentiate between types of micro and small enterprises, or even large enterprises. More than two-thirds of enterprises in Zambia have no paid employees (other than the owners) and 95% of enterprises are unregistered. Other approaches also are problematic – more than 70% of MSMEs are based in rural areas, and most are in agriculture or retail trade. Traditional ways of segmenting the market by size, formality, sector or location will therefore generate broad segments containing many enterprises. This would limit the usefulness of the analysis, and frustrate policy and programme development and implementation.

The Business Facilities Measure (BFM) is an analytical tool that segments the landscape of Zambian enterprises in a unique and useful way. The BFM includes 12 segments that span every type, size and location of enterprise: eight segments (1 through 8) for MSMEs, and four segments (9 through 12) for large enterprises. Each segment is comprised of firms with a unique set of characteristics that define each cluster of enterprises. These segments are described in detail in the background paper, Segmenting the market into powerful pictures: Application of the Business Facilities Measure – BFM.

For MSMEs, the most defining characteristics are a series of indicators that relate to access and use of business facilities that contribute to enterprise competitiveness. These include, among others, levels of education, access to and use of electricity, water, financial services and technology, such as cellphones. Figure 17 shows how Zambian MSMEs are clustered into manageable and meaningful segments, using the BFM tool.

Figure 17: Segmentation of Zambian MSMEs by BFM
Consistent with the productivity analysis, the BFM provides a view of the market that clearly shows that not all MSMEs are the same, and that not all microenterprises are survivalists. The segmentation approach provides more detailed information than traditional approaches towards looking at the business landscape. As Figure 17 illustrates, application of this tool yields a much more useful stratification of MSMEs than the traditional methods by employment, location or registration status, which would yield undifferentiated clusters of 80% or more of MSMEs all being classified in the same way. The BFM provides composite sketches of groups of MSMEs and large business that share a substantial set of common attributes, which in turn, can help to differentiate and pinpoint approaches to supporting and interacting with them.

The lower end BFM groups for MSMEs (segments 1 to 4) tend to be a lot more rural than the top end BFM groups for MSMEs (segments 5 to 8). The main break, as shown in Figure 18, is between BFM 4 and 5 and primarily results from the drastic reduction in the number of agricultural businesses. The higher BFM groups for MSMEs are more likely to have female owners, as compared to the overall representation of women among all MSMEs. In the four upper BFMs, at least 41% of the sample has female owners (see Figure 19). In contrast, in the lower BFM groups, less than 33% of MSMEs have some female owners. Women are disproportionately involved in wholesale/retail businesses, which tend to yield higher levels of productivity than the male-predominated agricultural businesses (see Box 3 for a further description of female-owned businesses).

Figure 18: Percent of enterprises in each BFM classification that are urban and rural

![Figure 18 Diagram]

The higher BFM groups for MSMEs are more likely to have female owners, as compared to the overall representation of women among all MSMEs. In the four upper BFMs, at least 41% of the sample has female owners (see Figure 19). In contrast, in the lower BFM groups, less than 33% of MSMEs have some female owners. Women are disproportionately involved in wholesale/retail businesses, which tend to yield higher levels of productivity than the male-predominated agricultural businesses (see Box 3 for a further description of female-owned businesses).

Figure 19: Percentage of male and female owners in each BFM

![Figure 19 Diagram]
Segmenting the market in this way makes it possible to identify those MSMEs that have the greatest potential for growth and for improving their productivity. The ability to pinpoint these businesses can assist organisations facing the challenge of providing support and financial access to MSMEs and large firms. The segmentation of businesses also identifies firms for intervention strategies. It is useful to look at the “zones of transition” to identify possible intervention points.

The first zone of transition in Zambia appears to be between BFMs 2 and 3, where the attainment of secondary education appears to be important in moving MSMEs from the lowest two segments, at least to the third or fourth segments (see Figure 20). Moving from BFM 3 to 4 appears to have a relationship to the type of agriculture, wherein the higher BFMs tends to have a higher propensity for livestock rearing, as opposed to raising crops.

**Figure 20: Moving from BFM 2 to BFM 3 linked to secondary education**
Another zone of transition appears among BFMs 6, 7, and 8, where attainment of vocational education seems to align closely with upward BFM mobility (see Figure 21). Marked entrepreneurial attitude emerges in BFM 8, suggesting ample opportunity for more aggressive support to enterprises that will look to thrive and compete, not just survive.

**Figure 21: Vocational education aligned with upward BFM mobility**

![Figure 21: Vocational education aligned with upward BFM mobility](image)

- Vocational training
- University certificate or higher

For large enterprises, access to and use of business facilities still provides a robust basis on which to segment the market. Whereas access to and usage of basic inputs, such as electricity and water is the basis for sufficient differentiation among MSMEs, access to and use of services like the Internet, email, outsourced business services and higher order financial products are more important for large enterprises. Application of the BFM methodology for large enterprises yields the result shown in Figure 22.

**Figure 22: Segmentation of large enterprises by BFM**

![Figure 22: Segmentation of large enterprises by BFM](image)

- BFM 9: 22%
- BFM 10: 34%
- BFM 11: 28%
- BFM 12: 18%

Unlike the MSME BFMs, there are marked differences in perceptions about the relative importance of different constraints for large firms in different BFM segments. For example, the macroeconomic environment is substantially more important for BFM 12s than any other BFM group. Similarly, BFM 11s seem to feel the bite of crime, theft, disorder and corruption much more than any of their counterparts.
There was, however, broad concern about access to and the cost of finance along the entire large business BFM spectrum. Although high among all groups, concern about access to and the cost of finance was highest among firms in BFM 9 and BFM 12 (see Figure 23). This probably reflects two different factors. For BFM 9s, their perceived high cost of finance may reflect their relatively weak bargaining positions with the banks. For BFM 12s, the seriousness of this obstacle may reflect less on the actual price of finance, but on its cost, relative to overall firm profitability.

Figure 23: Perceived obstacles to finance among large enterprise BFM groups

- BFM 12: 38% No obstacle, 17% A minor obstacle, 14% Moderate obstacle, 28% Major obstacle, 3% Very severe obstacle
- BFM 11: 33% No obstacle, 26% A minor obstacle, 19% Moderate obstacle, 14% Major obstacle, 7% Very severe obstacle
- BFM 10: 35% No obstacle, 19% A minor obstacle, 30% Moderate obstacle, 17% Major obstacle
- BFM 9: 21% No obstacle, 21% A minor obstacle, 24% Moderate obstacle, 29% Major obstacle, 6% Very severe obstacle

Legend:
- No obstacle
- A minor obstacle
- Moderate obstacle
- Major obstacle
- Very severe obstacle
What are the implications for policymakers and private service providers?

The Government of the Republic of Zambia (GRZ) is determined to make it easier to start and grow a business, and this report can inform these efforts. There are numerous initiatives underway designed to reduce the cost of starting a business, increase the efficiency of existing businesses, and boost the productivity – or competitiveness – of businesses and industries more generally. The material in the technical background papers and the raw data underlying them can help GRZ to better understand the profile and productivity of Zambian businesses. This, in turn, can help GRZ design and implement more nuanced, effective approaches – be they policy or programmes – to encourage business formation, growth and diversification.

At the same time, there is a growing and increasingly diversified service industry, and this research can help service businesses design new products and market them more effectively. The information can help businesses gauge the market’s demand for new services, facilitate product development and refine marketing and implementation strategies. The data and analysis are intended to be as useful to the private sector as they are to the public sector.

Policymakers need to adopt targeted approaches when trying to reduce the constraints to MSME growth just as they need to do for larger businesses. While this statement might seem obvious, it is seldom understood or effectively implemented in many countries. The recent MSME policy represents progress in this direction, and this can be complemented by more nuanced approaches that take into account the needs of MSMEs in all sectors – ranging from hard infrastructure such as energy, water and transport to soft infrastructure such as education, finance and investment climate reform.

Given the breadth of problems that MSMEs face, it is important to be selective when tackling constraints. The viability of resolving a constraint depends on both the technical and political ability to fix the given problem (ranging from the design of a policy/regulation through to its implementation.) A two-phased approach to targeting constraints may be effective. While it is important to focus on those constraints that are most costly, or binding, to important segments of the business population (e.g. groups of MSMEs, exporters), it is also useful to focus on those constraints that are easy to fix, relative to those that are more difficult.

This research provides a first step in the process of selecting constraints to alleviate. Specifically, the information provided on the profile, productivity and perceptions of businesses can help to identify high-cost constraints that are most common to certain categories of businesses (e.g. rural versus urban, micro versus large). The findings, combined with other sources of information, can be used to identify high-priority constraints that are relatively easy to resolve.

The communication programme arising from this research can be used to develop concrete recommendations that can be used by GRZ, the private sector and donors. In particular, it is hoped that the discussions surrounding this work will generate specific outcomes, that if achieved would improve access to/reduce costs of key services. The methods used to achieve those outcomes will also be discussed, and it is expected that many of the proposed approaches will incorporate elements of private provision. Specifically, the breadth and depth of constraints to MSMEs requires experimentation with out of the box approaches, as well as more traditional policy reforms. Notably, stimulating competitive connecting industries that provide services, such as transport, education or information, can be an effective means of improving the productivity of MSMEs.
Priority areas to improve the productivity of Zambian businesses

The information in this brochure, and in the main summary report and four background papers, provides a first step in the process of selecting constraints to alleviate. The findings from this analysis, combined with other sources of information, can be used to identify high priority constraints that are relatively easy to resolve. The following areas represent priorities that, if improved, could increase the productivity of Zambian businesses:

1. **Invest in hard infrastructure so that MSMEs – especially those in rural areas – have better access.** The productivity analysis shows that agricultural and non-agricultural firms are far more productive when they have access to infrastructure such as electricity, transport, cellphones and water. Coverage among MSMEs for these services is very low. Even in provinces along the line of rail, only about six percent of rural MSMEs and 25 percent of urban MSMEs are connected to the power grid. Similarly, only 31 percent of rural MSMEs and 32 percent of urban MSMEs have access in these provinces. Access to electricity and water is lower for firms in other provinces.

2. **Encourage innovative approaches to providing financial services and improve ICT infrastructure to make access to finance easier for MSMEs.** Close to 60 percent of MSME owners said that access to finance was a serious constraint to their operations. Concern was particularly high among the smallest microenterprises and among farm owners. Consistent with MSMEs’ perceptions, the productivity analysis also indicates that access to financial services and bank credit is a serious constraint on MSME performance in Zambia.

   The greatest constraint to accessing finance is that most MSMEs are not productive enough to be able to afford access to the most basic financial services or loans. Estimates based on the ZBS suggest that between 67 and 83 percent of MSMEs do not generate enough revenue to qualify for the basic banking services provided by existing providers. Even if a transformational cellphone-based product, such as one similar to the Kenyan M-Pesa product, were introduced, about 59 percent of MSMEs would not qualify for this service. Even fewer firms qualify for bank loans – only about seven to eight percent make enough money to qualify for basic loan products being offered at the time of the survey.

   **Stimulate mobile banking and other innovative approaches to improve access to financial services and reduce costs.** Physical access – or lack thereof – to bank branches is a serious constraint on the use of financial services. About 40 percent of MSMEs do not have physical access to bank branches that can provide these services. One way improving access would be to encourage mobile banking.
This approach, however, will only be successful if information and ICT infrastructure is strengthened. Although a transformational cellphone-based banking model might alleviate the constraints imposed by limited physical access to bank branches, more than 50 percent of MSMEs do not have access to a cellphone. MSMEs in rural areas are even less likely to have access to a cellphone than MSMEs in urban areas. Therefore, recommendations to stimulate mobile banking and other innovative approaches need to be complemented by recommendations to improve access and reduce costs to ICT.

3. **Expand access to basic education.** MSMEs with better educated owners are more productive than other MSMEs in both the agricultural and non-agricultural sectors. Many MSME owners, however, only have basic levels of education – especially in rural areas. About half of MSME owners in rural areas have only a primary education and about 45 percent have only a secondary education. Very few have any vocational training in rural areas and virtually none have a university education in either urban or rural areas. Consultative processes will be used to identify the types of education most needed by different segments of the market as well as the range of delivery mechanisms that can be used to provide education services (e.g. public sector, private sector or civil society organisations).

There are also strong complementarities between education and other forms of investment, beyond the direct effects of improving education. The return on improving physical infrastructure – whether for irrigation or access to cellphone banking – will be lower unless concomitant investments in education are made.

4. **Improve the delivery of business services.** Another way of improving firm productivity is to improve the flow of information and knowledge to existing and potential MSMEs. For example, even if they had physical or cellphone access to financial services and were productive enough to qualify for these services, almost 73 percent of MSMEs would be prevented from accessing loans because they do not keep adequate business records. Helping MSME owners keep business records, identify more profitable lines of business, develop business plans, and improve general business administration could allow them to increase productivity and make it easier for them to access financial services. Likewise, many MSMEs do not have access to information that could improve their productivity, such as potential markets, current prices or sources of inputs. Efforts to stimulate an industry wherein these services are provided, on a for-profit basis, by companies that have an incentive to know their customer and meet his/her needs are worth exploring.

Better service delivery to MSMEs is essential and can be delivered by the public sector, the private sector, the social sector or some combination of these. While few MSME owners belong to business networks, most belong to social networks. This suggests that service delivery could be expanded through existing social networks such as churches, men’s and women’s groups, and sporting and social groups.

The above list is by no means exhaustive. The intent is to whet the appetite and stimulate a discussion on key constraints and ways of ameliorating them. The communication programme for this research is an opportunity for key stakeholders to develop recommendations that can improve the productivity of Zambian businesses.
About the Partners

Private Sector Development Reform Programme
The Private Sector Development Reform Programme (PSDRP) is a programme of the Government of the Republic of Zambia that aims to facilitate the development of a competitive business environment in Zambia that will contribute to job and wealth creation. This will be achieved through creating a sustainable legislative and regulatory environment and building human capacity for enterprise development and growth in Zambia.

The PSDRP, which is in its second phase, is contributing to the central theme of Zambia’s Fifth National Development Plan (FNDP) of broad-based wealth and job creation. PSDRP II will also link into the Vision 2030 of ‘a prosperous middle-income nation by 2030’ and aims to contribute to the attainment of MDG 1 (eradicating poverty) and MDG8 (global partnerships for development).

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Zambia Business Forum
The members of the Zambia Business Forum (ZBF) represent more than 40 percent of the country’s GDP. The ZBF’s mission is firstly to provide a forum for member business organisations in Zambia to discuss cross-cutting issues, exchange information, network and share ideas on what and how to lobby, advocate and engage the government, parliament, cooperating partners and other stakeholders so as to enhance opportunities for sustained economic growth and broad-based prosperity of all the people in Zambia. Secondly, ZBF aims to provide services targeted at developing the private sector into an engine for balanced and accelerated economic growth in Zambia.

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FinMark Trust
FinMark Trust is an independent non-profit organisation established in 2002 and funded primarily by the UK’s Department for International Development (DFID). Its purpose statement is ‘Making financial markets work for the poor by promoting financial inclusion and regional financial integration’. FinMark Trust conducts research across Africa and aims to support policy and institutional development in the financial services sector by increasing access to financial services for unserved and underserved populations. FinMark Trust’s work in Zambia to date includes the completion of FinScope surveys and a supply-side review of the inclusiveness of the financial sector on behalf of the Government of the Republic of Zambia’s Financial Sector Development Plan (FSDP). FinMark Trust is also supporting an industry-led strategy that aims to promote microinsurance development in Zambia.

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World Bank Group in Zambia
The World Bank Group is made up of five unique development institutions: (1) International Bank for Reconstruction and Development (IBRD); (2) International Development Association (IDA); (3) International Finance Corporation (IFC); (4) Multilateral Investment Guarantee Agency (MIGA); and (5) International Centre for Settlement of Disputes (ICSD). The World Bank Group is a vital source of financial and technical assistance to developing countries around the world. The bank’s mission is to fight poverty with passion and professionalism for lasting results and to help people help themselves and their environment by providing resources, sharing knowledge, building capacity and forging partnerships in the public and private sectors.

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