The Existing Policy and Institutional Framework for Promoting Youth Enterprise Development in Zambia

1.0 Introduction

The protracted and deep-rooted economic crisis that has affected nearly every country in Sub-Saharan Africa (SSA), including Zambia, has had a profoundly negative impact on the well-being of the entire population in the region\(^1\). However, young people aged 25 and below (the youth) growing up in the midst of the crisis have been particularly affected. Economic opportunities in the formal sector of the economy have contracted sharply. This situation has compelled unemployed young people, especially out of school youth, to venture into enterprise activities in what is generally referred to as ‘the urban informal sector’ which many African governments are now encouraging and promoting as a way of creating employment and other opportunities for young people. However, a review of existing literature indicates that no detailed study of youth enterprise activities in the urban informal sector has been conducted in Africa in general and Zambia in particular. The tendency has been to subsume the youth into the general adult population, or to generalise the enterprise activities undertaken by young people in the informal sector (Bennell, 2000; Mkandawire, 1996). This has resulted in the lack of an adequate understanding of the specific forms of informal enterprise activities that out of school youth undertake and the extent to which informal enterprises generate sufficient means for youth to produce ‘independent’ livelihoods. In particular, it means that the degree to which existing institutions meet the needs of youth enterprises is presently not known.

The present study investigated the existing policy and institutional framework for promoting youth enterprise development in the urban informal sector in Zambia. The framework can be broadly divided into two categories: the general framework and the youth specific framework.

1.1 Objectives of the Study

The main objectives were:

1. To investigate the status of youth enterprise activities in the urban informal sector in Zambia; and

2. To investigate the extent to which the existing policy and institutional framework for promoting youth enterprise development addresses the needs of youth proprietors.

\(^1\)Initially SSA referred to all African countries south of the Sahara excluding South Africa and Namibia (Basu and Stewart, 1995). However, following the independence of Namibia in 1984 and democratic elections in South Africa in 1994, SSA now includes all countries south of the Sahara, including Namibia and South Africa. In this study, the term ‘SSA’ will be used interchangeably with the term ‘Africa’.
The findings on objective I are presented in Report I, while those on objective 2 are presented in this report.

1.1 The Research Methodology

This section describes the methodology that was used to select institutions for inclusion in the sample and the manner in which interviews were conducted with selected officials from these institutions.

1.1.1 Selection of Institutions

The sampling frame for institutions that were selected for the study was constructed from membership lists of organisations obtained from apex bodies. In the case of Non-Governmental Organisations, the researcher and the research assistant obtained two membership lists of NGOs from their respective mother bodies. The first one was obtained from the Zambia Council for Social Development (ZCSD). This is an umbrella body of NGOs working in various areas. However, membership with ZCSB is voluntary. This means that some NGOs are not members of ZCSD. To obtain a comprehensive list of NGOs working in Lusaka, especially those working with women, another list of NGOs was obtained from the Non-Governmental Organisation Coordinating Committee (NGOCC). This is an umbrella body of women NGOs working in Zambia. NGOCC is also a member of the ZCSD. However, some members of NGOCC do no belong to the ZCSD.

A list of micro credit institutions working in Lusaka was obtained from the Association of Micro-Credit Institutions in Zambia (AMIZ). AMIZ is the apex body for all micro credit institutions working in Zambia. However, it turned out that out of the over 40 micro credit institutions registered with AMIZ, the majority had collapsed. This compelled the research team to obtain another list of micro credit institutions from an organisation called the Informal Sector Development Association (ISDA). Nonetheless, the two lists were enough for the selection of micro credit institutions that were interviewed for the study.

The research team also obtained a list of large formal, private businesses from the Zambia Chamber of Commerce and Industry (ZACCI). The Executive Director of ZACCI facilitated meetings for the researcher with management in the sampled firms. The researcher was also given a list of small and medium enterprises by the Director of the Chamber of Small Businesses in Zambia, an affiliate of ZACCI. The research team also prepared a list of banks operating in Zambia. We also managed to talk to officials at the Bank of Zambia, the reserve bank of Zambia. In addition, we also interviewed officials in the Ministries of Youth, Commerce, Labour, and Finance.

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2 Dr. Wells, the Executive Director of ISDA, invited the research team to a consultative meeting of informal sector practitioners in Zambia. We attended this and many other meetings that followed, including a talk on micro credit given by a visiting American scholar.
1.1.2 Data Collection methods

Informal and semi-structured interviews were used to collect information from the selected officials in government, NGOs, banks, micro credit institutions, youth organizations, the Lusaka City Council, the private sector and donors. Semi-structured interviews involved guided interviewing in which some of the questions and topics were pre-determined, while the rest came up during the interview. A checklist was used to pose open-ended questions and to probe issues as they arose during the course of the interview. This form of interview was used to collect information on the following issues: 1) how the category of youth is being defined in contemporary Zambia; 2) the responsiveness of the existing policy and institutional framework to the enterprise and livelihood challenges of youth in Zambia; 3) role of micro and small scale support institutions and NGOs in promoting youth enterprise; 4) existing relations between youth and social institutions in society; 5) perceptions of youth well being and ill being, and; 6) youth’s own attempts at resolving problems facing them (their interactions and social relations). Additionally, a total of 20 community leaders were interviewed for the study. Each of these leaders was selected from the sampled 20 Standard Enumeration Areas. The selection of this large number of community leaders was aimed at obtaining views that were representative of all the areas of the study area.(Refer to the research methodology in Report I).

It should, however, be mentioned that different interview guides were designed for different institutions. This was done in order to obtain more specific and focused information on the activities of institutions in relation to the subject under investigation. Another important feature of all the qualitative methods used is that a good number of the respondents were asked and agreed to the interviews being voice-recorded. Tape-recording of interviews allowed the author to concentrate on listening and probing, so that spontaneity and flow were not interrupted. A further advantage is that the original words of the respondents were not lost, to which note-taking is prone. However, handwritten notes were still taken by the assistant researcher as a precautionary measure.

1.2 The Existing Youth Policy Framework

This section examines the existing policy and institutional framework for promoting youth enterprise development in Zambia. It focuses on the youth – specific framework and attempts to examine the relationship between key youth policies and enterprise support programmes, their integration into macro economic and sectoral policies, and the extent to which they address the needs of youth in general and youth proprietors in particular. The general policy framework will only be mentioned in passing. It is, however, given in the appendices.
1.2.1 The National Youth Policy

The National Youth Policy (NYP) is the major policy document that seeks to promote youth development, especially youth enterprise development, in Zambia.

In sum, the stated policy goals of the National Youth Policy are:

a) Promotion of the welfare of youth;

b) Highlighting youth problems; and

c) Creation of the much needed environment conducive to the development of the youth socially, culturally, spiritually, politically and economically.

These goals have been further expanded into the following policy objectives: 1) to provide guidelines on all matters relating to youth development; 2) to reduce youth unemployment through the promotion of self-employment enterprises; 3) to approach the problems of youth from a holistic angle so as to ensure coverage of the most critical elements; 4) to mitigate the negative impact of the on-going economic adjustment measures; 5) to improve institutional performance capacity and ensure countrywide coverage in the execution of youth programmes, 6) to upgrade the quality of life among young Zambians through increased income generating ventures which improve real incomes; 7) to improve institutional coordination of youth programmes in the country both at the national and local levels; 8) to understand youth problems better and identify sound ways of addressing them to meet the basic needs of the Zambian youth, and; 9) to draw the private sector, donors, Non-Governmental Organisations, communities and individuals into the management of youth programmes.

The policy makers interviewed for the study in the Ministry of Youth were of the view that the current National Youth Policy in Zambia adequately addresses the need for the promotion of employment creation for young people. They argued that instead of ‘generalizing’ the problems facing young people, the policy attempts to ‘concretize’ them so as to find a viable solution. The Commonwealth Technical Advisor attached to the Ministry in particular argued that out of the over 46 countries in which he had worked, Zambia seems to have one of the best youth policies in developing countries. The advisor explained that youth policy in Zambia is premised on an economic framework which provides an accurate analysis of economic issues affecting young people and identifies possible solutions. This is not the case in other countries where policies start with a social policy framework or highly theoretical frameworks that put emphasis on ‘abstracts’ or ‘welfare’. However, the policy makers admitted that there were weak policy areas. For instance, they cited lack of participatory structures for youth as an area that required attention. In an effort to implement the National Youth Policy objectives, the government prepared the National Programme of Action for Youth (NPAY) in 1997.
1.2.2  The National Programme of Action for Youth

The promotion of youth employment appears to be the main objective of the action plan. Thus, the major focus of the NPAY measures is to create better employment prospects for youth through five key components. These are: skills training responsive to local needs; enterprise training for small-scale businesses; small start-up loans; availability of infrastructure; and provision of mentor support to young entrepreneurs.

These components appear to constitute what policy makers in the Ministry of Youth call a ‘coordinated and holistic programme’ aimed at promoting the development of youth enterprises. At the time of the survey, Ministry of Youth officials indicated that 75 percent of the NPAY had been implemented. The officials indicated that there was now no need for a follow-up plan which would cover the next five years, as from the year 2001. Assuming that this is true, it means that the above five objectives of the NPAY have largely been attained. This implies that many young people working in the urban informal sector in Zambia now have access to skills training, small start-up loans, suitable working space or infrastructure, and mentor support for their enterprise activities.

It also implies attainment of other key objectives of the National Youth Policy. These include: improved institutional coordination of youth programmes; promotion of social partnerships with civil society organisations, the private sector, local authorities and local communities. Since it is assumed that the Government has a country-wide focus, as stated in the NYP, it is to be assumed that ‘improved’ youth service delivery by the Ministry of Youth has reached most parts of the country.

1.2.3  Observations on the Existing Youth Policy Framework

The study findings suggest that there is presently a disjuncture between the current National Youth Policy and the implementation of youth programmes. While the NYP appears to be inclusive of many aspects pertaining to the enterprise activities of youth enterprises, it also seems to be weak in many areas that are critical to the successful promotion of youth enterprise development in the urban informal sector. First, the National Youth Policy does not seem to be properly integrated with macro economic policies and, in particular, sectoral policies, poverty reduction plans, and Lusaka City Council laws. A review of the NYP and the NPAY documents indicates that they have not attempted to bridge the existing gap between macro economic policies and the micro level concerns of young people, especially youth proprietors.

The failure to bridge the gap between youth policies and broader economic policies is also evident from the interviews held with policy makers in other key economic ministries such as the Ministries of Commerce, Finance and Economic Development, and Labour. Policy makers in these ministries tended to argue that all issues concerning youth were to be handled by the Ministry of Youth. The officials further admitted that there was no inter-ministerial mechanism aimed at coordinating youth enterprise related activities in various government departments. It should also be mentioned here that there is
presently no coherent and clearly defined policy framework on the informal sector, except for a Draft National Vendors Policy which is not yet complete. Current policies on the informal sector are therefore scattered over various pieces of legislation and policies in different ministries. In the absence of such a framework, current efforts to promote youth enterprise activities in the urban informal sector are not likely to have any long lasting effect on the youth unemployment problem in Zambia.

Secondly, a review of the National Youth Policy and National Programme of Action for Youth documents reveals that they have not attempted to bridge the gap between current poverty reduction plans and the socio – economic circumstances of young people. A review of documents on poverty reduction in Zambia, including the recently prepared Poverty Reduction and Strategy Framework (PRSP), indicates that current poverty reduction strategies do not seek to explicitly address the specific concerns and needs of young people. This appears to be based on the assumption that young people are young adults who do not face problems that are different from those of the general population. As a consequence, there has been a tendency to subsume the youth into the general adult population, in the belief that every individual faces the same problems. Little distinction is therefore made between youths and adults.

Such a ‘general’ or ‘blanket’ approach to the promotion of youth enterprise development has several weaknesses. The study findings suggest that lack of distinction between youths and adults creates the following problems:

- It has led to youths and adults being lumped together indiscriminately in terms of access to resources without regard to possible differences based on age;
- The types of experience, networking and social relations available to youths and adults are not the same;
- The types of business opportunities and prospects for growth between youths and adults are not the same; and
- Both women and female youth are generally disadvantaged compared to males due to prevailing social, cultural and economic constraints.

In this regard, a ‘blanket’ approach to the promotion of youth enterprise development is not likely to have the desired impact on the performance and growth of youth enterprises. In addition, the implementation of the PRSP is unlikely to address the special circumstances of young people.

Third, the study findings reveal that the NYP and NPAY have not attempted to bridge the existing gap between the micro level concerns and needs of young people and sector specific policies and programmes. The specific sector policies, referred to here as the

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3 Since the PRSP will be the key economic program for the country, it might be worthwhile to re-visit the document to incorporate policies and programs on the youth and the informal sector.
general policy framework, are: the Small Enterprise Development (SED) Act, the Industrial, Commercial and Trade Policy and the Technical Education, Vocational and Entrepreneurship Training (TEVET) Policy. Others are the Investment Policy, Agricultural Policy, Mining Policy, and Tourism Policy (See Appendix I).

In the case of the Small Enterprise Development Act, for example, small and micro enterprises (under which most informal sector enterprises supposedly fall) are technically exempted from operating with any form of licence. However, for any business to access this incentive, it must be first registered with the Small Enterprise Development Board (SEDB) at a cost of K60,000. This is an amount of money which most youth proprietors use as capital to start enterprises in the urban informal sector (refer to Report I). The SEDB, on the other hand, demands that any business that requires registration with the Board must first register with the Registrar of Companies. As Mate and Kanyemba (1998) observe, this makes the process of registering, and therefore qualifying for incentives under the SED ACT, cumbersome, long and untenable to the majority of informal sector operators, especially the youth. Thus, as Mate and Kanyemba further observe, while a provision exists for the informal sector to operate without a licence, the sector is first made to conform to the formal sector regulatory framework and bureaucracy which is usually expensive, complicated, and time consuming. Consequently, the majority of youth proprietors are forced to operate as ‘illegals’ or ‘criminals’ in the urban informal sector. The absence of a convention on employment (national employment policy) further marginalizes the youth unemployment problem.

Fourth, and as in the case of the above, youth policies are not properly integrated or harmonized with Lusaka City Council and other state laws (see the discussion on the role of the Lusaka City Council in Section). The study indicates that informal sector development in Zambia, in particular youth enterprise development, is impeded by restrictions on business activities in residential and non–market areas; the requirements to get multiple operating licences and permits and taxes. The present study suggests that the majority of youth enterprises violate most council and state laws. As a consequence, they are criminalized and subjected to occasional council and state police harassment.

The failure by the NYP and NPAY to bridge the gap between broader macro, sectoral and poverty reduction policies and the micro level needs of youth in general and youth proprietors in particular implies that the current youth policy objectives are not intended to create opportunities for young people in the wider economic context. By focusing on the micro level needs of young people, the NYP and NPAY merely attempt to enhance individual youth enterprise assets. As a consequence, they are not likely to increase overall opportunities for youth enterprises in the broader economic context. This calls for the proper integration of youth policies with macro level policies which are intended to stimulate overall growth and increase opportunities for youth enterprises.

The present study suggests that the apparent failure to bridge the gap between the National Youth Policy and other economic and social policies that may have a direct or indirect bearing on the enterprise activities of youth has partly arisen due to lack of research into the needs of young people in general and youth proprietors in particular at
the micro level. Partly, it has arisen due to lack of capacity and resources, not only among those working with young people at the informal settlement level, but also within the youth category itself as a whole, to effectively conceive, design, manage and implement youth programmes.

In the case of the National Programme of Action for Youth, an analysis of the socio-economic circumstances of young people, especially those running enterprises in the urban informal sector, raises serious doubts about the extent to which its implementation has succeeded in meeting the needs of the youth in general and youth proprietors in particular. This is evident from the responses of young people on the availability of enterprise support programmes in their area. The study shows that 96 percent of the youth were not aware of existence of the National Programme of Action for Youth. A similar percentage were not aware of the existence of the National Youth Policy. Similarly, nearly all the community leaders talked to professed ignorance about the NYP and government youth programmes in their area.

Secondly, the study results demonstrate that the majority of young people working in the informal sector are facing problems in precisely the same areas that the NYAP seeks to promote. For instance, the majority of youth have no access to institutional credit, lack training opportunities, largely operate in illegal places and have no mentor support for their enterprise activities. The latter appears to arise from the lack of a partnership relationship between the Ministry of Youth and business leaders.

Third, there was lack of indicators and data on the extent to which the implementation of the NPAY has met the needs of young people. It was therefore difficult to assess or measure how the implementation of the action plan was meeting the needs of youth proprietors. This situation suggests the need for better indicators and data which would make it easier to measure the extent to which various youth programmes in Zambia respond to the needs of different youth categories both within the non–proprietor youth category and proprietor youth category.

Fourth, it is obvious that the implementation of the action plan, with its wide ranging mandate from undertaking institutional reforms within the ministry itself to taking a holistic approach to the promotion of youth enterprise development, requires heavy funding from the government and other sources. Given the current low budgetary allocation to the ministry, it means that many activities have not been undertaken. This is evident from the study findings. It is also evident from informal discussions with ministry officials which suggest that the ministry has difficulties in implementing youth programmes due to underfunding. Even the NPAY alludes to this as much.

Fifth, interviews with both policy makers in government and programme officers in NGOs and other organizations indicate an absence of a working relationship between the government and non-governmental organizations. Only one of the over 20 programme and credit officers talked to was aware of the existence of the National Youth Policy and its stated policy objectives. The rest were either not aware of the existence of the youth policy or had just heard about it. The study also reveals that the majority of young people
in the sample were not aware of the existence of the NYP and its stated objectives. Given the widespread lack of youth policy awareness, it is not surprising that the programme officers interviewed for the study stated that they largely designed their youth programmes in line with the objectives of their organizations and perceived needs of the intended beneficiaries. They complained that the Ministry of Youth did not inform them about its activities. For this reason, what they were currently doing for young people largely arose out of their organizations’ commitment to improving the situation of youths. The policy makers in the Ministry of Youth admitted that many organizations were probably not aware of the existence of the National Youth Policy and its objectives. They blamed this situation on low budgetary allocations. They complained that the Ministry of Youth was largely tied up with sports activities, especially football. The preoccupation with football, coupled with a low budgetary allocation, made it very difficult for the ministry to effectively discharge its responsibilities towards promoting the enterprise activities of young people.

This situation implies that the Ministry of Youth, despite its expressed desire to improve institutional coordination of youth programmes in the country both at the national and local levels and to draw the private sector, donors, Non-Governmental Organizations, communities and individuals into the management of youth programmes, is currently largely unaware of programmes being initiated by NGOs and other organizations. It also means that the ministry lacks the capacity to monitor youth projects in the country, as stated in the National Programme of Action for Youth. Conversely, the situation also implies that current NGOs working in the area of promoting youth enterprise development are being conducted in some form of ‘policy vacuum’ since they do not follow the policy guidelines of the Ministry of Youth.

Given that NGOs have different and sometimes conflicting objectives, it is also doubtful the extent to which these organizations are committed to the promotion of youth enterprise development per se. Interviews with several programme officers in NGOs appear to suggest that many NGOs use enterprise development as a means towards an end. A good example is the YWCA Youth Project which seeks to promote HIV/AIDS awareness among young people through enterprise development. Another example is the CARE Prospect Project which, while not necessarily targeted at the youth, seeks to promote payment for utilities like water through enterprise development. Even HUZA seeks to promote homeownership among people living in low income areas through enterprise development.
2.0 Existing Institutions and Interventions for Promoting Youth Enterprise Development

This section examines the existing institutions and interventions for promoting youth enterprise development in Zambia. This framework comprises a network of supply-side measures aimed at promoting youth enterprise activities in the urban informal sector. As in the case of the youth policy framework, the support institutions can be divided into general and youth enterprise support institutions. This section focuses on youth–specific institutions. In this study, youth-specific support institutions and programmes are taken to be those that have been specifically introduced to address the specific needs of young people. These programmes can further be divided into Governmental and Non-Governmental programmes. The commercial banks, private sector and local authorities are treated as part of the youth enterprise support network given their critical and cross-cutting roles in enterprise development. General support institutions and interventions are summarized in Appendix II.

2.1 Government Institutions and Programmes

In Zambia, a separate ministry responsible for youth affairs exists. This is the Ministry of Sport, Youth and Child Development. This section therefore examines the youth programmes under this ministry. It especially examines the extent to which the Government, through the Ministry of Youth and its agencies, address the needs of youth in general and youth proprietors in particular.

2.1.1 The Ministry of Sport, Youth and Child Development

The major function of the Ministry of Sport, Youth and Child Development is to provide direction for sport, youth and child services, to set policies and translate them into strategies and priorities. In order to discharge this responsibility, the Ministry in 1993 undertook a review of its youth policies and programmes. This resulted in the formulation of the National Youth Policy which was approved in August, 1994. As already noted, to translate this policy into strategies and priorities, the Ministry came up with the National Programme of Action for Youth which was approved in 1997.

Interviews with officials at the Ministry of Youth suggest that the ministry is grossly under-funded. For this reason, it has not been effective in initiating youth development programmes. However, despite this low funding, to date, the Ministry of Youth runs a country-wide network of youth development programmes which includes the following: youth skills training centres; community-based youth skills training projects; youth settlement schemes; research and staff training centres; the National Youth Development Council; and the Commonwealth Youth Credit Initiative.4

The following sections examine the role of some of the key government youth programmes.

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4 However, this network of youth programmes, especially training centres, is struggling to survive.
2.1.1.1 The National Youth Development Council

The National Youth Development Council was established in 1986 by an Act of Parliament. The main objective of establishing the Council is to promote and coordinate all youth development programmes and activities undertaken by various organizations.

The main functions of the Council are to:

1) Coordinate and implement policies of the Government concerning youth development;
2) Assist financially, materially and/or technically youth organizations and individuals;
3) Encourage and support the establishment of various youth economic ventures such as small business and cooperatives; and
4) Train the youth and facilitate the design of appropriate curricula for local training.

According to the National Programme of Action for Youth (NPAY), the NYDC is supposed to assist young people in the identification of viable business opportunities through research, business management and technical skills training, small enterprise development, management of youth settlement schemes, provision of business advisory and extension services, and provision of credit through the ‘Youth Entrepreneurship Promotion Revolving Fund’. Thus, the Council is supposed to devote most of its resources to the promotion of youth enterprise.

However, interviews with Ministry of Youth officials revealed that the National Youth Development Council has generally been ineffective in promoting the welfare, and especially enterprise activities, of young people. The Council currently lacks capacity, both human and financial, to implement its various programmes. For this reason, it has not been able to coordinate, even modestly, various youth programmes in the country. This is evident from the research findings which indicate that the overwhelming majority of young people working in the urban informal sector are not only unaware about the existence of youth policies but have not benefited from government – sponsored enterprise support programmes.

In addition, the Council has not been able to initiate youth enterprise development programmes, such as those being undertaken by some NGOs. The Ministry officials attributed this to budgetary constraints on the part of the Government. They argued that low budgetary allocation to the ministry from the Central Treasury has made it practically impossible for the NYDC to effectively discharge its responsibilities. In an effort to address some of the problems affecting the Council, the Ministry of Youth has embarked on an organizational restructuring of the Council. This is aimed at streamlining the operations of the NYDC within the available budgetary resources. The restructuring process has been going on for the last five years or so. Ministry of Youth officials revealed that the NYDC has consequently suspended its operations during the period that it has been undergoing this restructuring. At the time of the survey, a bill authorising the
establishment of the NYDC had not yet been passed. Ministry sources revealed that this bill had been drafted three years before. In our view, this reflects or amounts to lack of political will or serious commitment to addressing the youth livelihood problems by the authorities.

2.1.1.2 Government – sponsored Youth Credit Schemes

In the past, the government has attempted to establish credit schemes that are targeted exclusively at youth. These are discussed below.

a) Youth Enterprise Promotion Fund

The Youth Enterprise Promotion Fund was a government initiative established in 1994 to enable young people become more aware of self-employment as a potential and viable career option. Its main aim was to provide loans to various youth groups and individuals who did not have capital of their own and could not access loans from commercial lending institutions due to lack collateral security. Initially, the Fund was administered by the National Youth Development Council and was designed to operate as a revolving fund so that recovered loans could be subsequently re-lent to new applicants. However, after two years it was discovered that the Fund was largely centralized in Lusaka, leaving out rural areas. Subsequently, the Fund was decentralized in 1994 with the responsibility for its administration shifting to Provincial Youth Development Officers and District Youth Officers. These were to be under the supervision of the Office of the area Permanent Secretary. In 1995, a total of K100 million was shared among all the nine provinces. This was the first time such an amount was made available for youth. Although the response from the youth was overwhelming, it was not possible to meet the ever growing demands due to limited funds.

Under the Fund, applications or business proposals for loans were scrutinized by District Development Committees. The recovery period for the loans was 1 - 3 years, depending on the loan amount and type of enterprise. The loan attracted an annual interest rate of ten percent for rural youth and 15 percent for urban areas. Interviews with ministry officials and a review of documents reveal that the Fund fared quite well in its first year of operation and some successes in loan recoverability were made. However, the capacity to monitor the loanees was quite low. Ministry officials are quick to point out that this has been and will continue to be a problem due to inadequate resources, especially skills and money to carry out monitoring. The NPAY further notes that, whilst assistance in monitoring was being rendered by the agriculture extension officers in some areas, there were leakages of funds and materials in many places. It is alleged that in more than one case it had been difficult to trace the beneficiaries for the recovery of the loan. There is a high possibility that ‘cartels’ could have formed to siphon the monies out of the Fund in such a manner. There was also lack of demonstrable entrepreneurial skills among the beneficiaries. Kekelwa (1998: 26) notes that most of the youths who benefited from the scheme lacked entrepreneurial skills and knowledge on how to manage projects. As a result, most of them failed to pay back the loans. However, reports suggest that in some provinces, particularly Luapula, the monies as at December 1998 were genuinely
revolving. Over time, the loan funds meant for onward disbursement to other youth proprietors got tied up in uncollected debts. Eventually, this type of service ceased to be available.

b) Constituency Youth Fund Scheme (CYFS)

The Constituency Youth Fund Scheme was introduced by the Office of the President in 1996. It was felt that the distribution of funds at the constituency level would ensure balanced and universal availability of funding opportunities for youth enterprises. This Fund was for non-repayable grants. Learning from past experiences in youth credit schemes, the Government, through Ministry of Sport, Youth and Child Development, revised the guidelines on the disbursement of funds under the CYFS. The responsibility for the administration of these funds has been shifted from District Councils to Provincial Youth Development Officers. Committees have been constituted, which include Members of Parliament and Councilors, to select potential youth enterprises or projects to be funded. The initial budget for the scheme was K 2 billion. However, only a paltry K 500 million was disbursed (refer to Annex). In 1999 the Ministry disbursed a total of K 1.5 billion shared equally amongst all the 150 constituencies at K10 million per constituency.

As in the case of the Youth Enterprise Promotion Fund, the Constituency Youth Fund Scheme has proven to be vulnerable in terms of abuse. While the scheme has huge potential in terms of reaching the youth countrywide, reports indicate that in some constituencies, MPs and Ministers have used their influence to withdraw the money from banks and pass it over to their electorate as a token of appreciation, for electing them into office. Not surprisingly, the CYFS has become highly politicized, with allegations that the main beneficiaries are members of the ruling political party. In other cases, cash-strapped local authorities have diverted funds meant for youth projects under the scheme to pay workers’ salaries. Even among those who have benefited, a culture of dependence was fostered which has given rise to expectations of government handouts without the need to repay.

This situation indicates that distribution of funds at the constituency system under the current system lacks strong internal accountability mechanisms. Consequently, the current arrangement has marginalized the intended target youth beneficiaries as funds tend to be diverted for other purposes. This is reflected in the current study which indicates that the majority of youth have not benefited from the CYFS. This is confirmed by the findings of a study conducted by the Ministry of Youth, Give Youth a SAY(1999) in which youths argued that, ”Government should not spend any more money on youth Constituency Fund as it does not serve any purpose”. Mulenga (2000) made similar observations.
c) The Commonwealth Youth Credit Initiative (CYCI)

Although the CYCI is being directly implemented by the Commonwealth Youth Programme Africa Centre (CYP), it is included here as one of the current Government schemes for promoting youth enterprise development in Zambia. This is because the memorandum of understanding between the Government of Zambia and CYP designates the scheme as ‘belonging’ to the Ministry of Youth. The CYC micro credit programme is currently being piloted in four countries across the commonwealth, including Zambia. It is a credit delivery scheme that is supposed to provide unemployed youths with access to start-up capital. It is also supposed to provide a ‘package’ of assistance to help young people set up or expand their entrepreneurial activity.

In Zambia, the main objective of the scheme is to empower young men and women between aged 15-29 years to undertake income generating activities. This is ultimately aimed at helping to reduce unemployment and poverty among the youth. The CYCI initiative was launched in June 1996 and the first loans were given in 1997. From its inception, CYCI was intended to largely operate on commercial lines. In this regard, the CYP identified an NGO that would run the scheme on a commercial basis. To high loan recovery through strict monitoring of creditors, the identified or selected beneficiaries are supposed to be trained in enterprise development and group cohesion techniques. Loans are delivered to groups of five youths based on a 2.2.1 format. Under this pattern, two borrowers in a group of five are given loans and monitored for five weeks. Then the next two members become eligible once the first two have paid up their loans. The fifth member of the group only accesses the loan after the last two loanees have paid up.

However, the CYCI, like other youth credit schemes in Zambia, has met with limited success. Initially the scheme was being administered by the National Savings and Credit Bank of Zambia (NSCBZ). However, this institution faced a lot of operational problems in monitoring, resulting in poor recoverability of loans. The scheme was then transferred to Progress Finance Limited (PFI), a private micro – credit scheme. A total sum of GBE£25 thousand was invested in the scheme upon its initiation. A small number of youths have benefited from the CYCI in Lusaka’s high density settlements of Chaisa, Mandevu and Chipata compounds. However, loan recovery continues to be a major problem.
3.0 Non-Governmental Organizations Programmes for Promoting Youth Enterprise Development

The study findings suggest that there are currently very few organizations that have initiated programmes targeted at the youth. The major ones among these organizations are the Young Women’s Christian Association and Human Settlements of Zambia.

3.1 The Young Women’s Christian Association Youth Project

The Young Women’s Christian Association, an NGO that supports women and youth programmes, runs a business training programme for young people. Within the training programme, a small credit scheme has been introduced. The programme is funded by the International Labour Organisation and Irish AID. Irish AID finances the programme, while the ILO provides the training materials. The target group for the programme are unemployed young people who are not in school. The youth are recruited through YWCA branches in areas where the NGO operates.

While seemingly successful, information on how the graduates of the YWCA training programme perform in their enterprise activities after receiving training was not available. It is therefore difficult to assess the performance of the training programme. Nevertheless, officials interviewed for the survey indicated that trainees were given small loans to enable them set up small businesses. However, a major observable weakness of the YWCA training programme is its small training and loan coverage. Only few young people benefit from the programme. This implies that the immediate impact of the YWCA training programme on the youth population is very minimal. Secondly, the group lending methodology used by the YWCA has come under strain in some areas. This is largely due to poor group cohesion among selected youth beneficiaries.

3.2 The Human Settlements of Zambia (HUZA) Youth Projects

The Human Settlements of Zambia is another NGO that supports youth enterprise activities alongside its core mandate. According to Mr. Jere, the Director of the NGO, HUZA’s main mandate is to improve human settlements, especially in low income urban and other higher density settlements. The Director explained that it the organization’s work in these areas that led to the need to promote youth enterprise activities. HUZA field staff discovered that households with many income earners were improving their houses at faster rates than those dependent on single income earners. The field staff further observed that most households with single income earners had a large number of dependent unemployed youth, who were mainly involved in low returns petty activities, mostly short term casual work. In an attempt to involve these young people in more productive enterprise activities with high returns, HUZA introduced some skills training programmes. Three skills training centers were established in three low income settlements in Lusaka. These are Bauleni, Chawama and Ng’ombe. The centers offer skills training in tailoring, woodwork, block making, gardening and home economics (nutrition). HUZA has generally been successful in offering training to unemployed
youth. This success largely derives from a combination of factors which, among others, include working with local communities, and equity and consistency in client selection.

However, the HUZA youth project suffers from three weaknesses. The first one is that the training coverage is very limited. Very few young people are taken in by the centers for training. Thirdly, the training centers are dependent on funds from HUZA’s overseas partners, mainly NGOs in the Netherlands, Norway and Germany. Efforts to make the centers self-sustaining have generally been unsuccessful. Principally, this is because of the youth who undergo training cannot even afford modest fees to just make the programme break even. In this regard, any withdraw of funding by overseas NGOs is likely to lead to the closure of the training centers.

4.0 The Role of Commercial Banks and Youth as a ‘Risk’ Group

Zambia has a total of 14 operating registered commercial banks. The major ones are: Barclays Bank (Zambia) Limited, Standard Chartered Bank (Zambia) Limited, StanBic (Z) Limited, the Zambia National Commercial Bank (ZNCB), Indo-Zambia Bank and Finance Bank Limited. Others include Citi Bank, New Capital Bank and Cavmont Merchant Bank. The research team visited and talked to business and credit managers in some of these banks.

The study revealed that all the major commercial banks were involved in lending money to enterprises in all sectors of the economy. The business and credit managers described their credit policies as ‘broad’, targeted largely at lending for what they described as ‘productive’ purposes. However, some banks were highly selective in their lending policies. Standard Chartered Bank, for example, was only lending to businesses in what they described as ‘growth’ or ‘profitable’ areas. In all cases, ‘eligible’ borrowers were described as clients who could meet the minimum criteria set by the bank regardless of age. The managers stressed that age was not a major consideration in accessing a bank loan as long as one met the minimum age requirement (of 16 years in the case of Zambia). The key considerations in obtaining a loan were the ‘viability’ and ‘profitability’ of the business venture. In addition, a potential borrower had to have an account with the bank or another bank for a minimum period of six months.

However, a review of the loan portfolios of the banks revealed that nearly all the available credit facilities in the banks were for working capital only. Not surprisingly, most of the lending was ‘short term’ credit, often covering a maximum period of one year. The bank officials stressed the uncertainty arising from the unstable macro economic environment as the major reason for dealing in short term lending. However, some banks like Barclays Banks were also involved in ‘leasing’. This involves the bank buying equipment which it then hires or leases out to businesses, especially those in agriculture and industry. Typically, leasing covers a three to four year period. In that sense, ‘leasing’ is a form of ‘medium term’ lending. Some banks were also involved in lending for ‘consumption’ purposes. For instance, Barclays Bank offers a retail product called the ‘Barclays Loan’ which is aimed at enabling borrowers to obtain consumer durable goods like a car or furniture.
However, an analysis of the views of business or credit managers suggests that commercial banks are currently either deliberately indifferent, unwilling or unable to provide credit to small enterprises, especially those operating in the informal sector. This is reflected in the study findings which suggest that commercial banks and informal sources of credit such as savings associations were not the major sources of credit for youth and non-youth (adult) proprietors working in the informal sector, or those running small enterprises. The findings suggest the major source of initial capital among youth proprietors were own savings and grants from a spouse, parents or relatives. 45.6 percent of the youth cited own savings as the major source of capital; 19.1 percent had been given by their parents; 16.9 percent by their spouses; 13.2 percent by relatives and 2.2 percent by friends. Only 2.2 percent of the youth had borrowed money from an informal money source and 0.7 from a commercial bank to start their business, respectively. The percentage of non-youths who had obtained their capital from a bank loan or informal money source to start a business was only slightly higher than among youths (2.0 percent and 5.3 percent, respectively). The results show that the majority of adult proprietors had used their own savings and grants from family or friends. According to the study, 42.4 percent had used their own savings; 21.2 percent had been given by a spouse; 13.2 percent by relatives; 9.9 percent by parents and 4.0 percent by friends.

We can in this regard argue that formal commercial banks are not meeting the credit needs of informal sector operators (ISOs), who include young people. The banks are mainly involved in what they call ‘corporate’ banking. Put another way, commercial banks are largely involved in lending to large corporate organizations, mainly South African firms. According to small entrepreneurs interviewed for the study, this practice was crowding out small enterprises from the private, domestic financial market. Consequently, small enterprises were finding it difficult to increase their productive capacity due to lack of working capital.

The bank managers cited the following as the major reasons why they were unwilling or unable to extent their support to small enterprises, in particular those operating in the informal sector:

- **Poor record keeping by Informal Sector Operators (ISOs)**

  The managers argued that ISOs do not keep records of their business transactions. As a result, the managers argue that it is difficult to assess the performance of informal sector enterprises. Some managers particularly cited lack of financial records, especially ‘audited’ accounts statements, as making it difficult for them to base their credit decisions on a sound assessment of the credit ‘worthiness’ of the enterprise.

- **Failure by ISOs to prepare ‘bankable’ proposals**

  The managers complained that informal sector operators lacked the capacity to prepare feasible business proposals. They argued that ISOs generally failed to come up with proposals that indicated the purpose for borrowing, the amount of money required,
estimated cash flows, the repayment period, and so on. In the absence of such proposals, banks found it difficult to lend money to ISOs.

- **High transaction costs**

Most of the managers cited high ‘legal’ costs involving preparing documentation for ISOs, or what they labelled ‘the perfection of security’. The managers argued that this process involved hiring legal experts to prepare legal documents on the enterprises which lacked ‘critical’ business documents. It was also argued that monitoring the operations of enterprise activities in the informal sector was costly given the small amounts of loans involved.

- **Lack of management acumen**

Most of the managers argued that small enterprises were basically family businesses which were characterised by lack of a ‘traceable’ record on management experience. In particular, the managers stressed what they called the lack of ‘suitable’ qualifications in business management.

- **Lack of business specialization**

The majority of managers described as ‘fragmented’ the system of running businesses in the informal sector. They argued that ISOs were not involved in running ‘specialized’ enterprises. According to the managers, the general tendency in the informal sector was for proprietors to be involved in multiple enterprise activities or to take up whatever came their way without an adequate understanding of the ‘market’. For this reason, it is argued that ISOs lack ‘specific’ borrowing needs. As one manager put it, “…this often results in a diversion of funds for purposes unknown to the lending agency”. The general suspicion among the managers was that funds were diverted to meet ‘personal’ needs. Consequently, a high default rate was said to be the norm among ISOs, which led banks to tighten, or in most cases suspend, their lending to small entrepreneurs.

- **Lack of acceptable form of security**

Commercial banks demanded what they described as an ‘acceptable’ form of collateral or security from potential borrowers. The managers said that this had to be an item that could easily be converted into cash. However, nearly all the managers stressed that collateral or security was not the major consideration for obtaining a loan from a bank given the current poor liquidity in the (Zambian) economy (due to cash flow problems as a result of the credit squeeze arising from the economic restructuring programme). They emphasized the ‘viability’, and especially the ‘profitability’, of an enterprise as the main criterion for obtaining a loan.

As revealed in Report I, the study indicates that some of the concerns raised by bank managers are valid. According to the study, the majority of youth proprietors do not keep records, tend to keep their money at home, and so on. However, a careful analysis of some of the views expressed by bank managers suggests that they are based on inaccurate
assumptions and generalisations about ISOs than on the obtaining situation on the ground. In essence, the views reflect the following:

- **Lack of an adequate Understanding of the Environment in which ISO worked**

All the managers interviewed for the study admitted that they did not properly understand the context in which entrepreneurs in the informal sector operated. None of the banks had conducted or commissioned a study on informal sector or youth entrepreneurs. Hence, their views were largely based on casual observations or general assumptions.

- **Perpetuation of Myths about ISO**

Related to the above assumptions and generalisations is a perpetuation of some myths about ISOs. A typical example is the lack of so-called ‘specialisation’ or involvement in multiple economic activities among ISOs argument. The study findings reveal that the overwhelming majority (85.1 percent) of ISO were only involved in one enterprise activity. This finding is supported by an earlier study conducted by Leonard Mulenga (2000) which revealed that the majority of ISOs were not involved in multiple economic activities. Typically, ISO work long hours. Therefore they generally lack the time to engage in other enterprise activities. They also lack the capital to establish other enterprise activities. Similarly, the view that the majority of enterprises in the informal sector are family-owned businesses is not supported by research findings. The great majority (87.9 percent) of ISOs were single proprietors. Only 12.1 percent of the businesses were joint ventures with family or friend.

Notwithstanding some of the reservations in the views of the bank officials, as cited above, the same views can be interpreted as suggesting that commercial banks are willing to finance youth enterprise activities or those of ISO in general. This was admitted as much by some of the managers interviewed for the study. Therefore, the ‘risk’ perception of youth as a group is not a key consideration in bank lending as long as youth meet the minimum criteria. Youth only become a ‘risky’ group in so far as they engage in ‘risky’ or low income activities and show lack of business acumen. Simply stated, it is not necessarily the characteristics of youth that make them a ‘risk’ category, but rather the types of enterprise activities which they undertake and lack of business management skills. This is particularly the case among what we call ‘pre-entrepreneurs’ in the age group 15-19 years. Typically, this category of youth is highly likely to have high ‘mobility’ (in the sense of moving from one point to another) and uncertainty about the future. Where they are engaged in enterprise activities, it is highly likely to be in a narrow range of activities, mostly trading. Typical examples are those of younger youths hawking razor blades, buttons, sweets, drinks, and moving from point to point. In that sense, lending to this group is highly risky. (My study shows that these young people largely operate in streets, roads or shop corridors). However, the level of risk tends to diminish with older categories of youth. (what we call ‘budding’ and ‘emergent’ entrepreneurs). This group of youth is highly likely to be involved in a widening range of enterprise activities and will be more ‘sedentary’ than younger youths. This means that
these young people are highly likely to be operating from more permanent structures at market places, home, workshop or the roadside.

5.0 The Role of the Private Sector

The study findings indicate that there is little evidence of strong private sector support for youth enterprises. This was evident from discussions held with business leaders, mostly members of the Zambia Association for Chambers of Commerce and Industry (ZACCI). As the names suggests, ZACCI is an umbrella organization for different business organizations such as chambers of commerce and industry and business associations. In addition, companies also join ZACCI under a corporate membership arrangement so long as they are members of a local chamber or association. Membership in ZACCI has generally been that of large businesses. At present, nine district chambers and seven associations are affiliated to ZACCI. There are also about 40 corporate organizations, mostly multinationals. Recently, however, a small business chamber affiliated to ZACCI was formed. It is called the Small Business Chambers and has representation in most of Zambia’s districts.

Interviews with ZACCI officials suggest that the organization has been undertaking training programmes and other business support services for small enterprises. While the officials described these programmes as ‘broadly’ successful, they admitted that the integration of small businesses into the mainstream chamber movement has not been successful. It was observed that this was the case both at local chamber level and at national (ZACCI) level. Lack internal structures within ZACCI that look into the needs of small businesses has been cited as the major cause of low participation by small enterprises. Other problems relate to the perception of small businesses by the chamber mainstream, mostly large businesses, as ‘competitors’.

The perception of small businesses as ‘competitors’ by large business organizations suggests lack of business interaction between formal and informal businesses in the form of business linkages and sub – contracting arrangements. Interviews with ZACCI member firms revealed that nearly all big businesses did not have any have linkages or sub – contracting arrangement with an informal sector enterprise, let alone one owned by a youth. Most of the business leaders, while indicating some willingness to support the promotion of youth enterprise development, expressed reservations about dealing with informal sector enterprises. They generally argued that informal enterprises, especially those undertaken by young people, did not have the capacity to produce high quality products and deliver them in good time. The lack of business linkages between informal youth enterprises and formal, private sector firms is also reflected in the study findings in Report I. The findings show that only very few enterprises, mostly those owned by male non – youth proprietors, had linkages or sub – contracting arrangements with formal enterprises.

The business leaders cited the following as some of the reasons why they were not sub – contracting informal enterprises:
• Lack of capacity (in form of equipment and raw materials) to produce quality products;
• Lack of capacity to deliver products on time;
• Lack of commitment and discipline in business management; and
• Lack of Value – Added Tax (VAT) registration.

The lack of VAT registration in particular means that formal companies that engage in business arrangements with informal enterprises that have no such registration do not qualify for tax rebates. Qualifying for a tax rebate under the current tax regime in Zambia requires a business organization to produce documentary proof of registration. The unintended effect of this measure is to compel formal enterprises to largely deal with other businesses. Consequently, informal businesses are losing out on business deals with formal businesses.

6.0 The Role of the Lusaka City Council

The Lusaka City Council (LCC) is the local planning authority responsible for service provision in the city of Lusaka. Interviews for the study were conducted with officials in the Departments of City Planning and Legal Services. The interviews suggest that any person engaged in business is obliged by law to obtain the relevant operating licence. This is regardless of the size or status of the business. Thus, operators in both the formal and informal sector are subject to the same operational procedures and rules. This is particularly the case for those involved in trading and manufacturing activities. The key laws that the businesses are supposed to comply with are the Trades Licensing Act of Zambia, the Public Health Act and the Food and Drugs Act.

The Trade Licensing Act of Zambia stipulates that any person involved in trading or manufacturing activities at any level must apply for a licence or provide documentary proof of exemption from holding such a licence. The Act states that “Any person who contravenes the provisions of this section shall be guilty of an offence”. As Mate and Kanyemba (1999) observe, this implies that street hawkers, tuntembas, vendors and other informal sector operators require a trading licence in order to ‘legally’ operate. On the other hand, under the Public Health Act and the Food and Drugs Act, any business premises and processes have to be certified to acceptable hygienic standards.

The present study indicates that the majority of informal sector enterprises, especially those owned by the youth, are not affected by local authority regulations and rules. This suggests that most informal sector enterprises do not meet the provisions of the Public health Act and the Food and Drugs Act. Moreover, the majority of informal sector enterprises lack rely on simple tools or have no equipment which makes it very difficult for them to meet the provisions of these Acts. Additionally, while the Trade Licensing Act of Zambia stipulates that all traders and manufactures should operate under licence, the study shows that the majority of those engaged in trading and manufacturing
activities in the urban informal sector operate without licences. In the view of LCC officials, such operators are violating the Trade Licensing Act and are therefore operating illegally. This is in spite of the Small Enterprise Development Act which ordinarily is supposed to supersede the Trade Licensing Act.

There are several reasons that seem to explain why the great majority of informal sector proprietors, especially the youth, are currently not complying with the provisions of the Trading Act and other laws. The first one has to do with lack of capacity in the Council, both human and financial, to enforce laws. Interviews with Council officials revealed that the Lusaka City Council does not collect enough revenue to meet its operational expenses. As a result, the LCC has been forced to scale back some of its activities. Not surprisingly, the majority of enterprises in the informal sector are not affected by council and other state laws. We also got the impression that Council staff lack both adequate training and exposure to the operations of businesses. In turn, this tends to affect their capacity to design and implement ‘business – friendly’ laws and policies that cater to the needs of businesses both in the formal and informal sector. To a large extent this seems to explain the LCC’s apparent lack of a ‘proactive’ business stance aimed at creating wealth in the city as opposed to mere revenue collection.

Secondly, the cost of complying with council laws, and therefore cost of formalising informal enterprises, seems to be beyond the reach of most youth informal sector operators. Discussions with city council officials revealed that an informal sector operator wishing to formalise a business enterprise is first required to prepare and process a lot of documentation. However, the cost of this documentation is very high by informal sector standards. Added to this is the long waiting period. As Mate and Kanyemba (1999) observe, it can take a proprietor a minimum of three and maximum of six months to have all the required documents processed and this can cost anything between K100,000 – K350,000. As the present study indicates, this is a considerable sum of money for an informal sector operator who typically starts an enterprise with less K100,000, and in the case of younger make youths and female proprietors less than K50,000. Below is a table showing the costs associated with formalising or registering an informal business in Zambia, especially in Lusaka, the capital city.
Table 1: The Cost of Formalising an informal Business in Zambia

<table>
<thead>
<tr>
<th>Documentation</th>
<th>Issuing Authority</th>
<th>Waiting Time</th>
<th>Cost (ZK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Business name registration</td>
<td>Registrar of companies</td>
<td>One month</td>
<td>18,000</td>
</tr>
<tr>
<td>2. MSE registration</td>
<td>SEDB</td>
<td>One month</td>
<td>60,000</td>
</tr>
<tr>
<td>3. Manufacturing licence</td>
<td>Local Council</td>
<td>One month</td>
<td>180,000</td>
</tr>
<tr>
<td>4. Trading licence (Retail)</td>
<td>Local Council</td>
<td>One month</td>
<td>90,000</td>
</tr>
<tr>
<td>5. Trading licence (Wholesale)</td>
<td>Local Council</td>
<td>One month</td>
<td>180,000</td>
</tr>
<tr>
<td>6. Agents Licence</td>
<td>Local Council</td>
<td>One month</td>
<td>20,000</td>
</tr>
<tr>
<td>7. Market stall and Hawkers.</td>
<td>Local Council</td>
<td>One month</td>
<td>9,000</td>
</tr>
<tr>
<td>8. Liquor licence</td>
<td>Local Council</td>
<td>Up to six months</td>
<td>80,000</td>
</tr>
</tbody>
</table>

Source: Mate and Kanyemba (1998) and Lusaka City Council Sources (2001).

The failure by ISOs to comply with laws means that they are viewed as ‘illegally’ operating. This is particularly the case among youth proprietors whose enterprise activities are criminalized by the authorities. The criminalisation of youth enterprises results in lack of compensation for youth proprietors whenever their merchandise is seized and destroyed by council and state police.

At the same time this has the effect of driving some informal sector operators underground. A good example is that of shebeen operators or unlicensed liquor traders. Most shebeens operate from home, especially under cover of darkness. Mate and Kanyemba (ibid) observe that shebeen operators tend to be subtle in their operations. As a consequence, the authorities have a difficult time in trying to stop these activities. According to Mate and Kanyemba, at the slightest sign of police presence, shebeen patrons seems to melt away. This makes it difficult to arrest the operators. Shebeens also contravene the zoning regulations by operating from residential areas. While this makes them a nuisance to their neighbours who have to endure loud music and rowdy behaviour from patrons, they remain a key livelihood strategy in informal settlements and other high density areas in Zambia.
Fourth, and as already noted above, our impression was that the LCC lacks a proactive business approach, let alone a scheme designed to promote youth enterprise activities in the urban informal sector. The main focus of the Council seems to be on revenue collection. In this sense, the LCC does not currently actively participate in wealth creation. This is evident from the Council’s continued reliance on an outdated City Plan which, we were informed, was last upgraded in 1975! It is obvious that such a plan is not in line with, and therefore does not meet, the current business aspirations of informal sector operators, especially young people. In this sense, we can argue that rather than many legitimate informal enterprises being labelled as ‘illegal’, it is the provisions in the City Plan that seem ‘illegal’ given the new business environment prevailing in Zambia. The current pre-occupation at the Council seems to be with maintaining the ‘image’ of Lusaka as a ‘garden city’. As Mulenga (2000) observes, small-scale income generating activities are not provided for in urban space. They are, moreover, widely seen as both a nuisance by the authorities and as a problem by mainstream or large-scale businesses and other vested interests (Mulenga, 2000; Mate and Kanyemba, 1998; Imboela, 1997). Thus, the authorities, in the name of protecting public health and safety and licensed or legal formal sector activities, generally or occasionally disrupt the operations of informal enterprise activities.

Not surprisingly, urban planning, as it is currently practised in Zambia, has imposed a number of constraints on the growth of the informal sector, and especially of enterprise activities undertaken by young people. Aside from the costs of registering enterprises, its focus on land use plans which designate precisely demarcated single – use zones, such as residential or commercial zones, creates problems for the informal sector. As this study indicates, the informal sector flourishes in areas where different sorts of activities take place together or where there is a mix and flux of land uses. This is particularly the case in informal settlements and other high density areas. Given the generally negative attitude towards the informal sector, anyone wishing to obtain permission to start an enterprise, especially young people, usually fails, either because the type of enterprise is not explicitly allowed, and so permission is denied, or because the building and planning standards required are too expensive for the informal sector proprietor to meet. Thus, accessing working space is increasingly becoming difficult in the urban informal sector. This results in a situation where extra-legal and illegal enterprises exist in many places, and none of them is secure against both random and systematic enforcement of the council and state regulations.

The study also indicates that working space seems to be running out in informal settlements. Focus group discussions with community leaders revealed that there was hardly any land left for much needed infrastructural developments such as market places, clinics and other physical amenities. Creating this space would require the LCC to acquire land for infrastructural development from neighbouring farms. However, interviews with Council officials in the City Planning Department revealed that there is currently a shortage of funds for investment in land acquisition and infrastructure and services to provide suitable sites for informal enterprises. As the study indicates, these are investments which informal sector operators, let alone youth proprietors, are least able to make for themselves, since they lack both the necessary organisation and capital. Consequently, the areas where informal sector activities take place tend to lack even the most basic infrastructure, such as access lanes and
water taps, leave alone surfaced roads, sewers, street lightning, and so on. Muench as far back as 1977 observed that lack of services in areas where informal activities occur tends to reinforce the conviction that informal activities are ‘unhealthy’ and ‘unsightly’. This ambivalent attitude towards the informal sector seems to make decision makers think in terms of ‘eliminating’ the informal activities rather than adjusting laws to meet informal needs.

This official tendency towards eliminating informal activities is reflected in the desire by the authorities to preserve the ‘garden image’ of Lusaka as a ‘modern’ African city with tree lined streets that is free of ‘unhealthy’ and ‘unsightly’ informal sector activities. In recent years, this has seen ‘repressive’ state policies toward youths operating as vendors and hawkers in the Central Business District and the streets. This even includes residential areas. Inevitably, this results in a conflict of interests between the authorities and informal sector operators, especially young people involved in vending activities. Mate and Kanyemba (1999) observe that the conflict of interests between the LCC and the vendors finally exploded in April, 1999, when the Council hired state police to clear all the vendors off the streets.

However, chasing the vendors or Kaponyas (as they are derogatively called) down the streets or removing them does not constitute a solution to their livelihood problems. As Mate and Kanyemba further observe, while the CBD and the streets of Lusaka look relatively ‘cleaner’, a major means of these young people’s livelihoods has been wiped out. Mate and Kanyemba quote from a Community Based Organisation Report which highlights the plight of vendors:

“In May, 1999, (the) Lusaka City Council (re)moved street vendors from all streets and this made business difficult for our members. Most of our members lost goods and they had nothing to continue with their businesses. Those who had money to continue their business had no space in the market. This happened to all members in town and to other members who were selling outside Matero, Mandevu and Lilanda Markets. It has taken our members a long time to settle down and have spaces in the markets.

6 In Africa, there is a tendency to give youths labels. This negative labelling of youth, which in many cases is used to ‘criminalize’ young and their enterprise activities in the urban informal sector, is common in Africa (Abdullah, 1999). In Tanzania the unemployed youth or vendors in the informal sector are called the ‘Manchicha’; in Uganda and Kenya they are referred to as ‘Bayaye’; in Nigeria they are called ‘Jan Banga’, ‘Jaguda Boys’, or the ‘Area Boys’; or ‘Rarray Boys’; in Sierra Leone they are known as ‘Rarray Boys’; in Algeria they are referred to as ‘Hittiste’; in South Africa they are called ‘Tsotsis’; in Zambia they are called ‘Kaponyas’ or ‘Eagle-eagles’, and so on. Abdullah (1999) has termed the urban unemployed out of school youths in Africa the ‘pseudo lumpen proletariat’. At best the negative labelling of youth motivates the State to limit and undermine the autonomy of young people through certain aspects of youth policy; for instance, those on the registration of youth organisations tend to be restrictive. At worst the negative labelling of young people seems to provide cover for repressive state policies towards what are officially regarded as ‘undesirable’ social elements in society who are criminalized as ‘hooligans’, ‘hoodlums’, ‘malcontents’, ‘lumpen – proletariat’, and so on.
This quote highlights the plight that young people and others working in the urban informal sector in Zambia face. The market places cannot accommodate all the existing and potential youth proprietors. The harassment of those operating from residential areas tends to worsen the problem. Moreover, the markets do not cater to the needs of other informal sector activities, especially manufacturing. The current markets were largely designed for trading activities. As a consequence, youth and non–youth proprietors tend to face many problems in their operations.

This situation calls for a close working relationship between the Ministry of Youth and the Lusaka City Council. The working relationship should be aimed at harmonising the key objectives of the National Youth Policy and the provisions of Council and other State laws. In the absence of such harmonisation, youth enterprise activities will continue facing many constraints in their operations.

7.0 The Role of the Local Community

The study shows that although the local community is expected to play an active role in the promotion of youth enterprise development in the urban informal sector, it lacks the organisational capacity to do so. Discussions with community leaders revealed that they were not generally aware of local initiatives that were being undertaken by NGOs and other external organisations. This lack of awareness seemed to have been worsened by lack of financial capacity by the local leadership to introduce initiatives aimed at promoting youth enterprise development. Several community leaders wondered how they could they help the youth when they themselves were struggling to survive.

A similar view was expressed by young people in focus group discussions. The youth said that they did not expect much help from their parents given the financial and economic problems that they were facing. Some observed that they had dropped out of school due to failure by their parents to pay school fees and buy other educational requirements. The views expressed by both young people and their community leaders suggest that local communities, in the current socio–economic environment in Zambia, cannot be expected to provide any meaningful service to youth proprietors on their own. Even when external assistance is offered, it would also require addressing the livelihood challenges in local communities.
8.0 Observations on the Role of Institutions and Interventions in Youth Enterprise Development

As already noted, there are very few organisations that are currently working in the area of youth development in general and promotion of youth enterprise development in particular. The field of youth enterprise promotion is characterised by isolated, stand-alone programmes with divergent objectives. This is surprising considering the livelihood difficulties that the great majority of youth, who constitute a large segment of the Zambian population, are facing.

In general, we found that the few existing youth government and civil society programmes are characterised by the following:

- **Welfarist Perception of ‘Youth’ and Narrow Programme Focus**

  There is a strong welfarist tradition in existing youth programmes which perceives ‘youth’ as individuals in the process of “becoming” rather than as “being”. In other words, young people are seen as ‘deficient’ and need to be nurtured through the guidance of adults or experts. This implies that young people possess certain deficient characteristics and behavioural traits that need to be changed or need policing to conform to societal “acceptable” behaviour. Young people in the welfarist tradition are therefore perceived as ‘vulnerable’ and in need of adult protection. This perception of youth is evident in some youth programmes which largely focus on the promotion of income generating activities as a way of improving youth welfare.

  Not surprisingly, the research discovered that most existing youth programmes are narrowly focused on the promotion of income generating activities for youth. The programmes do not aim at the promotion of youth enterprise development ‘per se’. Rather, the driving motive seems to be the attainment of other objectives. The study discovered that programmes to promote youth enterprise development as an end in itself are surprisingly absent. For instance, the main objective of the YWCA Youth Project is to promote reproductive health awareness and behavioural change among young people through support for income generating activities.

- **Lack of a Clear Programme Definition**

  The study reveals a divergence in the perception of who is a ‘youth’ between the public or local community on the one hand and the official or state definition of youth on the other. While the Government emphasizes the biological chronological age of between 15 – 25 years, local communities emphasize social characteristics such as puberty, marriage and economic independence. There are also differences in the definition of a youth between different NGOs, with some defining ‘youth’ as those aged between 14 and 22 years, while others take the age range 15 - 30 years. Still others have no definition of ‘youth’.
Given the differences in the understanding or description of ‘youth’, or the lack of it, it is to be expected that many institutions lack a clear programme definition. This means that they have no clearly defined target group. Lack of a clearly defined target group creates confusion and poses difficulties in ascertaining the impact of programmes on their intended beneficiaries. Not surprisingly, there is presently lack of better indicators and data that can measure the extent to which existing youth programmes are meeting the needs of youth proprietors and young people in general.

Secondly, this situation results in a ‘general’ or ‘blanket’ approach to the promotion of youth enterprise activities in Zambia. This is based on the observation that among youth-specific institutions, the tendency has been to treat the category of ‘youth’ as essentially one entity. The assumption is that all young people have similar enterprise or productive capabilities and share similar socio-economic characteristics. Such a wholesale aggregation of youth themselves has led to many undue assumptions and generalizations about the enterprise capabilities of young people.

This study argues that a blanket approach to the promotion of youth enterprise activities ignores the following:

- Structural variations in the enterprise activities and capabilities of youth proprietors. There are three basic enterprise categories of youth proprietors: ‘pre-entrepreneurs’ in the age category 15-19 years; ‘budding’ entrepreneurs in the age category 20-24 years; and ‘emergent’ entrepreneurs in the age category 25-26 years. Consequently, different categories of youth proprietors are being lumped together indiscriminately in terms of access to resources without regard to possible differences based on age;

- Different categories of youth proprietors face different problems that tend to be specific to a particular youth age group or category;

- The types of experience, networking and social relations available to the three categories of youth proprietors are not the same, with older youths sharing problems different from those of younger youths;

- The types of business opportunities and prospects for growth available to the three categories of youth proprietors are not the same; and

- Gender is a key determinant of access to resources. Female youth are generally disadvantaged compared to male youth due to prevailing social, cultural and economic constraints.

In this respect, lack of a highly differentiated approach to the promotion of youth enterprise development may only have a minimal impact on the growth of youth enterprises.
• Poor Coordination and Capacity

The study findings indicate that existing youth services on the ground remain uncoordinated and fragmented, with huge gaps existing in the delivery of services to vulnerable groups in informal settlements. The findings also suggest that there are significant gaps in research, which is essential for any ‘appropriate’ interventions in the promotion of youth enterprise development. Not surprisingly, there are gaps in evaluation and creation of data systems as well as training. As a result, people working in the youth development services sector are struggling to determine the most effective and comprehensive approaches to deal with youth needs and emerging opportunities without the support of an established body of scientific and practice based knowledge. This is evident in the absence of indicators on the extent to which programmes meet the needs of young people, especially youth proprietors.

As already noted, even in government there is no inter – departmental committee charged with the responsibility of coordinating youth affairs and interests in different ministries. Thus, while the National Programme of Action for Youth makes reference to the need to facilitate the entry of youth proprietors in high growth sub – sectors of the economy, there are currently no mechanisms designed to effect this. This is evident in the failure by the National Youth Policy and the National Programme of Action for Youth to bridge the existing gap between sector specific policies and programmes and the micro level concerns and needs of young people, especially those working in the urban informal sector. Moreover, nearly all the current youth programmes are designed to address the micro level concerns of young people. In this regard, they seek to enhance individual enterprise assets, but are not likely to increase overall opportunities for youth enterprises in the broader economic context. This situation calls for a multi – disciplinary or multi – departmental approach to the promotion of youth enterprise development.

The study also suggests that many youth practitioners working in government and the NGO sector lack basic skills to effectively design, manage, implement and evaluate youth development programs. The limited numbers that are available seem to have acquired their skills through years of experience as youth activists and/or through short-term training in and outside the country. This implies lack of strong capacity to effectively implement youth programmes.

• Lack of Prioritisation in Resource Allocation

A closer scrutiny of budgetary allocation and expenditure for the Ministry of Youth suggests that, aside from under - funding, the excuse of low budgetary allocation as constraining the promotion of youth enterprise activities does not hold. This is a view that was supported by some officials at the Ministry. The study findings suggest that a significant amount of the money allocated to the Ministry of Youth is spent on short-term programmes that are designed to ‘politically’ placate young people in general. In

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7 It is therefore gratifying to note that the Ministry of Youth has introduced a degree course in youth development which is aimed at meeting the gap in the skills of youth practitioners both in the government and in civil society.
particular, most of the money allocated to the Ministry is spent on funding the National Football Team. This prompted some young people and officials to cynically characterize the Ministry of Youth as a ‘Ministry of Football’. According to ministry sources, if an equal amount of money spent on football was used to support the promotion of youth enterprise activities, much could have been achieved.

In this regard, we can argue that the low expenditure on the promotion of youth enterprise activities appears to suggest lack of a serious political commitment to addressing the large and growing problem of youth unemployment. This is in spite of official claims to the contrary. It is therefore not surprising that there is a general feeling among both officials and the general public that the Ministry of Sport, Youth and Child Development is a ‘Cinderella’ ministry. Even the name of the ministry itself is a misnomer. To put ‘sport’ before ‘youth’, as is currently the case, suggests that there is more emphasis on addressing ‘sport issues’ than ‘youth issues’. Admittedly, sports is important as a source of good health and entertainment. However, in an environment of extreme youth privation and poverty, as is currently the case in Zambia, a more fitting name would be ‘Ministry of Youth, Gender and Employment’, if only to underscore the seriousness and urgency of the youth unemployment problem and its gender dimension. Indeed, most of the youth and officials underscored the need to detach the ministry from football.

- **Lack of Participatory Structures and Institutional Recognition of Youth Networks**

The study indicates that the National Youth Development Council is presently not operational. The effect of this has been to deprive young people of participatory structures through which they could present their concerns and needs to the ministry. In effect, this means that the youth currently lack a mechanism through which they can participate in influencing policies and programmes that affect their welfare and livelihoods. Consequently, existing youth policies and programmes have little or no positive effect on the livelihoods and welfare of young people. Even civil society organisations suffer from this deficiency.

Further, there is presently failure to support the formation or operations of youth enterprise organisations by both the government and civil society. During the survey, we discovered that there was little institutional support for the few existing youth enterprise associations such as the Lusaka Informal Traders Association (LITA). Our discussions with LITA and other youth associations revealed that they were struggling to survive and lacked representation at higher policy making levels. The associations had no office space, no permanent postal or physical address, no communication facilities such as e-mail, no stationery, and so on. This situation was worsened by the limited exposure of the youth leadership to the broader, formal business world. However, despite their operational handicap, some youth associations are working very hard to improve the performance of youth enterprises. LITA, for instance, had entered into a ‘micro marketing’ deal with large businesses such as Coca Cola. For example, under this arrangement, the Coca Cola company gave selected youth proprietors fabricated metal ‘ntembas’ for selling coca cola drinks and other products. However, LITA has not been
able to sustain these arrangements due to lack of organisational expertise and institutional support from the Government and NGOs.

Our discussions with business leaders revealed that some large businesses are willing to enter into similar arrangements with youth associations. Others are even willing to provide mentor support to youth enterprises. However, they are not presently doing so due lack of policy guidance from the Ministry of Youth and other organisations working in the area of youth enterprise promotion. The present study reveals that youth business associations or organisations have a positive effect on the growth of profits in youth enterprises. This situation calls for strong institutional support for youth networks and associations. As White and Kenyon (2000) observe, institutional support for youth networks and associations can address the problem of isolation and lack of business contacts which most young people, especially younger youths, face.

- **Weak Communication Channels and Partnerships**

Although most of the programmes officers in the surveyed NGOs indicated that they were cooperating with other organizations, it was evident that there was weak institutional networking or linkages with other organizations. Interviews with policy makers in government and programme officers in NGOs also suggest a low level of institutional networking in the area of youth enterprise promotion. In addition, there are presently no initiatives aimed at facilitating the entry of young people in growth areas of the economy. For instance, while the National Youth Programme of Action alludes to this need, there are no mechanisms aimed at promoting linkages between youth enterprises and formal businesses. In consequence, there is little or no operational relationship between the Ministry of Sport, Youth and Child Development, business organizations and youth associations.

- **Limited Coverage**

This is a problem that is currently affecting all youth programmes. This problem arises in terms of both the number of beneficiaries and geographical coverage. It is evident from the operations of both Governmental and Non-Governmental programmes that they can only reach a very small number of beneficiaries. As a consequence, the majority of young people are currently not benefiting from existing youth programmes.
9.0 Implications for Institutional Interventions on the Promotion of Youth Enterprise Development in Zambia.

The above discussion of the role of various institutions and interventions in the promotion of youth enterprise activities leads us to the conclusion that existing programmatic interventions are not reaching out to the youth. As a consequence, the existing youth institutions and interventions have generally been insufficient and ineffective and have had little impact on the problems and needs of young people, especially those undertaking enterprise activities in the urban informal sector.

Arguably, therefore, current youth policies and programmes are far from attaining most of the objectives articulated in both the National Youth Policy and the National Programme of Action for Youth. The existing youth policies and programmes are presently largely unable to mitigate the adverse impact of the structural adjustment programme (now called the Poverty Reduction and Growth Facility) on the majority of youth. The programmes have also failed to attain countrywide coverage, failed to improve institutional coordination of youth programmes, failed to forge social partnerships with various stakeholders, including youth organisations, local communities, NGOs and the private sector. In short, they have failed to improve the quality of life of the majority of young people.

This situation calls for a re–think and re–focus on current strategies to improve the livelihoods of young people, in particular those pertaining to enterprise promotion. It is our contention that this re–think and re–focusing should seriously attempt to decentralise the provision of support services to young people. Secondly, we urge for strong institutional networking in the promotion of youth enterprise development given the current limited coverage of civil society organisations and market failure of youth to access conventional banking finance. Thirdly, it is also our contention that while youth operating within the urban informal sector require both financial and technical support to improve their current small business and livelihood circumstances, such support should be provided within the context of a highly differentiated approach or framework that seeks to address the specific needs of different categories of youth proprietors.

10.0 Conclusion

This sections presents the key study conclusions on the existing policy and institutional framework for promoting youth enterprise development in Zambia.

10.1 Policy Framework

A key conclusion that can be drawn from the examination of the relationship between youth policy objectives and the role of NGOs working in the area of promoting youth enterprise development in the informal sector is that there is little or no operational relationship between the government and civil society organizations. Secondly, the study shows that despite government recognition of the importance and potentials of employment creation and poverty reduction in the informal sector, there is neither an
institutional and legal framework nor a comprehensive informal sector policy that has been put in place to co-ordinate programs in the informal sector. What seems to be in place are fragmented pieces of legislation and policies appended to particular economic policies such as the industrial and commercial policy at the Ministry Commerce Trade and Industry. As a result of this fragmentation, governmental programmes in the informal sector seem to have achieved very limited success in addressing the core objectives of micro-enterprise development and poverty reduction, especially as these issue relate to the youth. This is evident from the problems that youths working in the informal sector are currently facing.

10.2 Institutions and Interventions for Promoting Youth Enterprise Development

This study has demonstrated that the existing programmes for promoting youth enterprise development in Zambia lack structures or mechanisms for addressing the needs of youth operators in the informal sector. Secondly, we found out that the field of youth enterprise promotion is characterised by isolated, stand – alone programmes with divergent objectives. Thirdly, the programmes take a blanket approach to the promotion of youth enterprise development without a careful consideration of the existing structural differentiation in the youth category in general and youth proprietors in particular.

10.3 Recommendations

On the basis of the above conclusions, we recommend that youth enterprise support institutions and interventions should be strengthened at three levels.

These levels are:

1) Macro (Policy)

2) Meso (support for intermediary institutions and enterprise associations)

3) Micro (addressing the micro level concerns of youth proprietors)

10.3.1 Macro Level (Policing)

- Need for Proper Integration of Youth Policies into Broader Economic and Development Policies

Youth enterprise development cannot be promoted in isolation from the wider societal development. This is because meeting the needs of young people calls for an integrated approach to policies that combine social and economic goals. As Mkandawire (2001) observes, youth development is unlikely to thrive in dysfunctional families and communities, where poverty, crime and violence are rife. Young people’s development is dependent on a range of supports and opportunities from the family, community, the school, the church and other institutions that touch them. Thus, a major challenge for
policy makers is to situate youth enterprise and other employment policies into a comprehensive employment framework which encompasses a wide range of issues, especially education, training, labour market, enterprise development and social (including poverty reduction) policies. This means that youth policies should be properly integrated with broader economic and development policies. This approach has several advantages. It allows problems to be tackled in an integrated way and avoids wasteful duplication. Such an approach also avoids merely transferring unemployment between different age groups and widens the sectoral impact of policies. However, it will be important to tailor these policies to the needs of young people with specific disadvantages.

- **Need for a National Enterprise Policy in the Informal Sector**

The main thrust of this policy should be on youth access to the following:

- a) Credit facilities;
- b) Infrastructural support;
- c) Mentoring support;
- d) Apprenticeship and flexible training programmes for the urban informal sector; and
- e) Technology.

Other key policy objectives should be:

- a) Fostering business networking among young people;
- b) Fostering business linkages between youth and non–youth enterprises in the formal sector

Some of these issues are discussed in the section on the micro level concerns of young people.

10.3.2 **Meso**

- **Selection of Appropriate Youth Institutions**

The next stage consists in choosing the right mix of institutions and interventions to promote youth enterprise development. An examination of the literature suggests that views differ on whether young people need specialized, youth-oriented, business support services or whether they should use the same general agencies and programmes as anybody else in society. There are also differences on the role of the state and its agencies, NGOs, local communities, youth organisations, local authorities, the private sector, and donors. Other differences relate to choice of youth enterprise activities and
sectors for employment generation, appropriate inputs, financial arrangements, and forms of enterprise ownership.

Given the evidence on the process of youth enterprise development in the study, it is obvious that younger youths require special attention to address their needs. As already noted, younger youths face the challenge of their age, limited life and work experiences, limited financial resources, limited networks and contacts, limited exposure to the business world and age discrimination. On the other hand, older youths, especially the ‘emergent entrepreneurs’ tend to share many of the problems the general population experience in small business development. This implies that older youth should be facilitated to graduate from specialized institutions to general agencies and programmes as anybody else in society.

However, the task for selecting responsible institutions, choice of youth enterprise activities to promote and sectors for employment generation, appropriate inputs, financial arrangements, and form of enterprise ownership, should be based on existing local realities. As McGrath (1999) observes, countries have their own cultures of knowledge and skills. They also have diverse and multiple traditions of work and of enterprise which are experienced differently among different social groups and region in the country. Successful interventions are highly likely to be those that are built upon a sensitive appreciation of the socio-economic situation of local youth and their enterprise activities in the informal sector.

- **Development of Youth Livelihoods Improvement Indicators**

As the present study indicates, it is currently difficult to measure the extent to which existing programmes meet the needs of youth in general and youth proprietors in particular. However, youth programmes undertaken by various organisations, including the government, should be regularly evaluated in terms of relevance, effectiveness, efficiency and sustainability in order to assess their impact and thereby draw more meaningful lessons learnt and recommendations for any future interventions. Any evaluation of youth programmes should be based on better indicators for assessing improvements in youth livelihoods. In turn, coming up with better indicators is dependent on how the concept ‘youth’ is defined. Given existing disparities in the understanding and description of youth among various institutions in Zambia, is important to adopt a definition that will be flexible enough to reflect the obtaining socio – economic circumstances of young people.

- **Promoting Institutional Networking and Alliances**

The promotion of youth enterprise development is obviously a tall order for any single institution in a resource stressed country like Zambia. This suggests the need for promoting networking among various institutions working in the area of promoting youth enterprise development. This networking should be based on a careful consideration of the competencies and capacities of participating partners.
In our view, various institutions should play the following roles:

1) **The State**

Based on the evidence in this study and as White and Kenyon (2000) observe, the role of the State in youth enterprise promotion should be redefined and restricted to the following spheres: 1) ‘setting’ the scene through formulating a national youth policy and other employment and enterprise related policies (especially macro and sectoral policies as well as council laws) in order to create the environment in which youth enterprise is promoted; 2) policy creation where government can create a policy which specifically supports and directs the opportunities for youth enterprise promotion in order to provide a basis for strategy and programme development; 3) programme and strategy design where government develops specific programme and strategy interventions which promote businesses that are owned and managed by young people; and 4) facilitating linkages. The government, through the Ministry of Youth, should also be involved in forming linkages between different stakeholders involved in youth enterprise development.

2) **NGOs**

Under the current policy regime, NGOs, CBOs and other grassroots associations are expected to take the lead role in providing services such as training and credit for young people. According to McGrath (1999) and other observers, this is because NGOs are more effective than donor or state intervention in accessing the informal sector and, in turn, facilitating access of disadvantaged communities to higher incomes than could otherwise be expected. NGOs are also seen as being cost-effective and having access to other, often external, sources of finance from private organizations (Teszler, 1989). But as this study indicates, NGOs and CBOs have a very limited coverage. This implies that they cannot deliver services to many young people. For this reason, it is important for them to engage in institutional networking and alliances.

3) **Local Communities**

The role of local communities is widely emphasized under the current economic policy regime in the area of service delivery, including promoting youth enterprise initiatives. However, the capacity of local communities to deliver social services is currently very weak. We would like therefore to recommend to government and civil society structures that deal with youth to focus on not just on the organizational capability of the leadership in local communities, but also on other aspects of community empowerment such as strengthening the livelihood capabilities of disadvantaged communities where the youth are located.

4) **Local Authorities**

It is evident from the study that the role of local institutions is critical to the promotion of youth enterprise development in the urban informal sector. This study therefore recommends the reform of local authorities in order to reorient and enhance their role in
promoting public-private partnerships or institutional networking aimed at creating a conducive environment for the operation of informal enterprises in general and youth enterprises in particular. As Mulenga (2000) observes, this calls for substantial decentralisation of authority, including power for generation of revenue and control over budgets. According to Mulenga, without such powers the local authorities are not likely to win the trust and confidence of the private sector, which is essential for the realisation of the public-private partnerships. There is also need to provide appropriate training to Council staff at the policy-making (Councillors), management and middle management levels. As the study shows, Council staff lack both appropriate and exposure to the operations of businesses, which in turn affect their capacity to design ‘business – friendly’ programmes aimed at improving the local environment in which businesses operate.

5) The Private Sector

Given the lead role that the private sector is expected to play in economic transformation in Zambia, it is important for large formal businesses to begin supporting the promotion of youth enterprise development. This can be done through the creation of mutually beneficial relations between large businesses and youth enterprises. The private sector can in this regard provide a range of support services to youth enterprises which include mentor support and business counseling. The large businesses can also create a market for youth enterprise products through sub – contracting arrangements. The Ministry of Youth, as the lead government institution responsible for promoting youth affairs in the country, can, and should, facilitate the creation of these networks through social partnerships.

6) Youth Organizations

There are presently opportunities to build upon existing youth enterprise and other social networks, such as the Lusaka Informal Traders Association, as a basis for reaching out to young people and involving them in programme design and implementation. The Ministry of Youth and NGOs should consciously identify these grass-root structures, and through participatory research and training, explore how they could be assisted to improve their livelihood circumstances. In addition, the existing youth networks need representation at higher levels.

7) Donors

Based on a careful assessment of the roles various local institutions in the promotion of youth enterprise development, it is evident that most local service providers suffer serious financial and other resource constraints. However, effective enterprise programmes require adequate funding, and well – trained and properly supported staff. It is in the context of these requirements that we envisage the role of donors (both bilateral and multilateral).
10.3.3 Micro

- **Need for Highly Differentiated and Targeted Programming in Business Support**

Given the evidence on the process of youth enterprise development in this study, it is obvious that younger youths require special attention to address their needs. As already noted, these young people face the challenge of their age, limited life and work experiences, limited financial resources, limited networks and contacts, limited exposure to and age discrimination. On the other hand, older youths, especially the ‘emergent’ entrepreneurs tend to share many of the problems the general population experience in small business development. Thus, a different set of business training needs exist for the three categories of youth proprietors.

- **Skills training**

The study suggests that youth operators in the urban informal sector require flexible training programmes that respond to the needs of informal enterprises. In this regard, the provision of skills training for youth proprietors in the urban informal sector should be based on the following considerations:

a) The nature of enterprise activity;

b) The time constraint in conducting business in the informal sector. This requires flexible training delivery methodologies and special instruction methods; and

c) Financial constraints. This requires use of low cost training inputs as the majority of youth proprietors cannot afford expensive training programmes.

In addition, traditional apprenticeship systems should be encouraged to meet the need for training in instances where formal and non – formal training systems cannot reach the youth. This requires close collaboration between the Ministry of Youth and other training providers such as NGOs and the Ministry of Science, Technology and Vocational Training to ensure wide training coverage.

- **Access to Business Finance**

As the study shows, lack of start – up capital is a major problem facing youth enterprises. However, facilitating the access of youth to is a delicate matter that requires careful attention. It is our view that providing youth with access to capital should be done at two levels based on a careful assessment of the credit needs of youth proprietors in different youth categories.
a) Youth Credit Schemes

For younger youths, specific youth credit schemes would be more appropriate until such a time that they are ready to ‘graduate’ to the formal financial market. Under these schemes, a combination of ‘grants’ and ‘soft’ loans should be made available to the youth. However, given the experiences and evidence on the failure of many youth credit schemes both within and without Zambia, the promotion of youth credit schemes would require the following, among other factors: 1) a ‘depoliticisation’ of the schemes; 2) institution of proper accounting and monitoring mechanisms; and 3) proper targeting and selection of intended beneficiaries.

b) Access to Conventional Banking Finance

For older youths, the strategy should focus on helping them access the formal, private money. This can be done by equipping the older youth with business management skills, including record keeping, saving, opening bank accounts, and preparing feasible business proposals. Given that banks are risk averse, incentives should be put in place to encourage banks to lend to ISOs. There is also a need for a sensitisation of commercial banks on the true situation obtaining in the informal sector.

- Mentor Support and Business Role Models

The study indicates that the majority of youth proprietors do not come from a business background. In addition, most of them have no mentor support for their enterprise operations. As White and Kenyon observe, mentor support, mainly in form of informal advice and guidance from someone who has good business experience and, in some cases, business networks, may assist youth proprietors, especially younger youths, with little or experience and business contacts. On the other hand, role models are people who present an image of success and achievement (Ibid: 17). Role models are important as a source of inspiration and motivation, and especially for helping young people consider and explore self – employment as a viable career option.

- Access to Work Space

The Ministry of Youth, in league with the Lusaka City Council, should come up with programmes aimed at providing the youth proprietors with access to affordable, strategically located places of work. In the same vein, the Ministry of Youth and the Council should work towards harmonising youth policies with council by – laws (and other state laws) in order to remove the existing legal constraints to the operations of the informal sector. Apart from ‘de – criminalizing’ youth enterprises, this will result in reduced uncertainty and insecurity in the informal sector.
• **Enterprise Networking**

Given that social relations and networking have a positive impact on the growth of profits, as the study suggests, there is need for institutional support for the creation of youth support networks. These should include, where possible, a youth chamber of commerce, youth entrepreneur clubs, youth enterprise competitions, trade fairs, and so on.

• **Gender Sensitivity in Programme Design and Implementation**

The study findings suggest that both location in the subsistence segment of the informal sector and limited access to resources are gendered phenomena. This means that there is need for greater gender sensitivity in program conception, design and implementation. This should be aimed at removing social, cultural and other constraints that contribute to female disadvantage in the urban informal sector.

• **Role of General Enterprise Support Institutions**

Given the evidence on the process of youth enterprise development, it is obvious that younger youths require special attention to address their needs. As already noted, these young people face the challenge of their age, limited life and work experiences, limited financial resources, limited networks and contacts, limited exposure to and age discrimination. This implies that younger youths needs special youth programmes in order to address their specific circumstances. On the other hand, older youths, especially the ‘emergent’ entrepreneurs tend to share many of the problems the general population experience in small business development. This implies that older youth should be facilitated to graduate from specialized youth institutions to general agencies and programmes as anybody else in society. However, critical to this facilitation is the need to harmonise youth policies and programmes with the general enterprise support framework. The Ministry of Youth, as the lead government institution responsible for youth affairs, should take the initiative in harmonising existing youth and policies programmes with the general enterprise support policy and institutional framework.
References


Where There is no Job: Vocational Training for Self-Employment in Developing Countries. (SKAT: University of Edinburgh Centre for African Studies, 1997).


Education in Sub-Saharan Africa (Washington: World Bank, 1988)
Appendices
Appendix I: The General Policy Framework

The major policies or pieces of legislation that currently refer to micro and small enterprises, and presumably the informal sector and youth enterprises, are the Small Enterprise Development Act, the Industrial, Commercial and Trade Policy and the Technical Education, Vocational and Entrepreneurship Training (TEVET) Policy.

The Small Enterprise Development Act

The SED Act was formulated in 1996. In broad terms, the Act seeks to provide for the establishment of the Small Enterprise Development Board (SEDB) and define its functions; establish the Micro and Small Enterprise Development Fund; and provide for the development of the micro and small enterprises.

With reference to the micro and small enterprises, the Act defines these enterprises and makes provision for their registration with SEDB. A ‘micro enterprise’ is defined as ‘any business enterprise-(a) whose amount of total investment, excluding land and building, does not exceed ten million Kwacha; (b) whose annual turnover does not exceed twenty million Kwacha; and (c) employing up to ten persons. On the other hand, a ‘small enterprise’ is defined as ‘any business enterprise-(a) whose amount of total investment, excluding land and building, does not exceed, (i) in the case of manufacturing and processing enterprises, fifty million Kwacha in plant and machinery; and (ii) in the case of trading and service providing enterprises, ten million Kwacha; (b) whose turnover does not exceed eighty million Kwacha; and (c) employing up to thirty people.

The Act stipulates that any person undertaking a business enterprise may apply for a certificate. This registration is intended to allow micro and small enterprises to enjoy certain incentives provided under the Act. These include: (a) exemption from payment of tax on income for: (i) the first three years of operations for an enterprise operating in an urban area or the first five years for an enterprise operating in a rural area; (b) operating of a manufacturing enterprise for the first five years without a manufacturing licence required for such an enterprise under any law; (c) exemption from the payment of licencing fees required for such an enterprise under any law; and (d) exemption from the payment of rates on factory premises for the five years. In addition, the Trading Licencing Act does not apply to an enterprise registered under the SED Act.

However, there are several issues that emerge from an analysis of the provisions and incentives offered under the Small Enterprise Development Act. First, the Act does not anywhere refer to the ‘informal sector’. This is strange considering the fact that only 0.6 of micro and small enterprises operating in Zambia can be regarded as ‘small enterprises’(ODA, 1996). This means that 99.4 percent of the micro and small enterprises in Zambia operate in the informal sector In essence, they are ‘informal sector’ enterprises. Given that the majority of enterprises operating in the informal sector in Zambia are in the informal sector, it is only logical that the SED Act should cater to their needs.

Secondly, the evidence from the survey suggests that most of the enterprises operating in the informal sector are not registered. This means that these enterprises cannot enjoy the incentives for micro and small enterprises offered under the SED Act. Two main reasons can be given for this situation. One is lack of awareness of the incentives offered to micro enterprises by the Act. The survey findings indicate that the majority of informal sector operators are not aware of the incentives that the Act offers. However, even if they were aware, it highly likely that they would still not enjoy the incentives. This is largely because the process for registering an enterprise with SEDB appears cumbersome and very bureaucratic.

The Industrial, Commercial and Trade Policy

The major focus of the current Industrial, Commercial and Trade Policies of the Ministry of Commerce, Trade and Industry is to develop an open, competitive, dynamic and sustainable industrial sector which is dominated by the private sector. The private sector is therefore seen as the principal actor for carrying out industrial and commercial activities with a view to maximizing productivity, industrial growth and employment generation. In this context, the government defines major objectives and sector-specific measures for manufacturing, commerce and trade sectors.
The policies also recognize the important role of the informal sector which they view as an ‘emerging’ sector that requires support. The policies strongly emphasize that support measures for the informal sector should be aimed at ‘graduating’ informal enterprises into ‘small’ scale enterprises. Seen in this sense, the vision of the Industrial, Trade and Commerce Policy is to the emergence of a strong, highly formal private sector.

Herein lies the major weakness of Zambia’s Industrial, Commercial and Trade Policy. By putting emphasis on the graduation of informal sector enterprises into small scale enterprises, the policies assume that there is already an existing vibrant informal sector which only require ‘measures’ to graduate them. This assumption ignores the constraints that informal sector enterprises face. Secondly, the policies do not spell out specific, let alone general, measures that could facilitate the graduation of informal enterprises into small scale enterprises. Thirdly, by treating all small scale enterprises as not belonging to the informal sector, the policies are creating a false dichotomy which fails to appreciate the nature of informal enterprises. As already noted, 99.4 percent of small enterprises in Zambia are ‘micro enterprises’ operating in the informal sector.

The Technical Education, Vocational and Entrepreneurship Training (TEVET) Policy

The TEVET policy was formulated in 1996 following the restructuring of Zambia’s technical educational policy. The policy has both economic and social objectives that, in general terms, are aimed at increasing productivity in both the formal and informal sectors. The economic objectives of the policy are: a) to improve the productivity of the labour force in both the formal and informal sectors; b) to improve intrapreneurship, entrepreneurship and economic participation in both the formal and informal sectors with the aim of increasing the efficiency of the national economy; c) to develop a Zambian society with people that will be versatile, creative, employable, entrepreneurial and productive; d) to provide qualitative training for imparting appropriate vocational skills relevant to the socio-economic development needs of Zambia; to promote a rational use of local resources in training and post training activities of entrepreneurs; and to promote the economic empowerment of women in society.

On the other hand, the social objectives of the TEVET policy are: a) to provide skills and opportunities that will respond to Zambia’s needs such as poverty alleviation, improved housing and health care; b) to instill a culture of preventive maintenance and stimulate the development of quality assurance; c) to provide access to training opportunities to all the people in the community; d) to inculcate a culture of entrepreneurship and promote self-reliance in the Zambian society; and e) to ensure greater participation of the women in the development.

The TEVET policy specifically targets the following as being in need of training: school leavers, employees in the formal sector, entrepreneurs in both the formal and informal sectors and the unemployed and underemployed, including employees, in the informal sector. The policy, as already noted, also recognizes the importance of targeting women in its training programmes. Training under the TEVET policy is largely to be delivered through the current network of technical and vocational training centres in Zambia.

There is little doubt that the objectives of the TEVET policy are important in the current environment in Zambia where more and more people are going into the informal sector of the economy as a way of creating self employment. More significantly, the TEVET policy, unlike both the SED Act and the Industrial, Commercial and Trade, specifically mentions and targets both employers and employees in the informal sector as being among the people most likely to benefit from the TEVET training programmes. However, a major weakness of the TEVET policy, in particular with regard to young people, is that by focusing on the training of people in technical and vocational training centres, it will fail to address the training needs of the many out of school youth in Zambia and other informal sector operators.

Other Key Policies

Other policies that seem to have a direct or indirect effect on the promotion of youth enterprise development are Investment Policy, Agricultural Policy, Mining Policy, and Tourism Policy.
Appendix II: General Programmes for Promoting Enterprise Development

General programmes for Promoting Youth Enterprise Development can be described as those programmes aimed at supporting enterprise development in the informal sector. These programmes do not generally make any distinction between enterprise activities undertaken by young people and those by undertaken by non-youth operators or adults. The programmes comprise both Governmental and Non-Governmental institutions. Government institutions include all economic ministries, principally the Ministry of Commerce, Trade and Industry (MCTI), Ministry of Labour and Social Services (MLSS), the Ministry of Community Development and Social Welfare (MCDSW), the Ministry of Science and Technology (MST), the Vendors Desk in the Office of the President at State House and the Lusaka City Council. While it is not possible in this study to discuss the role played by each and every ministry in the development of the informal sector, we attempt to discuss only a few of them and derive insights on the nature of government programs in the informal sector in Zambia.

Government Ministries

The choice of the key ministries covered in this study was determined by what policy makers talked to in government ministries cited as the key line ministries responsible for co-ordinating activities in the informal sector. The first indication we got was that the Ministry of Commerce Trade and Industry was responsible for co-ordinating the affairs of the informal sector in Zambia. It was later discovered that the MCTI was only concerned with an aspect of formalization of informal enterprises. The Ministry of Labour and Social Services (MLSS), the Ministry of Community Development and Social Welfare (MCDSW), Ministry of Science and Technology and the Ministry of Youth and Child development (MYCD) had to be included in the sample given the nature of their programs in the sector.

Ministry of Commerce, Trade and Industry

The study found out that, although the general perception was that the ministry of commerce trade and industry was the co-ordinating ministry, its primary focus was exclusively on formalization of micro-enterprises operating in the informal sector. In order to achieve this, the ministry provides information to informal sector entrepreneurs on how they can register their enterprises and the benefits of doing so. Once a firm is registered, it qualifies for general incentives contained in the Zambia Investment Act. Furthermore, the Small Enterprise Development Act of 1996, the Small Enterprise Development Board (SEDB) can recommend a registered micro-enterprise for tax exemption to the Zambia Revenue Authority. Apart from being the pre-qualification for accessing these tax rebates for a certain period of time, registration brings micro-enterprises operating in the informal into government tax brackets. In this regard, an entrepreneur assesses the stream of benefits from incentives against the loss of revenue to taxation before deciding whether to register the enterprise or not. This leads us to the issue of whether taxes and fees are a deterrent to registration and formalization of informal sector enterprises in Zambia.

It is perhaps important to understand that taxation is rank the second highest constraint inhibiting firm expansion in the manufacturing sector in Zambia. If taxes are perceived this high, and perhaps much higher among micro-enterprises, then as long as registration continues to be used as an instrument for broadening the national tax base and ensuring tax compliance among informal sector operators, registration and formalization of micro-enterprises in the informal sector will remain low in Zambia. In fact, there is evidence to suggest that informal sector micro-enterprises chose to diversify horizontally rather than vertically as a way to avoid taxes. To be able to achieve the objective of formalization of micro-enterprise, it is not just sufficient to simplify the registration formalities but also to reform the tax system in ways that encourage firms to registers their enterprises. Broadening the tax base should be seen as government’s long term rather than the immediate reason for encouraging firms to register.
Ministry Of Community Development and Social Welfare

Interviews held with senior government officials indicate that the MCDW regards the informal sector as a springboard for employment creation and poverty reduction in Zambia. In line with this recognition and as reflected in it’s the National Poverty Reduction Strategic Framework of 1998, the MCDSW has in the past few years initiated and implemented programs to support the development of the informal sector in a bid to promote community development and social welfare to the poor and the vulnerable sections of society. Some of these programs include provision of material support through the hammer-mills project to organized groups in a number of communities. In addition, the MCDSW provides entrepreneurship and skill training to local communities, and has recently embarked on rehabilitation of community training centres to provide entrepreneurship and skills training to informal sector operators including the youths. The study found out that the MCDSS runs a number of projects in the informal sector tailored towards poverty reduction and community development.

The Ministry of Labour and Social Security

The major focus of the Ministry of Labour and Social Security in Zambia has not diverted from its traditional role of dealing with employment and labour issues in the formal sector. However, with the declining formal sector employment and the phenomenal growth of the informal sector employment during the last decade, the MLSS will have to expand its role to accommodate the emerging employment and labour issues in the informal sector. For instance, the scale retrenchment that has accompanied economic adjustment reforms in the last decade compiled government through the MLSS to draw up a program of action aimed at providing fresh income generating activities and market skills to retrenchees as well as facilitate their resettlement. The National Social Safety Nets (NSSN) program was thus set up within the MLSS. The role of the MLSS in the informal sector has since been with respect to the implementation of social safety net programs. These programs have focussed on the retraining of retrenchees in livelihood skills such as business management, technical skills and general literacy programs that would enable them engage in sustainable livelihood activities in the informal sector. In addition, although the national employment policy has not yet been approved, it contains measures and programs to do with the informal sector. It is hoped that the role of the MLSS in the informal sector will be expanded once government approves the current draft employment policy. The impact of some of the existing and proposed measures in the employment policy, if implemented, might negatively affect the informal most of the micro-enterprises in the informal sector. For instance, most micro-enterprises are not in compliance with the Minimum Wage Act, violates hygienic, safety and quality standards. Lack of resources by micro-enterprise can not be used as reason for failing to comply with these labour and safety standards.

The Ministry of Science, Technology and Vocational Training (MST)

The economic reforms did not only induce retrenchments of excess labour, but also changed the nature and type of skills required in both the formal and the informal sector. This meant that those with skills no longer required could no longer find formal employment without undergoing fresh training. The increased scarcity of formal jobs among the skilled and an increasing number of school levers (including dropouts) meant that opportunities for self-employment needed to be created. In addition, the introduction of cost sharing in the Zambian education system implied that not every person would afford to pursue tertiary education and acquire the necessary livelihood skills for self or formal employment. However, the most challenging problem was that most of the school leavers, including those from colleges, lack sufficient skills to enable them take-up self-employment in the informal sector. It is in this context that government established the Technical Education Vocational and Entrepreneurship Development Authority (TEVETA), which replaced the Department of Technical Education and Vocational Training (DTEVT) in the Ministry of Science and Technology (MST). The functions TEVETA, among others were to introduce entrepreneurship and technical skills in the school and college curriculum as well as to provide entrepreneurship and technical skills to informal sector operators including the youths through short but well tailored training programs.
The Vendors’ Desk

The Government also established what is referred to as the ‘Vendor’s Desk’ in the Office of the President, which is headed by the Deputy Minister. The desk is supposed to provide a forum for dialogue among different stakeholders, including street vendors. However, there is now a perception that the major objective of setting up the Vendor’s Desk was more to diffuse political pressure from riotous street vendors than to formulate policies and programs to stir the development of the informal sector. Interviews with senior government officials working at the vendor’s desk seem to have a limited perspective of what comprises the informal sector. To some of them, vending and informal sector businesses are synonymous. However, there is great openness and interest in finalizing and subsequently implementing the vendor’s policy. It is hoped that the vendor’s policy will set pace for the development of a more comprehensive policy on the informal sector and eventually lead to the creation of a “less perceived” political institution which will co-ordinate and motivate meaningful development of the informal sector in Zambia.

Observations on the Role of Government Institutions

In general, the study found out that government’s programs aimed at employment promotion and poverty reduction to have increasingly focused on the informal than the formal sector. Nonetheless, despite the increased focus on the informal sector, there has been no serious attempt to come up with the policy and institutional framework for co-coordinating all these programs. Furthermore, there is no mechanism for inter-ministerial co-ordination of policies and programs in the informal sector. In fact the likelihood that the Poverty Reduction Strategic Paper being formulated will address quite exhaustively the issues of the informal is limited. As could be inferred from the discussion with officials at the Ministry of Finance and Economic Development (MoFED), the framework of the proposed interventions within the PRSP least reflect the dynamics and the salient features of the informal sector in Zambia. It is also felt that the implementation of the PRSP is unlikely to take the sustainable livelihoods approach.

Role of statutory institutions

Government’s attempts to create specialized institutions to co-ordinate and promote the growth of small and medium enterprise were first recognized in the 1970s. The primary objective was first to provide a nursery and base for the then Zambia’s ambitious industrialization strategy and second to stimulate a regionally balanced economic growth and subsequently help to reduce rural-urban migration. The government in this regard set up the Village Industry Service and the Small Industries Organisation (SIDO) which is now known as the Small Enterprise Development Board (SEDB).

The Village Industry Service

Since rural-urban migration was generally in search of urban employment, the Village Industry Service was set up to promote development and growth micro-enterprises in rural areas-basically with a view of providing employment and income to rural households as well as to reduce rural-urban migration. The VIS provides skills training and business management, mainly to rural-based cottage industries. It also runs an industrial estate with the Small Enterprise Development Board (discussed below). However, lack of adequate funding (mainly from the Government) has severely constrained the operations of the organization in recent years. As a result, it has been forced to scale back on its operations.

The Small Enterprise Development Board

The Small-Scale Industrial Development Organization (SIDO) was established through an Act of Parliament in 1981. SIDO was vested with the responsibility to co-ordinate and promote the development of SMEs in the country. The organisation was later transformed into a board called the Small Enterprise Board (SEDB) in 1996.

Since the PRSP will be the key economic program for the country, it might be worthwhile to re-visit the analysis to incorporate policies and programs on the informal sector as will be contained and implemented once the PRSP is finalised.
through an Act of Parliament. SEDB is the key statutory body responsible for strategic planning and co-ordination of the affairs of SMEs in the country. It is mandated to co-ordinate and facilitates operations of the SMEs by providing training in business management mainly for people already running SMEs and skills training for those wishing to improve their skills.

However, due to high indebtedness, SEDB does not engage in credit delivery and has not been able to set up a capital venture fund as initially envisaged. However, SEDB does provide credit facilitation programs, which assist registered SMEs access credit from donor and government credit programs. SEDB also implements various programs aimed at facilitating technology transfer, and dissemination of market information. However, in terms of clientele, SEDB exclusively deals with SMEs and runs no programs for micro-enterprises operating in the informal sector.

Role of NGOs and CBOs

The number of NGOs working with informal sector entrepreneurs has increased tremendously since 1990. The increasing role of NGOs in the informal sector has partly been a response to the democratization of political, social and economic regimes as well as escalation and severity of poverty in Zambia. Since most activities of poor people are in the informal sector, NGO activities aimed at improving the livelihoods of the people have tended to be concentrated around the provision of financial and material support, credit guarantee and provision of technical and entrepreneurship skills training. The first and the third are the major support services rendered by local and international NGOs to informal sector operators. Most of the NGOs have their programs skewed towards urban areas, implies less support to rural micro-enterprises.

There are great similarities in the way NGOs package and deliver credit to micro-enterprises. While most of the credit provided is not conditioned on provision collateral security, group-lending models seem to be the most preferred system of securing loans. Despite these similarities in credit delivery, loan recoveries vary enormously among different credit providers. There is also the problem of limited coverage. Micro credit institutions run by NGOs can only give loans to a small number of people. Interviews with NGO credit officers revealed that so far only about 20,000 people have benefited from micro credit scheme in the whole country out of millions of poor people in Zambia.

There are very few micro-credit institutions that have remained or have been established to take up the role of the defunct Zambia Co-operative Federation and its subsidiaries, Lima Bank and the co-operative Bank. Prior to 1994 these were the key micro-credit delivery institutions in rural Zambia. Those that have strung up like the Micro-Bankers Trust are either financially crippled or too small to provide sustainable financial and technical support need to stir the growth of micro-enterprises. For instance, the Micro-Bankers Trust which was established to provide some wholesale lending to more than eight micro-institutions including NGOs has failed to provide effectively the services to its affiliates. An effective micro-institution capable of providing sustainable and well-tailored technical and financial services to micro-enterprises remains the key ingredient for revamping the micro-credit delivery system in Zambia.

Role of Bilateral and Multilateral Organisations

As indicated above, bilateral and multilateral donors are increasing becoming involved in supporting SMEs as well as initiatives towards poverty reduction in the country. Poverty reduction interventions are mainly aimed at invigorating prospects in the informal sector to provide sustainable employment and income to the poor including youths. There has been a change in the system of disbursement of donor support for informal sector development from channeling support through established government established structures to NGOs, micro institutions and quasi-government institution. This shift is more pronounced among bilateral donors than multilateral donors. Although this shift has been intended to lead to cost-effectiveness, it has contributed to fragmentation of NGO projects whose impacts are usually too difficult to monitor.

A review of the nature and magnitude of donor support in the informal sector indicates that substantial amount of resources are expended, through funding to NGOs, CBOs and other organizations operating in the informal sector. The trickledown effects could not easily be ascertained although it came out clearly
that with better planning and co-ordination of donor support and projects to the sector, there can potentially be welfare gains to society. The study also assessed the extent to which donors would support a more co-ordinated approach for supporting the informal sector. It was discovered that, although NGOs and multilateral organizations seem more receptive to the idea of forging partnerships in supporting the development of the informal sector, the extent to which bilateral donors would ascribe to this partnership could not be ascertained.

The European Union- Private Sector Development Programme

It was noted that the EU private sector development support takes a collaborative and multi-dimensional approach aimed at enhancing the performance of the private sector, and employment creation and income by addressing various constraints at all levels. The EU-PSDP also recognizes that there are many players and challenges in the private sector. Some of these changes include lack of clearly defined roles between the key stakeholders who are private sector, government, NGOs and donor agencies. This has contributed to extensive fragmentation of donor and NGO private sector support programs. In addition, the private sector specialist at EU-PSDP office in Lusaka indicated that...“while private sector entrepreneurs view financing to be the major problem, attitudes towards business and entrepreneurship skills seem to be the biggest constraint...”12 These concerns were echoed in all the institutions surveyed and is by no means accidental. In terms the programs, the EU-PSDP provides:

- financial support to micro-enterprises through the micro-bankers trust (which is ineffective at the moment),
- financial and non-financial support to SMEs, organizational and capacity building support, trade and enterprise facility and; Infrastructural development support. Under Infrastructural Development Support, the program has provided support to the Women Entrepreneurs Association of Zambia (WEDAZ) to construct storage facilities for its members in Petauke. There are plans to upgrade some markets in Lusaka and this program would have benefited a lot of informal sector traders in Lusaka13.

However, the EU-PSDP does not have any specific policy or program for supporting the informal sector and youth enterprises14. The PSDP felt that the current institutional structures/framework has not been adjusted to respond to the needs of the informal sector and that there is no policy on the informal sector through which the EU-SPDP can work.

The United Nations Economic Commission for Africa Programme

At variance with the EU-PSD, the United National Economics Commission for Africa (UNECA) has been implementing, quite successfully though, programs in the informal sector despite the general absences an explicit institutional and legal framework and policy on the informal sector in Zambia. The UNECA informal development sector program, which is funded by the Germany government (GTZ), aims to support the development of the informal sector in Africa. Pilot projects have been implemented in selected countries in Africa, and these countries include Ethiopia in East Africa, Zambia in Southern Africa, and Ghana in West Africa. Initially these pilot projects were intended to last for two years but were later extended for another two years.

In Zambia, the project is being implemented in three major towns, Lusaka, Ndola and Kitwe. The UNECA project provides technical and financial support to informal micro-enterprises engaged in manufacturing activities. In particular, micro-entrepreneurs are encouraged to form associations in order to foster and promote group dynamics and social capital, and thus contribute to human capital development through apprenticeship and subsequently to project sustainability. This program has been successful in creating employment and sustainable income in the three towns, although small to convey appreciable benefits to

12 Lack entrepreneurship skill among the youths is even more acute given that most of them have no training in entrepreneurship and come from non-business family backgrounds.
13 It is felt that although we have resources to support infrastructural development, the Lusaka Urban District Council has not come forward to co-ordinate these efforts.
14 The real problem is that of accounting, reporting, and monitoring of these activities since most informal sector operators have no fixed abode.
the majority of the Zambia people. The success of the programme stems from its emphasis on promoting social relations as means for conducting individual youth enterprise activities. As noted in Chapter Five, micro-enterprise operators the world over are discovering that business organizations, either formal or informal, provide indigenous, on-going support to business owners in the form of financing, marketing assistance, market information and moral support.

The above two case studies provide a snapshot view of the nature of multilateral support to the informal sector and highlights the very common impediments to informal sector development already referred to in the earlier sections. What is clear from the survey is that there is a large number of donor agencies supporting programs in the informal sector through support to NGOs spread throughout the country. For instance, USAID supports the human resource development programs run in conjunction with ZACCI, which in turn supports over forty-four districts association throughout Zambia. The German Governments (GTZ) provides financial support to the TEVETA’s programs on vocational training, the EU provided initial funding to the Micro Bankers trust, Swedish International Development Agency support the Economic Expansion in Outlying Areas (EEOA) project, the World Bank funds the Social Recovery Project and Micro-projects Unit at the central Statistic Office, NORAD provides some support to Micro Enterprise Development Program in Kasama to name just a few. Because of this fragmentation, it's quite difficult to trace the aggregate amount of donor resources expended in the informal sector, let alone to appraise its impacts on people’s livelihoods.