

**CITIZENS ECONOMIC  
EMPOWERMENT  
COMMISSION**

**“A NATION OF ECONOMICALLY  
AND EQUITABLY EMPOWERED  
CITIZENS”**

**STRATEGIC PLAN FY2017 – 2021**

**Volume I: Strategy**

**August 2016**

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## ACRONYMS

|       |  |
|-------|--|
| AFDB  | African Development Bank                 |
| BDS   | Business Development Services            |
| CEEC  | Citizens Economic Empowerment Commission |
| CSO   | Central Statistics Office                |
| DFID  | Department for International Development |
| DSA   | Debt Sustainability Analysis             |
| GDP   | Gross Domestic Product                   |
| GNI   | Gross National Income                    |
| GRZ   | Government of the Republic of Zambia     |
| HDI   | Human Development Index                  |
| IMF   | International Monetary Fund              |
| LIC   | Low Income Countries                     |
| MCTI  | Ministry of Commerce, Trade and Industry |
| MDG   | Millennium Development Goals             |
| MSME  | Micro Small and Medium Enterprises       |
| NAPSA | National Pension Scheme Authority        |
| PPG   | Publicly Guaranteed Debt                 |
| SADC  | Southern African Development Community   |
| SO    | Strategic Objective                      |
| SP    | Strategic Plan                           |
| ZDHS  | Zambia Demographic Health Survey         |
| ZEMA  | Zambia Environmental Management Agency   |
| ZRA   | Zambia Revenue Authority                 |
| 7NDP  | Seventh National Development Plan        |

## EXECUTIVE SUMMARY

Against a background of Zambia having posted strong economic performance over the past 10-15 years, scoring substantial gains in the UN Human Development Index thereby remarkably improving its socio-economic ranking both globally and in Africa; and notwithstanding the realities that economic growth has not been accompanied by equitable distribution of wealth amongst the rich and the poor, rural areas remain significantly poor, youth unemployment is double the national average, women remain marginalized compared to men, share of manufacturing in GDP remains too low, under-pinning the structure of poverty in Zambia; Zambia is nevertheless poised with great opportunities to close the poverty trap given the gains of the past decade. Amongst the most significant opportunities for rapid poverty reduction and economic advancement are the following:

- To relatively reduce the seasonality of employment associated with agriculture in rural areas by promoting, within the rural areas, of agro-processing activities. This will increase the proportion of the rural population dependent on seasonal, low paying and/or non-paying agricultural employment.
- Increase economic opportunities for women and youth.
- Increase the share of Manufacturing Value Added in GDP, to more rapidly reduce poverty through industrialization-driven value addition.
- Lay emphasis on the SADC regional market that is a rapidly growing market and has been the largest and most receptive destination for Zambian manufactured exports.
- The high level of manufactured imports into Zambia demonstrates a massive opportunity for competitive import substitution strategies that can greatly contribute to increasing the share of Manufacturing Value Added in GDP.
- **There is a great opportunity to leverage all the above opportunities for prosperity and more equitable economic growth in Zambia through promotion of increased economic participation of citizens by harnessing the rural areas, women and youth, regional exports and import substitution.**

The 2012-2016 Strategic Plan introduced the Value Chain Development Approach to funding of economic empowerment projects, as well as a policy framework for enhancing equity in terms of the geographic distribution of empowerment projects between rural and urban areas, gender, youth and

disability. The CEEC organizational structure was radically restructured to accommodate the new strategic approach and its deliverables as well as to increase field presence of staff in the provinces.

CEEC's proposed 2017-2021 SP builds upon the 2012-2016 SP and will contribute towards the same vision to bring "A Nation of Economically and Equitably Empowered Citizens" through four Strategic Objectives. The strategy aims to competitively and emphatically increase the participation of targeted citizens in the Zambian economy, particularly through the aspects of the economy that represent the most promising growth areas for Zambia i.e. industrialization and economic diversification.

By increasing the Strategy **Goal of Increased Participation in the Economy for Targeted Citizens** at least 150,000 predictable direct jobs will be created for targeted citizens by 2021 at the level of empowerment funding of ZNW 500 million over five years. Job creation will be increased proportional to any increases in empowerment funding to the Commission.

The need for policy, legislative and regulatory reform to foster an environment that is more conducive to the economic empowerment of targeted citizens is addressed through the strategy, as are the imperatives of appropriate business development services for targeted citizens venturing into business, access to finance, and the need for targeted citizens to penetrate scaled markets in areas such as import substitution and regional export.

The equity parameters of geography, gender, youth and the disabled are treated as crosscutting and will be applicable to all aspects of Strategy implementation. Alternative energy and Information and Communications Technology (ICT) are similarly treated as being applicable to the attainment of all strategic objectives an approach that represents continuation from the expiring strategy.

Environmental assessment will be carried out as appropriate in programme management and project design to ensure that environmentally-friendly processes are promoted so as to inform applicable aspects of strategy implementation when appropriate.

The Commission will continue to work closely with and under the guidance of MCTI and continue to draw policy direction from Government and its priorities such as the Industrialization and Job Creation Strategy. CEEC will also work in appropriate concert with the private sector, civil society and other donors in implementing the Strategy. CEEC will particularly work closely with the Ministry of National Development Planning (MNDP) to optimize synergies with other

national development programmes, foster an adequate platform for programme monitoring and evaluation at national level and resource prioritization for economic empowerment.

To increase impact, CEEC will seek to augment GRZ resources drawn from Treasury grants with internal revenue generation through money market operations, transaction income and other such monies as have been authorized under CEE Act No.9 of 2006. CEEC will also work through MCTI and other government agencies to leverage resources from cooperating partners such as the African Development Bank (AfDB).

CEEC's four SOs will directly contribute to several sectors and cross cutting areas of Government's Industrialization and Job Creation Strategy whose major objectives include promoting growth, job creation and economic diversification particularly through value addition to Zambia's abundant natural resources and agricultural output.

CEEC will draw on lessons learned from implementation of the 2012-2016 Strategic Plan to address frailties, mend gaps and enhance success factors in programmed sign and delivery.

The 2017-2021 Strategy is based on the broad assumption that the GRZ will continue its commitment to good democratic governance and political stability and maintain fiscal discipline to sustain economic progress and social development.

Whereas the Commission will continue, albeit with greater intensity, the following activities:

- Harness the comparative advantage of regions
- Implement two types of cluster development approaches, district value chains and industrial yards
- Special initiatives to enable targeted citizens penetrate areas of investment in which they are typically missing or to tap into unique opportunities
- Provide business development services
- Provide inclusive financial services the Citizens Economic Empowerment fund (CEEF) and
- Facilitate enhanced market access;

The following will be clear points of new direction:

### **Support towards increased PMSME productivity and Quality Assurance**

The Commission and its partners will provide strategic business development support to improve quality and increase productivity among the supported MSMEs to enable them compete into import substitution and regional export markets.

### **Increase the Level of Economic Empowerment**

The Commission will seek to increase participation of Zambians at three levels of the economy namely; micro, small, medium enterprises. This will be done through various approaches including facilitating the participation of targeted citizens in joint ventures with Foreign Direct Investment, scaling up successful citizens through additional funding, etc. Of particular significance will be the anchoring of medium sized industries in each province by targeted development of selected value chains through substantial investment in those value chains.

### **Active Programmed Job Creation**

This will be done by replication to scale of the Mumbwa Model of investing in a value addition project linked to high potential for direct job creation in the value chain, as has been achieved through the Mumba Farmers Pressing and Ginning Company (MFPGCO). Similar projects will be supported for amenable value chains such as soya bean, groundnuts, cassava, etc.

As such...

### **Strategic Objective (SO)-1: MORE CONDUCTIVE POLICIES, LAWS & REGULATIONS**

will aim at enhancing the policy, legal and regulatory framework for economic empowerment in Zambia so that the goal of increased economic participation by targeted citizens can to be achieved more comprehensively and in a timelier manner.

CEE Act No. 9 of 2006 reviewed by 2018;

- Economic Empowerment Policy approved by Cabinet by 2017.
- Definition of Targeted Citizen refined by 2018.
- Anti-fronting measures approved by Cabinet by 2018.

**SO-2 INCREASED ACCESS BUSINESS DEVELOPMENT SERVICES (BDS)** will aim at productivity and efficiency improvements throughout the production and marketing cycle will result in improved MSME competitiveness in local and regional markets.



100% of CEEC manufacturing clients will be undergoing ZABS training and 2019 implementing Kaizen by 2019.

**SO3: INCREASED ACCESS TO FINANCIAL SERVICES** will continue to promote CEEC's innovative finance and capital options for memes. however, whereas in the current CEEC strategy debt finance and some equity positioning dominate CEEC's lending to its MSME clients, the 2017-2021 strategy will see more recourse to other financing instruments, such as guarantees, matching grants, capital market options, crowd funding, unit trusts, joint ventures, venture capital, trade finance, syndicating, etc. deployed to finance CEEC clients. SO3 will open up greater participation in the economy by targeted companies will all three categories of micro, small and medium scale.

Financing of targeted citizens 'investment requirements should be attained at an average level of ZMW 100 million per year for the 5 years of the Strategy totaling at least ZMW 500 million by 2021.

**SO4: INCREASED ACCESS TO MARKETS** will attention will facilitate market research and market development work aimed at helping targeted citizens take fuller advantage of bi-lateral and multilateral trade agreements within Africa to boost their markets and sales, such as the bilateral with DR Congo and with Angola, as well the SADC, COMESA and the Tripartite Free Trade Area Agreements. Other work include strategies and interventions to help the MSMEs import-substitute within the domestic scaled markets such as supermarket chains and shopping malls.

Targeted citizens 'ales incomes from import substitution and regional exports should each at least ZMW 325 million per annoy 2021.

### **Resource Requirement**

To effectively implement the Strategy, the Commission will require operational funding at a level of ZMW 50 million per year and empowerment funding of ZMW 100 million a year.

The staff establishment will have to be expanded from 100 to 102 to include officers specialized in international trade and marketing. Through collaboration with the Department of Cooperatives, the Commission will access the services of 120 District Cooperatives Inspectors to support CEEC loan recoveries and project monitoring at district level.

The Commission will raise ZMW for a makeover of Empowerment House to create adequate office space for all its employees at headquarters in Lusaka, this will all bring the total resource requirement to ZMW 720 million over the five (5) years of the Strategic Plan.

## **I. OVERALL DEVELOPMENT ENVIRONMENT**

### **A. COUNTRY SETTING**

Zambia is a landlocked, peace haven in Southern Africa, with a population of about fourteen million.

#### **Population Characteristics**

The 2013-14 Zambia Demographic Health Survey (ZDHS) enumerated a total of 78,803 persons (40,628 females and 38,175 males) and found that:

- Half of the Zambian population (50 percent) is under age 15, and 17 percent of the population is under age 5. These proportions have remained the same over the last six years. Persons age 65 and older account for about 3 percent of the total population. There is a smaller proportion of children under age 5 in urban than rural areas. This means that Zambians aged between 15 and 65 constitute 47% of the population, of which the youth (aged 15-34) make up 29.4%. The broad base of the population pyramid indicates that Zambia's population is young. This scenario is typical of countries with higher fertility rates.
- Analysis of the pyramid shows that there are slightly more females than males, especially at age 15 and older. The overall sex ratio (the number of males per 100 females) is 94, slightly higher than the sex ratio in the 2007 ZDHS (93). The sex ratio also differs by residence. Rural areas have a higher sex ratio (95) than urban areas (92).
- Zambia attained political independence from Britain in 1964 and adopted a predominantly socialist development agenda. Beginning in 1991, however, Zambia underwent a political transition from one-party rule to multi-party democracy.

Zambia has pursued policies of economic liberalization and structural reform that have transformed her from being a centrally-planned and controlled economy to one of the most open market economies in Africa. Free universal basic education for every child in Zambia and access to health services as close to the family as possible are continuing to be emphasized. In addition, the Government has set Zambia to continue on a path of seeking to rapidly reduce poverty through economic diversification and development of agriculture.

Zambia has embarked on inclusive industrialization as the principal strategy for activating economic diversification with a strong policy position to foster equitable economic empowerment of citizens that emphasizes the critical role of women and youth in economic development. Zambia has in recent years embarked on an aggressive extensive, infrastructure development programme that has commanded about 60% of the national budget, targeting roads, bridges, schools, optic fiber broadband, and hospitals at a scale aimed at transforming Zambia into the regional transport and telecommunications hub of Southern Africa.

The World Bank classifies Zambia as low-middle income country i.e. With a Gross National Income (GNI) per capita of USD 1,046 – USD 4,125 in 2014, progressing from lower income status in 2013. The UN Human Development Report of 2015 states that Zambia's GNI per capita increased by about 69.3 percent between 1980 and 2014. The Report places Zambia in the medium human development category - positioning Zambia at 139 out of 188 countries and territories, compared to a ranking of 153 in 2002. The UN in its report further assesses that between 1980 and 2014, Zambia's life expectancy at birth increased by 8.6 years (51.5 years in 1980 to 60.1 years in 2014), mean years of schooling increased by 3.2 years and expected years of schooling increased by 6.0 years.

According to the United Nations, Zambia's Human Development Index of 0.586 in 2014 was above the average of 0,518 for countries in Sub-Saharan African Africa.

**Political Context:** Ranking among Zambia's key political issues have been constitutional reform (including electoral and media reforms), combating corruption, and decentralization and addressing the President's far-reaching executive powers, that Civil Society considered to be effectively subjugating the legislature (Parliament) and the Judiciary to the Executive Branch. Facilitating an effective and inclusive local governance system is deemed essential to strengthening the democratization process and realization of a broad-based economy in Zambia.

In February 2016 the Republican President assented into law, a new Constitution for the Republic of Zambia that significantly limits the powers of the President and enhances the independent roles of Parliament and the Judiciary and provides for more progressive, more predictable and more cost effective governance. A referendum was scheduled for 11th August 2016 to enhance the Bill of Rights in the Zambian Constitution.

The World Data Atlas Corruption Perception Index shows that, compared to other countries of the world, Zambia has registered an overall improvement in its world corruption ranking over the ten years between 2004 and 2014. Zambia ranked 102 in 2004, it worsened to a peak of 123 in 2007 before steadily falling to below the 2004 world ranking to number 85 by 2014.

Although devolution of public service functions to district level has completed its design phase and implementation is beginning, fiscal decentralization is yet to enter into the discourse of dialogue of the Zambian body politic.

**Government:** Zambia is a democratic republic. The adult population elects the president every five years. The right to vote is enshrined in the Republican Constitution. The Constitution provides for a separation and balance of powers between the executive branch, the legislature and judiciary. The president is elected directly by the people with a running mate. The President appoints a Cabinet from amongst elected and nominated Members of Parliament. Members of Parliament, Mayors and Councilors are also elected directly by the people.

**The Media:** The state owns the public media, while the private media provides independent political and economic coverage. Private social media plays an important role in influencing public opinion in Zambia. Private media are allowed to provide national coverage and there are many private television radio, digital and print media in Zambia.

**Civil Society:** Civil society is free and very active in Zambia.

More details on Zambia's economic context, sectoral performance, Wealth Distribution, Social Sectors Context, Health, Sanitation and Access to Socioeconomic Amenities, Zambia's ranking in Africa by size of the economy, economic growth rate, unemployment, human development and poverty are presented in Volume II, the illustrative annex of the Strategic Plan.

## **B. KEY DEVELOPMENT CHALLENGES, CONSTRAINTS AND OPPORTUNITIES**

### **Critical Development Challenges**

The key development challenge facing Zambia is the relatively high poverty levels in a highly resource rich country with vast economic potential. Attendant development challenges include:

- The relatively high youth unemployment, measuring 15.2% in 2014 compared to the national average of 7.8% of the labour force is a major

contributor to poverty in Zambia given the high proportion of young people in the population.

- According to the ZDHS 2013-2014 too many people, with women being affected more than men, that are working either seasonally or without pay at all, thereby exacerbating poverty. This relates primarily to employment and income patterns in agriculture compared to non-agricultural sectors.

More than six in ten women employed in agriculture (61 percent) are not paid for their work. By contrast, 85 percent of women who work in the non-agricultural sector are paid in cash, as compared with only 29 percent of women working in agriculture. Overall, more than one-third of employed women (35 percent) are not paid at all. Seventy-two percent of women employed in the agricultural sector and 63 percent of those who work in the non-agricultural sector are self-employed. As expected, the majority of women who work in agriculture (83 percent) are seasonally employed, and only 13 percent work all year. Among women who do non-agricultural work, the majority (72 percent) are employed all year.

A lower percentage of employed men (22 percent) than employed women (35 percent) are not paid for their work. About four in ten men working in the agricultural sector (39 percent) are not paid at all for their work. On the other hand, the majority of men who work in the non-agricultural sector (91 percent) receive cash for their work; only 5 percent do not receive payment of any type. Sixty-eight percent of men who work in agriculture are seasonally employed, and 25 percent work throughout the year. Three-quarters of men in the non-agricultural sector are employed all year.

- The 2011-2012 Manufacturing Sector Report of August 2014 published by the Ministry of Commerce, Trade and Industry and CSO demonstrates that the low level of Manufacturing Value Added in Gross Domestic Product is a direct contributor to poverty in Zambia, with more urban provinces such as Lusaka and Copperbelt achieving high levels of poverty reduction correlated to high ratios of manufacturing activity compared to rural provinces such as Western and Northwestern with almost no manufacturing activities and high levels of poverty.

The Report highlights an annual drop in Zambia's Manufacturing Value added share in GDP from 10.7% in 2005 to 8.7% by 2010. The share has fallen further stagnating † 8% in 2012, 2013 and 2014.

## **Key Development Constraints**

Key development constraints affecting Zambia include high inflation rates exceeding 21% as of June 2016 that feed into high interest rates that tend to constrain investment.

The low value nature of Zambia's exports which are predominantly of commodities. Even for manufactured exports Zambia mainly exports low value segment of low technology and low efficiency exports, such as cathodes, copper wire, cement, sugar, etc., whilst importing higher value manufactures from other countries.

The low participation in the economy of the local majority of the population in terms of entrepreneurship maintains a low base of economic activity that in turn translates into low economic national capacity utilization, lower earnings and exacerbation of poverty. For example, the 2011-2012 Manufacturing Sector Report revealed that in 2012 of the more than USD 2 million worth of supplies to the mining sector in Zambia, only about USD 16 million worth of goods were supplied by 100% locally owned companies.

## **Opportunities**

Against the background of Zambia having posted strong economic performance over the past 10-15 years, scoring substantial gains in the UN Human Development Index thereby remarkably improving its socio-economic ranking both globally and in Africa; and notwithstanding the realities that economic growth has not been accompanied by equitable distribution of wealth amongst the rich and the poor, rural areas remain significantly poor, youth unemployment is double the national average, women remain marginalized compared to men, share of manufacturing in GDP remains too low, under-pinning the structure of poverty in Zambia; Zambia is nevertheless poised with great opportunities to close the poverty trap given the gains of the past decade. Amongst the most significant opportunities for rapid poverty reduction and economic advancement are the following:

- To relatively reduce the seasonality of employment associated with agriculture in rural areas by promoting, within the rural areas, of agro-processing activities. This will increase the proportion of the rural population dependent on seasonal, low paying and/or non-paying agricultural employment.
- Increase economic opportunities for women and youth.

- Increase the share of Manufacturing Value Added in GDP, to more rapidly reduce poverty through industrialization-driven value addition.
- Lay emphasis on the SADC regional market that is a rapidly growing market and has been the largest and most receptive destination for Zambian manufactured exports.
- The high level of manufactured imports into Zambia demonstrates a massive opportunity for competitive import substitution strategies that can greatly contribute to increasing the share of Manufacturing Value Added in GDP.
- **There is a great opportunity to leverage all the above opportunities for prosperity and more equitable economic growth in Zambia through promotion of increased economic participation of citizens by harnessing the rural areas, women and youth, regional exports and import substitution.**

### **C. COUNTRY Risks**

The principal relevant country risks include the high rate of inflation, the sometimes volatile exchange rate of the local currency against major convertibles, high interest rates and scarcity of long term investment capital in Zambia.

## OVERVIEW OF THE STRATEGIC PLAN

### A. PLANNING PARAMETERS

#### Consultations

The Concept Paper of planning fundamentals that was presented to the Board for consideration and guidance ahead of preparation of the Strategic Plan was deemed sound and an acceptable premise for the preparation of a Strategic Plan reflecting a sustainable development strategy for the period 2017-2021. The Commission's proposed long-term empowerment vision and four (4) strategic areas for achieving scaled-up strategic economic empowerment i.e. **the policy, legal and regulatory environment, business development services, financial services and market access** were approved.

The Commission undertook extensive stakeholder consultation through community meetings in all provinces as part of the 2016 community consultations on priority value chains.

Further the Commission held focus group workshops with key industry stakeholders in the construction, domestic haulage and poultry sectors as part of consultations on development of reservation schemes.

#### Vision, Mission Statement and Core Values

##### Vision

A Nation of Economically and Equitably Empowered Citizens.

##### Mission Statement

The Citizens Economic Empowerment Commission is a body corporate that promotes the economic empowerment of targeted citizens through ownership of productive assets, skills development, access to finance, preferential procurement and fostering business and entrepreneurial culture.

##### Values

- Accountability, transparency and fairness
- Respect for all
- Integrity
- Efficiency and effectiveness



- Hard work
- Team and supportive spirit

## **2015 Programme Performance Overview**

Under the 2013-2016 Strategy Implementation Plan, the Commission sought to address the problem of poverty through meaningful participation of targeted citizens in economic activities by adopting a results orientation that would contribute to inclusive national prosperity and good socio economic welfare for all Zambians through **increased broad-based economic empowerment of targeted citizens**. In this context, the Commission will over the period 2013-2016 strove to achieve the economic empowerment of targeted citizens through three key strategic objectives as follows;

- i. **Increased Economic Participation**, aimed at increasing citizens' access to business opportunities and employment in the Zambian economy.
- ii. **Increased Business Development Support**, aimed at increasing the capacity of targeted citizens to operate profitable businesses.
- iii. **More Conducive Policy, regulatory and operational environment**, aimed at promoting a legal and regulatory climate that is empowerment friendly as well as at strengthening the CEEC's institutional capacity to deliver on its mandate.

Progress in the implementation of the empowerment program was being tracked through a Performance Management Plan whose performance indicators formed part of the Results Framework of the 2013-2016 Strategy Implementation Plan.

### **Critical Operational Constraints that Impacted Programme Implementation in 2015**

The Commission faced the following operational constraints and undertook to resolve them whilst implementing programmes in 2015:

- A shortage of fingerlings for the Aquaculture Development Programme.
- Targeted citizens not having readily available title deeds to submit as collateral for projects requiring collateral greatly slowing down the disbursement of project funds.
- The dairy programme continued to be hampered by the Ministry of Agriculture and Livestock not issuing import permits for dairy animals since July 2014.

- Aquaculture farmers faced challenges obtaining Zambia Environmental Management Agency (ZEMA) authorization to proceed with investments in cage farming due to lack of clarity as to whether the Ministry of Agriculture and Livestock had undertaken Strategic Environmental Assessments (SEAs) of Lake Mweru and Lake Tanganyika or not.
- The Commission remained with no district presence to lead loan recoveries on the ground.
- The Commission's operational budget remained steeply inadequate and not aligned to the requirements of its mandate and activities. The negative impact on the Commission's ability to adequately undertake monitoring and evaluation remained particularly dire.
- Almost the entire fleet of Headquarters and field vehicles had surpassed their five years economic life. Frequent breakdowns and high vehicle maintenance and car hire costs persisted.
- There was a substantial historical backlog of financial liabilities, including staff gratuities, arrears to Zambia Revenue Authority (ZRA) and historical penalty arrears to National Pension Scheme Authority (NAPSA).

### **Progress toward Resolution of Critical Operational Constraints that Impacted Programme Implementation in 2015**

The following constraints were substantially addressed towards to the end of 2015 thereby laying a foundation for a better operating environment for 2016:

- In line with CEE Act No.9 of 2006 the Minister of Commerce, Trade and Industry authorized use of the Empowerment Fund to meet the Commission's direct costs of managing the Fund. The Minister also authorized the Commission to utilize earnings on bank balances on the Fund to meet operational costs. Similarly in line with the Act, the Minister of Finance allowed the Commission to place latent empowerment funds in short term placements and retain interest earned to fund operational costs of the Commission. These Ministerial interventions greatly boosted the liquidity stance of the Commission.

- The Commission approved policy to introduce a three (3) months ultimatum for targeted citizens to make available pledged collateral or have their loans cancelled and reallocated to other projects, This will greatly reduce turnaround time for project finance.
- The Ministry of Agriculture reached consensus with ZEMA to allow the farmers in Lakes Mweru and Tanganyika to proceed with cage culture.
- The staff gratuity arrears were cleared in full. The servicing of NAPSA penalty arrears commenced on a debt service agreement. Negotiations with ZRA also progressed well for a service plan.

The following operational constraints were not resolved by the close of 2015:

- The importation of dairy animals.
- Lack of district presence for credit management.
- The aged fleet of field vehicles.

Programme performance for 2015 by Strategic Objective and Key Performance Indicators was as follows:

### **Strategic Objective 1: Increased Economic Participation**

#### **KPI 1: Rural share of approved empowerment projects**

Rural outreach of approved projects continued to meet the 90% threshold. In 2015, rural outreach stood at 92%.

#### **KPI 2: Social distribution of approved projects**

As at 31<sup>st</sup> December 2015, of the 366 microfinance projects approved in 2014 and the 18 project finance projects approved in 2015, 35% went to youth funded projects while 31% went to women funded projects. Women's share of the projects stayed above the 30% target. An additional 1% went to the Disabled Category whilst the Other/Men Category received 33%.

#### **KPI 3: Jobs Created**

In 2015, the total number of jobs created was 17, 456 as compared to 19, 468 jobs created in 2014. This exceeded the 2015 set target of 12,319 jobs. The jobs created per province in 2015 are presented in Volume II of the Strategic Plan.

#### **KPI 4: Preferential Procurement Certificates Issued**

The issuance Preferential Procurement Certification Letters to targeted companies continued to exceed annual targets. The Commission issued 2,035 certification letters as compared to 2,227 issued in 2014. This exceeded the annual target of 2,000.

#### **KPI 5: Areas of Commerce, Trade and Industry (CTI) Reserved for Targeted Citizens.**

This is a process indicator with four stages of progress: *1. Selection; 2. Research; 3. Approval; and 4. Legislation*

Progress was made towards legislation of reservation schemes for targeted citizens. In the Fourth Quarter of the Year under review, Cabinet approved four (4) Reservation Schemes in four (4) areas of CTI for development of reservation schemes .These being quarry, block making, poultry and domestic haulage. In terms of performance measurement, the areas approved for reservation by Cabinet are at stage 3. A road map was submitted to Ministry of Commerce, Trade and Industry for consideration and onward submission to the Ministry of Justice for the preparation of a Statutory Instrument.

### **Strategic Objective2: Increased Business Development Support**

#### **KPI 6: Number of clients approved for funding that received business plan development support**

The number of projects approved for funding that received business development support was 22 and located in 16 Districts. Out of the 22 projects, 18 were for the Value Chain Based Clusters while 4 were special initiative projects. This represents an achievement of 100%.

#### **KPI 7: Number of clients funded**

The number of clients funded in 2015 was 446 bringing the cumulative number of funded projects under the Value Chain Based Cluster Programme to 1,584 against the target of 1,917 as at 31<sup>st</sup> December 2015. This represents an achievement of 82%. The two main causes for the under-performance included:

- 1) The slow pace of clients obtaining Title Deeds for securitization affecting over 100 projects;
- 2) The low level of funds released by Treasury. Of the K82 million empowerment funding authorized for 2015 only K10 million (12% review) was released. This meant that more than 950 shortlisted projects could not be approved for funding by the Board.

### **KPI 8: Value of funds disbursed**

The value of the disbursed funds during the year under review was K24.4million, bringing the cumulative disbursements for the Value Chain Based Cluster facilities to K77.4 million against the target of K117.3 million. This represents an achievement of 66%. The two main causes for the under-performance included:

- 1) The slow pace of clients obtaining Title Deeds for securitization affecting over 100 projects;
- 2) The low level of funds released by Treasury. Of the 82 million empowerment funding authorized for 2015 only K10 million (12% review) was released. This meant that more than 950 shortlisted projects could not be approved for funding by the Board.

The achievement rate for value of disbursed funds is lower than that for number of disbursed projects because the most affected type of projects for security perfection are project finance facilities which are high value.

### **KPI 9: Loan Recovery Rate**

The loan recovery rate for 2008-2012 Loan Portfolio for the year ended 31<sup>st</sup> December 2015 was 51%, up from the 44% recorded as at 31<sup>st</sup> December 2014. The improvement was as a result of the implementation of a recovery strategy which involved recruitment of Provincial Credit and Risk Officers and engagement of Debt Collectors. For the 2013 Value Chains, the recovery rate during the year was 55% for Project Finance facilities and 37% for the Micro Finance facilities. It must be noted that the UNWTO Project facilities registered a loan repayment rate of 73%. Some of the factors leading to the low though rising recovery rates include the following:

- 1) Lack of presence by Commission staff in 72 out of the 82 funded Districts;
- 2) the seasonal timing misalignment of disbursement caused by delay in Treasury releasing funding to the Commission;
- 3) the delay in security perfection due to constraints in obtaining title deeds quickly;
- 4) delay in operationalization of projects due to price movements arising from the depreciation of the Kwacha against major currencies

### **Strategic Objective 3: More Conducive Policy, Regulatory, and Operational Environment**

#### **KPI 10: Incremental Funding from Loan recoveries**

The recoveries for the year 2015 amounted to K15, 391,567.01. This translates to 80% achievement of the target of K19.2 million. The main reason for the underperformance is due to lack of ground presence of debt collectors in 72 of the 82 districts with CEEC funded projects. The Commission has advertised for the engagement of District Debt Collectors who will assist in recovering loans at District level.

#### **KPI 12: Staff Retention Rate**

In 2015 the staffing level was 66. Six (6) employees resigned from the Commission and two (2) were separated by the institution. Of the six that resigned, three left because promotional positions they aspired for went to people from outside the organization, two left pursuant to disciplinary committee proceedings being preferred against them and one cited medical grounds.

The retention rate was subsequently 91% in 2015.

#### **B. LESSONS LEARNED**

A good Strategic Plan requires that is founded and anchored on the lessons learnt from implementation of the previous Plan. In order to appreciate and document the lessons learnt from the 2012 – 2016 Strategic Plan, this section presents a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis. A SWOT analysis focuses entirely on the four elements included in the acronym, allowing the Commission to identify the forces influencing its strategy, action or initiative. Knowing these positive and negative elements can help the Commission has more effectively identified what areas of the Plan needed attention as presented hereafter by Strategic Objective.

The results of the SWOT Analysis undertaken to inform the development of the Strategic Plan is presented in Volume II of the Strategic Plan.

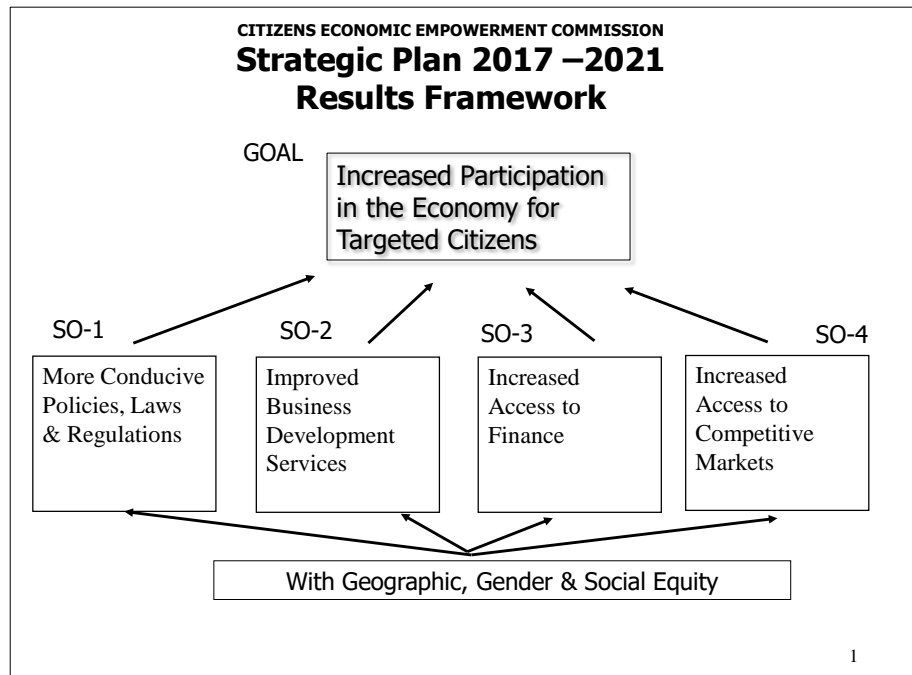
### C. THE PROPOSED STRATEGIC PLAN

Background: The 2012-2016 Strategic Plan (SP) was premised on the need to address the factors that led to the suspension of the Citizens Economic Empowerment Fund for one year until February 2013 as well as a need to adopt a strategic approach to economic empowerment that would better align the Commission with the industrialization, value chain development and Micro, Small and Medium Enterprise Development policy of the Ministry of Commerce, Trade and Industry (MCTI).

Therefore whereas the technical approach to economic empowerment in the period prior to the 2012-2016 SP was largely exploratory and ad hoc in nature, the 2012-2016 SP introduced the Value Chain Development Approach to funding of economic empowerment projects, as well as a policy framework for enhancing equity in terms of the geographic distribution of empowerment projects between rural and urban areas, gender, youth and disability. The organizational structure was radically restructured to accommodate the new strategic approach and its deliverables as well as to increase field presence of staff in the provinces.

**The New Strategy:** CEEC's proposed 2017-2021 SP builds upon the 2012-2016 SP and will contribute towards the same vision to bring "A Nation of Economically and Equitably Empowered Citizens" through four Strategic Objectives (Figure 1). The strategy aims to competitively and emphatically increase the participation of targeted citizens in the Zambian economy, particularly through the aspects of the economy that represent the most promising growth areas for Zambia i.e. industrialization and economic diversification.

Figure 1



The need for policy, legislative and regulatory reform to foster an environment that is more conducive to the economic empowerment of targeted citizens is addressed through the strategy, as are the imperatives of appropriate business development services for targeted citizens venturing into business, access to finance, and the need for targeted citizens to penetrate scaled markets in areas such as import substitution and regional export.

The equity parameters of geography, gender, youth and the disabled are treated as crosscutting and will be applicable to all aspects of Strategy implementation. Alternative energy and Information and Communications Technology (ICT) are similarly treated as being applicable to the attainment of all strategic objectives an approach that represents continuation from the expiring strategy.

Environmental assessment will be carried out as appropriate in programme management and project design to ensure that environmentally-friendly processes are promoted so as to inform applicable aspects of strategy implementation when appropriate.

The Commission will continue to work closely with and under the guidance of MCTI and continue to draw policy direction from Government and its priorities such as the Industrialization and Job Creation Strategy. CEEC will also work in appropriate concert with the private sector, civil society and other donors in



implementing the Strategy. CEEC will particularly work closely with the Ministry of National Development Planning (MNDP) to optimize synergies with other national development programmes, foster an adequate platform for programme monitoring and evaluation at national level and resource prioritization for economic empowerment.

To increase impact, CEEC will seek to augment GRZ resources drawn from Treasury grants with internal revenue generation through money market operations, transaction income and other such monies as have been authorized under CEE Act No.9 of 2006. CEEC will also work through MCTI and other government agencies to leverage resources from cooperating partners such as the African Development Bank (AfDB).

CEEC's four SOs will directly contribute to several sectors and cross cutting areas of Government's Industrialization and Job Creation Strategy whose major objectives include promoting growth, job creation and economic diversification particularly through value addition to Zambia's abundant natural resources and agricultural output.

CEEC will draw on lessons learned from implementation of the 2012-2016 Strategic Plan to address frailties, mend gaps and enhance success factors in programmed sign and delivery.

The 2017-2021 Strategy is based on the broad assumption that the GRZ will continue its commitment to good democratic governance and political stability and maintain fiscal discipline to sustain economic progress and social development.

**Rationale for Programming Focus Areas:** The new SP is nationwide in scope for key areas such as development and implementation of policy reform, establishment of norms and standards, and activities designed to achieve results throughout Zambia. Affirmative skewing of empowerment opportunities towards youth, women and the disabled is mainstreamed in the entire Strategy as a matter of principal.

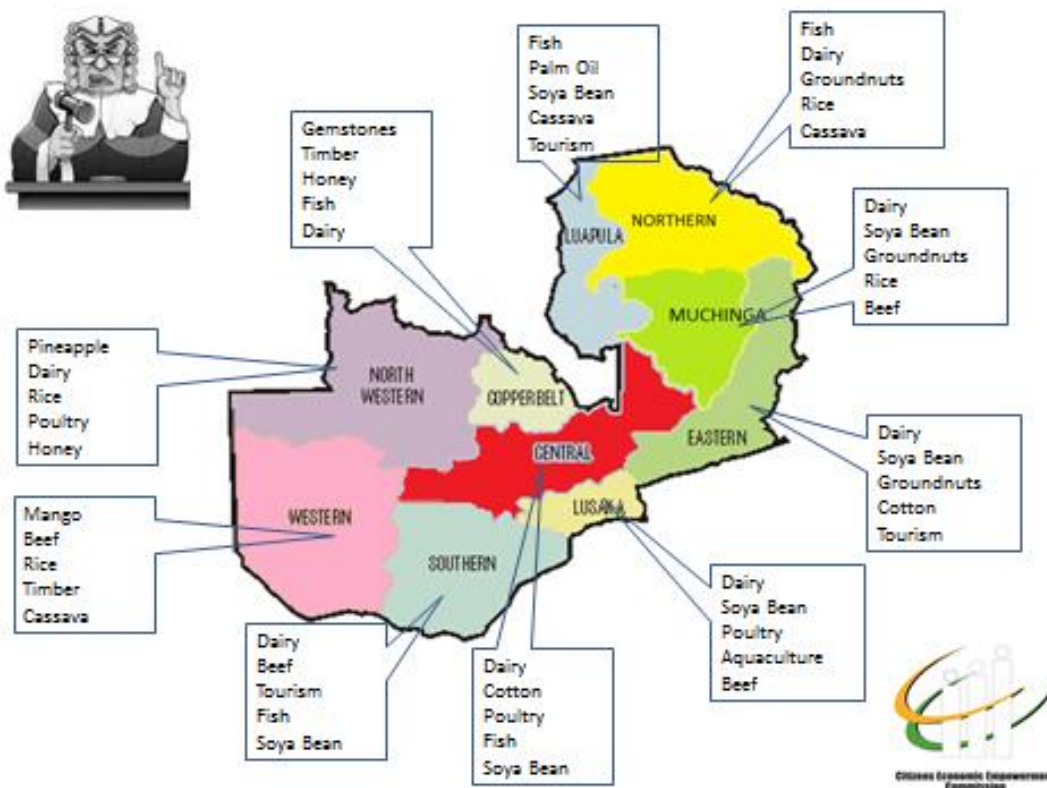
Although the unit of reference is typically the district, special initiatives may cut across districts and address catchment areas such as tourism trails. The empowerment framework may in many cases also reference villages, chiefdoms and constituencies. The new customized NAVISION Management Information System developed by the Commission in 2016 has built-in flexibility to capture and analyze information at the various levels of these units of reference.

The design of the Strategy is all inclusive and will not categorically exclude any region of Zambia from consideration in empowerment programming. The following technical approach will continue to apply to the Strategy:

### Harness the Comparative Advantage of Regions

The Commission has identified and prioritized five value chains in each of Zambia's ten (10) provinces to focus its Value Chain development support based on the comparative advantage each province may have in terms of abundance of natural resources or agricultural output suitable to value addition investment. Figure 2 presents the selected value chains per province.

**Figure 2: Selected Value Chains per Province**



In Zambia, each province is delimited into administrative districts. Therefore, the Commission will continue to select for value chain development in each district two (2) of the five (5) value chains prioritized for a province in line with the comparative advantage of each district.

### Implement Two Types of Cluster Development Approaches

Through **Value Chains**, the Commission will continue providing business loans and technical assistance to MSMEs at all stages of the value chain to make it

possible for all nodes (production, transportation, storage and handling, processing, marketing, energy and ICTs) to receive the business support necessary to lift the entire value chain in a particular district.

Amongst the most visible MSMEs In Zambia today are the informal MSMEs in the form of road-side informal vendors that include manufacturers of construction materials (crushed stone, blocks, bricks, pavers, gates, tank stands, door frames, window frames, grill doors, etc.) and many other items such buckets, drinking and feeding troughs for livestock, household furniture, slashes, hoes, spades, rakes, etc. To these can be added informal service providers (auto-mechanics, panel beaters, plumbers, electricians, auto-electricians, brick-layers, welders, and all manner of artisans and technicians).

This category of MSMEs lack proper functional operating premises, equipment and working capital. The Commission has, with the support of AfDB, initiated a programme to consolidate them into **Industrial Yards** from where they can have suitable workshops, storage and marketing facilities, equipped with banking and security services, etc.).

In contrast with the District Value Chain Cluster where the objective is to strengthen MSMEs and backward and forward linkages where they are located or choose to be located, the Industrial Yard confines the MSMEs together in an enclave or yard from where they can manufacture and be supplied with raw materials, processing, storage and loading facilities as well as with other services. District Value Chains are suitable to rural settings where entrepreneurs of the same value chain can be scattered over considerable distances. Industrial Yards are suited to urban and peri-urban environments where concentrating the MSMEs in one location is a feasible and competitive option.

### **Special Initiatives**

The Commission will design and support Special Initiatives that will be aimed at tapping unique opportunities to enable targeted citizens penetrate areas of investment in which they are typically missing, to enhance the participation of targeted citizens in international events, special domestic events, to respond to opportunities occasioned by gaps in the market such as energy shortages, etc.

## **Provide Appropriate Business Development Services**

The Commission will continue to call for concept papers from eligible targeted citizens and, through its provincial offices, shortlist promising concepts and support the applicants prepare business plans. Business loans will then be provided to successful applicants as usual. The Commission will partner with various development agencies, business associations and private consultants to provide a range of business development support services to successful applicants. These will include business registration, architectural design and construction supervision, market development, technology transfer, deployment and in-factory technical assistance, preferential procurement facilitation, enabling environment development support, business mentoring and coaching services, etc.

The Commission will, in delivery of business development services to its MSME clients, also collaborate closely with other specialized agencies of the Ministry of Commerce, Trade and Industry. The respective roles of the agencies i.e CEEC, Consumer Protection and Competition Commission (CPCC) , Zambia Bureau of Standards (ZABS), Patents and Company Registration Agency (PACRA), Zambia Development Agency (ZDA), Kaizen Institute of Zambia, Zambia International Trade Fair, the Zambia Regulatory Authority, and Zambia Weights and Measures Agency (ZWMA) are illustrated in Volume II of the Strategic Plan.

## **Provide Inclusive Financial Services**

The Commission is responsible for investing and administering the Citizens Economic Empowerment Fund (CEEF), which has by law been established under Part IV of the CEE Ac No.9 of 2006. The purpose of the Fund is to support the development of broad based economic empowerment programmes. The Act provides that the Fund shall consist of:

- “a) Such moneys as may be appropriated by Parliament for the purpose of the Fund***
- b) Moneys received by way of grants, fees, loans or donations for the purpose of the Fund; and***
- c) Interest accrued from any investment made by the Commission or raised through the local stock exchange.”***

The CEEF is the principal vehicle through which the Commission provides interest bearing business loans to targeted citizens. The CEE Act establishes the Commission as a financial institution and authorizes it to either provide lending and other financial services directly or to sub-contract Fund Managers as and when it may deem fit.

Through the CEEF, the Commission will continue to provide financial services to targeted citizens through an array of approaches such as credit, equity and quasi-equity instruments.

All business loans disbursed under the CEEF are repayable within a maximum period of five years. The Commission will continue ensuring demographic and geographic equity in the disbursement of CEEF loans to targeted citizens. Tables 1 and 2 illustrate.

**Table 1: Fund Attribution by Geographic Area**

| <b>Geographic Area</b> | <b>Fund Attribution</b> |
|------------------------|-------------------------|
| Rural Districts        | 90%                     |
| Urban Districts        | 10%                     |

**Table 2: Attribution by Target Group**

| <b>Target Group</b>   | <b>Fund Attribution</b> |
|-----------------------|-------------------------|
| Youth                 | 40%                     |
| Women                 | 30%                     |
| Physically Challenged | 2%                      |

The product and loan tenure thresholds will be as presented in Table 3.

**Table 3: CEEC Loan Thresholds and Tenures**

| <b>Loan Type</b>      | <b>Funding Threshold</b> | <b>Maximum Loan Tenure</b> |
|-----------------------|--------------------------|----------------------------|
| Micro Finance Loans   | ZMW500 – 50,000          | 1 year                     |
| Project Finance Loans | More than ZMW50,000      | 5 years                    |

The CEEF is a revolving fund currently capitalized at about **ZMK 300 million**. The Loan Book stands at about **ZMK 240 million** comprising just over **2,250 MSME clients**).

The Commission's average loan recoveries experienced a 100% increase during the preceding strategy period from 21.2% in 2013 to 51% in 2015.

## **New Directions in Programme Implementation**

### **Facilitate Enhanced Market Access**

Facilitate more rapid growth and enhanced market access for targeted citizens, processing and manufacturing MSMEs in the supported District Value Chains and Industrial Yards will be strategically linked as suppliers to Government's development programmes for items such as building materials, furniture, fittings and accessories, consumer products, etc.

Measures will be taken to enhance the Commission's staffing to meet the research and implementation and monitoring requirements of the import substitution and export support programmes.

The MSMEs will also be strategically financed to effectively participate in reservation initiatives.

### **Increase Productivity and Quality Among MSMEs**

The Commission and its partners will provide strategic business development support to improve quality and increase productivity among the supported MSMEs to enable them compete into import substitution and regional export markets.

The Commission will work with the International Trade Department of MCTI and with Zambia Development Agency (ZDA) to enhance export penetration for the supported MSMEs, with emphasis on the Southern African Region group of countries that surround Zambia.

## **Increasing the Level of Economic Empowerment**

The Commission will seek to increase participation of Zambians at three levels of the economy namely; micro, small, medium enterprises. This will be done through various approaches including facilitating the participation of targeted citizens in joint ventures with Foreign Direct Investment, scaling up successful citizens through additional funding, etc. Of particular significance will be the anchoring of medium sized industries in each province by targeted development of selected value chains through substantial investment in those value chains.

For example growing the mango and leather industries in Western Province, expanding value addition to edible oils and stock feed manufacturing in Eastern Province etc. This approach will include setting national output targets aimed at making substantial contributions to GDP in the selected industries. GDP baselines will be established in partnership with CSO for this approach.

### **Programmed Job Creation**

Based on the success achieved through investment in a value addition project linked to high potential for direct job creation in the value chain, as has been achieved through the Mumba Farmers Pressing and Ginning Company (MFPGCO), the Commission will target development of projects with similar characteristics for rapid job creation and boosting the link between outgrower agriculture and agro-processing. Value chains amenable to replicating the Mumbwa model include soya bean, groundnuts, cassava, etc. The Mumbwa model has demonstrated that investment into one single project can lead to the creation of more than 15,000 value chain jobs.

## **D. RELATIONSHIP TO THE SEVENTH NATIONAL DEVELOPMENT PLAN**

Government has through the Ministry of National Development Planning begun engaging cooperating partners in the consultative process on the formulation of the Seventh National Development Plan (7NDP) which will be implemented from 2017 to 2021.

Republican Vice President and Minister of National Development Planning Mrs. Inonge Wina has stated that there is need for Zambia to refocus the country's development strategies through formulation of the new development plan as the Revised Sixth National Development Plan is coming to a conclusion in 2016. Her Honour has stated that the 7NDP will not only give the country an opportunity to re-engineer the national development prospects that will enhance human development but will also provide the country the

opportunity to integrate and mainstream sustainable development goals in the national development framework including district, provincial and sector plans.

Mrs Wina has stated that the process requires government from the onset to build and secure a shared development vision with the development partners, civil society organizations, private sector, faith based organizations and other state and non-state actors.

The Commission will actively engage the MNDP to ensure that economic empowerment is adequately catered for in the 7NDP with responsive allocations.



## E. STRATEGIC ALLIANCES

CEEC will work towards strengthening existing strategic alliance with other institutions as well as to develop new ones to enhance prospects for success. Key alliances will include the following:

| <b>Value Chain/Activity</b>                    | <b>Partner(s)</b>  |
|--|--|
| Aquaculture                                    | Ministry of Livestock and Fisheries  |
| Beef   | Ministry of Agriculture  |
| Technology and Technology Development          | National Technology Business Centre(NTBC)<br>Technology Development Advisory Unit              |
| Mango, Palm Oil, Pineapple                     | Ministry of Agriculture  |
| Cassava  | International Institute for Tropical Agriculture<br>Zambia Institute for Agricultural Research |
| Strategic Business Development Services        | ZABS, JICA, Kaizen Institute of Zambia   |
| Construction                                   | National Council for Construction  |
| Technical Assistance                           | African Development Bank   |
| National Programming and Resource Mobilization | Ministry of National Development Planning  |
| Export Development                             | MCTI, ZDA  |
| Cotton   | Cotton Association of Zambia   |

## F. IMPLEMENTATION TIMEFRAME

The new SP will cover the period 2017-2021. Midway through strategy implementation in 2019 CEEC plans to undertake an overall assessment of implementation progress. The assessment will address the need to review long-range performance targets as well as the effectiveness of selected approaches. CEEC anticipates approval of the new SP within 2016. A complete Performance Monitoring Plan (PMP) will be in place within six months of approval of the SP.

## **STRATEGIC OBJECTIVES**

### **A. SO-1: MORE CONDUCTIVE POLICIES, LAWS & REGULATIONS**

#### **1. DEVELOPMENT CHALLENGE AND CEEC'S COMPARATIVE ADVANTAGES**

##### **a. The Development Challenge:**

CEE Act No.9 of 2006 is widely acknowledged to have been prepared and enacted in haste and needs urgent review to address weaknesses and omissions in the Act. For example, the definition of targeted citizen is vague and excessively broad making it difficult to effectively implement the Act as an affirmative programme as it can potentially target any Zambian with a National Registration Card. The guidelines for identifying and combating fronting lack regulations for proper enforcement, etc.

There remains no Empowerment Policy in place in Zambia despite stakeholder consultations to develop one having been commenced as far back as 2010. Due to lack of Policy, terms such as "economic empowerment" are used randomly within government and among stakeholders at large, making it difficult to develop instruments for measuring economic empowerment in Zambia, etc.

There is no national timeframe for implementation of sector specific codes of good practice, reservation schemes, etc., and policy dialogue is absent at many levels. The funding of economic empowerment by Government therefore falls short of recognizing and appreciating the level of resources implicit in funding economic empowerment and the national benefits therein.

This SO will aim at enhancing the policy, legal and regulatory framework for economic empowerment in Zambia so that the goal of increased economic participation by targeted citizens can to be achieved more comprehensively and in a timelier manner.

Illustrative deliverables will include:

| CITIZENS ECONOMIC EMPOWERMENT COMMISSION<br>Strategic Plan 2017 –2021<br>Deliverables & Targets |  |
|---|--|
| SO-1  | <div style="border: 1px solid black; padding: 5px; display: inline-block; margin-bottom: 10px;">           More Conducive Policies, Laws &amp; Regulations         </div> <ul style="list-style-type: none"> <li>• Review of CEE Act No. 9 of 2006 by 2017</li> <li>• Definition of Targeted Citizen refined by 2017</li> <li>• Two (2) Sector Specific Codes Approved by Cabinet per year</li> <li>• Supported Districts 100% by end of 2017</li> <li>• Two (2) Reservation Schemes by Cabinet per year</li> <li>• Anti-fronting measures approved by Cabinet by 2018</li> <li>• Marshal political goodwill through a communication strategy to raise awareness of CEEC activities, issues and opportunities issues among key policy makers such as the Republican President, the National Assembly, the Ministry of Finance, etc.</li> </ul> |

### b. Comparative Advantage:

CEEC's current activities under SO1 "Increased Economic Participation" focused on effective dialogue with and support to MCTI to improve the overall economic empowerment policy environment to reduce barriers and stimulate incentives to economic

empowerment through the gazetting of a generic code of good practice. Four (4) reservation schemes were approved by Cabinet on block-making, poultry, domestic haulage and quarry, a process harnessed public and private sector policy dialogue, analysis, conceptualization and formulation. CEEC also submitted input into the Draft Economic Empowerment Policy to MCTI that lays good platform to carry the work forward under the new Strategy.

## 2. DEVELOPMENT HYPOTHESIS, STRATEGIC OBJECTIVE AND INDICATORS

The development hypothesis underlying the SO1 strategy is that an enhanced policy, legal and regulatory framework will foster the foundation for targeted citizens to access economic empowerment more easily, with less obstacles and in greater numbers so that increased economic participation by targeted citizens in the Zambian economy can be achieved more effectively.

SO1 Increased will support the GRZ in meeting its objectives to increase economic empowerment in the country in an impactful and equitable manner while addressing vices such as fronting.

### Strategic Objective Indicators and Targets:

The following Indicators, scaled into four (sub-indicators) have been selected to measure program impact at Strategic Objective level:

- **Legal reforms Approved by Cabinet being :**
  - 1) Review of the CEE Act – 25%
  - 2) Approval of at least of two (2) Sector specific codes of good practice per year per year – 25%
  - 3) Approval of at least four (4) reservation schemes per year – 25%
  - 4) Anti-fronting measures approved by Cabinet by 2018 – 25%

### 3. CRITICAL ASSUMPTIONS

The achievement of SO1 will depend on the following key assumptions:

- The GRZ will remain committed to economic empowerment of targeted citizens
- MCTI concurs with the Commission on proposed economic empowerment reforms

#### **B. SO-2: INCREASED ACCESS TO BUSINESS DEVELOPMENT SERVICES (BDS)**

The MSMEs sector in Zambia experiences major constraints in key areas of Business Development Services (BDS). BDS are critically required by MSMEs to improve the performance of the business by making it more competitive. BDS include training, consultancy and advisory services, marketing assistance, information, technology development and transfer, and business linkage promotion.

The market for operational services may largely already exist in Zambia since there is already articulated demand and willingness to pay for these services. However, the demand-driven market for strategic services for MSMEs has failed to significantly develop and is the main focus of most public and donor interventions in BDS.

The MSMEs sector in Zambia requires substantial capacity building in BDS but most MSMEs cannot, or are not motivated, to pay for the services. Often even when BDS are available they are not structured based on a diagnosis of the actual needs to the enterprises. A limited number of development (mostly donor-driven) projects and programs tend to conduct diagnosis in attempts to tailor the BDS to the needs of the enterprise.

MSMEs often do not have ready access to BDS providers as there is generally no organized mechanism of identifying this service. Even when BDS providers are available, MSMEs have challenges assessing the quality of providers for specific services. BDS providers in Zambia include individuals, private for profit firms, parastatals, government, industry associations, donor initiatives (usually not for profit), etc. There are small business enterprises providing BDS as well as firms whose core business is not BDS but who provide the service as part of a broader transaction or business-to-business relationship.

BDS tend to be fragmented, unclear and inaccessible to most MSMEs. Prominent private BDS providers tend to be few and far between, mostly concentrated in the urban areas along the line of rail. There are limited

opportunities for knowledge and professional development of private BDS providers.

In Zambia, there are a number of BDS facilitators that support BDS providers in different ways. This includes developing new service products, promoting good practice and building BDS provider capacity. BDS facilitators also work on the demand side by educating MSMEs about potential benefits of BDS or providing incentives to try them. Other BDS market facilitations include the external evaluation of the impact of BDS providers, quality assurance, and advocacy for a better policy environment for the local BDS market.

BDS facilitation is carried out by development oriented organizations having the objective of BDS market development. Others are business associations (such as ZCSMBA, Women Entrepreneurship Association of Zambia, etc.), and government agencies such as CEEC, ZDA and TEVETA. Donors normally provide funding for BDS projects and programs. Donors supporting BDS development in Zambia include SIDA, USAID, USADF, EU, Danish Embassy, ILO, etc. In some cases the facilitator is the project office of a donor. Government, like donors, also provides funding for BDS projects and programs.

Enhanced productivity, production and product quality are essential in strengthening producer groups and outgrower competitiveness. Productivity increase is also a prerequisite for realizing food security. For farmers and small-scale producers of natural products to increase competitiveness they must produce sufficient quantities from every unit of land harvested to provide for both their food security needs and surpluses to allow them to enter the market. Additionally, they frequently need to diversify by growing new crops to meet nutritional needs or find new sustainable natural products for emerging market opportunities. New and improved production requires new technologies and value added processing. To meet the volume of demand, small producers must often group together to reduce unit costs, increase the scale of production and unit margins, and thereby their profits.

Most small-scale producers, in agricultural or natural products, have had little exposure to the technological advances for increasing production and adding value to their produce. CEEC's activities under this IR will build on past experience to promote the formation and sustainability of outgrower and other production groups and enable them to meet the procurement requirements of domestic and international food industry firms, including the expanding chain supermarket sector. CEEC's experience clearly demonstrates that aligning small producers with larger local, regional or international firms offers them access to vital technologies as well as to expanded markets. Other activities may include the establishment of grades and standards, quality assurance, as

well as quality certifications such as ISO and sanitary and phyto-sanitary and labels such as organic and Fair Trade Labels.

To increase volume of production for food security and for marketing conservation farming, conservation tillage, biotechnology, and other production-enhancing technologies such as small-scale irrigation, water harvesting, and soil fertility interventions will be promoted. In response to the HIV/AIDS epidemic, and the increase in women-headed households, labor-saving technologies will also be employed. In addition, information and training on vital household nutritional and health issues will be provided.

In order for Zambia to fully benefit from tourism two things are necessary. First and foremost, it must ensure the preservation of wildlife, forests and cultural sites, all currently over-exploited and under threat; and second, it must improve infrastructure. In the natural resources sector, activities will build Community-Based Natural Resource Management (CBNRM) groups and use links to larger enterprises to explore value-added options for existing and new sustainably harvested/managed natural resources products, and for expanding opportunities for community involvement in, and benefit from, tourism.

Consequently, productivity and efficiency improvements throughout the sector production and market chain will result in improved MSME competitiveness in local and regional markets.

#### Illustrative Activities:

- Expand outgrower and other group marketing approaches.
- Establish Grades and Standards, Quality Assurance, price differentials
- Establish value adding and market expansion certifications such as ISO, organic and Fair Trade Labeling, Pest Risk Assessment and sanitary and phyto-sanitary
- Support on- and off-farm value addition such as processing
- Explore value added options for existing and new natural resource products
- Expand options for community involvement in tourism

In the current Strategy, CEEC has focused on operational BDS given the inception phase of the Value Chain Development Programme that was characterized by support to many start-ups. In the 2017-2021 Strategy, the Commission will shift its emphasis to strategic BDS, providing intensive technical assistance to its clients in adoption of standards, quality assurance, productivity market linkages and market development for import substitution and export. Key to this work will be collaboration with partners such as ZABS and Kaizen Institute.

**Development Hypothesis:** The development of more effective BDS will lead to increased competitiveness of supported MSMEs, resulting in more viable enterprises, more job creation, increased incomes at both business and household levels, and ultimately sustained poverty reduction in Zambia.

**CEEC’s Comparative Advantage:**

CEEC is a public statutory body that, among other things, facilitates BDS. CEEC currently has MOUs and partnerships for BDS partnerships with organizations such as:

- Zambia Bureau of Standards (ZABS))
- Zambia Chamber for Small Medium Business Association (ZCSMBA)
- Zambia National Farmers Union (ZNFU)
- Zambia Chambers of Commerce and Industry (ZACCI)
- Business Development Services Association of Zambia
- Japan Agency for International Cooperation (JICA)
- TEVETA
- Etc.

CEEC is of the belief that BDS are most impactful when MSMEs also have access to the requisite financial services and that effective BDS will tend to reduce credit risk for lending institutions such as CEEC.

CEEC and the African Development Bank (AfDB) are collaborating under the Skills Development & Entrepreneurship Project – Supporting Women & Youth to provide solutions to MSMEs across the country. To enhance the impact of the BDS, the partners recognize the need to undertake the following:

- Increase demand for BDS
- Improve the quality and quantity of BDS providers
- More systematically match MSEMES to BDS providers
- Leverage resources and promote cost-share to scale up impact

Illustrative deliverables will include:



Illustrative Activities:

- Identify and promote innovative finance options such as inventory credit/warehouse receipts, DCA Guarantees, credit through outgrower companies, savings and credit schemes within producer organizations, Insurance (health, life, input loans), Futures markets, forward contracts
- Expand private sector BDS (extension)
- Build small holder and group business capacity
- Develop sources for BDS services such as market information, business planning, etc.

## **C. SO3: MORE EFFECTIVE FINANCIAL SERVICES**

### **1. DEVELOPMENT CHALLENGE AND CEEC'S COMPARATIVE ADVANTAGES**

**a. The Development Challenge:** The scarcity and high cost of finance available to meet the needs of MSMEs remains a serious problem in Zambia. A number of factors constrain the development of an adequate MSME financial sector including: 1) salary-backed consumer loans preferred to business loans by MSMEs 2) scarcity of medium and long term investment finance 3) high interest rates.

SO3 will continue to promote CEEC's innovative finance and capital options for MSMEs. However, whereas in the current CEEC Strategy debt finance and rare equity positioning dominate CEEC's lending to its MSME clients, the 2017-2021 Strategy will see more recourse to other financing instruments, such as guarantees, matching grants, capital market options, crowd funding, unit trusts, joint ventures, venture capital, trade finance, syndicating, etc. deployed to finance CEEC clients.

This will also be driven by the introduction of expansion finance to grow some CEEC clients into larger and more competitive enterprises capable of penetrating import substitution markets such as domestic supermarket chains and shopping malls, as well as regional export markets.

Other approaches may include inventory credits/warehouse receipts, credit and savings through outgrower companies and producer groups, insurance, and forward contracts. These will be structured into products appropriate for micro, small and medium sized enterprises. To this effect, CEEC will in the new Strategy introduce a standby short term Trade Finance window. This will provide seasonal liquidity for CEEC clients in processing to acquire raw materials during the crop marketing season. Furthermore this will enable



applicants get sufficient raw materials to last throughout the year thereby allowing successful operationalization of projects and will allow clients to repay their loans.

Additionally, activities may consider investment-based options for capitalization such as equity finance and venture capital. Specific attention will need to be given to addressing the needs of female clients where traditional and other constraints to their access to finance and capital exist.

Illustrative Activities:

- Identify and promote innovative finance options such as inventory credit/warehouse receipts, DCA Guarantees, credit through outgrower companies, savings and credit schemes within producer organizations, Insurance (health, life, input loans), Futures markets, forward contracts
- Build small holder and group business capacity

### **CEEC's Comparative Advantage**

CEEC owns and operates the Citizens Economic Empowerment Fund financed largely by government grants from the Ministry of Finance. The Empowerment Fund Portfolio stood at **K310.4 million** as at 30 June 2016. The Fund was composed of **K259.8 million** in loan receivables loaned out to more than 2,500 MSME clients spread across 82 districts of Zambia and **K50.6 million** in cash balance of inflows.

The Commission therefore has substantial field presence in Zambia, a great advantage for development programming.

Further, the Commission in its quest to improve Loan processing and monitoring of projects it funds and supports is implementing a Loan Management Information System based on Microsoft Dynamics NAV 2015 to be accessible in all its ten (10) provincial offices in Zambia. The System will improve Loan Processing throughput as most of the manual processes will be automated and will also provide timely provision of information to customers, and management for decision making and control and strategic planning.

The Commission has since also engaged the Department of Cooperatives at the Ministry of Commerce, Trade and Industry for the purpose of utilizing the

services of District Cooperative Inspectors to support the Commission’s credit management services at that level. Since the Department is represented in all the Districts, this would accord the Commission much-needed ground presence in all the funded Districts.

## 2. DEVELOPMENT HYPOTHESIS, STRATEGIC OBJECTIVE AND INDICATORS

SO3: The development of more financing instruments that bare inclusive in nature will lead to increased competitiveness of supported MSMEs, resulting in more viable enterprises, more job creation, increased incomes at both business and household levels, and ultimately sustained poverty reduction in Zambia.

Illustrative deliverables will include:

**CITIZENS ECONOMIC EMPOWERMENT COMMISSION**  
**Strategic Plan 2017 –2021**  
**Deliverables and Targets**

SO-3

More Effective  
 Access to  
 Finance

- Structuring of project funding by 20% micro finance and 80% project finance continues
- Maximum 20% of Project Finance approved for start-ups
- Expansion Facility introduced for successful entrepreneurs by 2017
- Trade Finance Facility introduced by 2017
- Financing of targeted citizens investment requirements should be attained at an average level of ZMW 100 million per year for the 5 years of the Strategy totaling at least ZMW 500 million by 2021.
- Loan Repayment Rate (LRR) targets

| Year   | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------|------|------|------|------|------|------|
| Target | 55%  | 60%  | 65%  | 70%  | 75%  | 80%  |

5

## **D. SO4: INCREASED ACCESS TO MARKETS**

### **1. DEVELOPMENT CHALLENGE AND CEEC'S COMPARATIVE ADVANTAGES**

**a. The Development Challenge:** The ability to access markets is the primary key to MSME agricultural growth and to expansion of their participation and benefit from value addition and trade. As individual businesses, MSMEs do not have access to domestic scaled markets and export markets and they have had little opportunity to take advantage of existing markets or to expand into regional and international markets. CEEC's business development efforts have focused more on getting start-ups going than building linkages to larger-scale commercial agribusiness groups. SO4 activities will continue to take risk on start-ups albeit to a lesser degree with more emphasis being tilted towards making markets work through sustainable commercial linkage to larger entities to expand and other MSMEs with due attention to identifying new and niche markets for value-added production.

Particular attention will be paid to market research and market development work aimed at taking fuller advantage of bi-lateral and multilateral trade agreements within Africa, such as the bilateral with DR Congo and with Angola, as well the SADC, COMESA and the Tripartite Free Trade Area Agreements. Other work include strategies and interventions to help the MSMEs import-substitute within the domestic scaled markets such as supermarket chains and shopping malls.

### **2. DEVELOPMENT HYPOTHESIS, STRATEGIC OBJECTIVE AND INDICATORS**

SO4: The diversification and deepening of markets for value-adding MSMEs will lead to increased demand for raw materials which will in turn stimulate more opportunities for employment in the agricultural sector. Increased exports will generate foreign exchange for Zambia, helping stabilize the exchange rate and diversification of the economy from excessive dependency on mining.

Illustrative deliverables will include:

**Strategic Plan 2017 –2021**

**Deliverables and Targets**

SO-4

Increased  
Access to  
Competitive  
Markets

- Market linkage MOUs beaten CEEC and at least 3 scaled buyers in place by 2018 for each supported District Value Chain. Soya, groundnuts, fish, cassava, beef, timber, rice, edible oils, stock feed cake, leather products, High Protein Energy supplements (NEPS), palm products and industrial yard products
- Production & marketing cooperatives established for each subsector at Industrial Yards by 2018
- Import substitution strategy approved by Board by 2017
- Regional export strategy approved by Board by 2017e
- Organization of a marketing expos at Industrial Yards once a year open to all CEEC clients
- Targeted citizens' sales incomes from import

Illustrative Activities:

- Identify new/niche local, regional and international markets
- Identify/establish producer/market linkages
- Assist processing companies to reach growers
- Product identification
- Provide marketing training, feasibility studies, and promotion options such as access to trade shows.
- Market identification and promotion

Illustrative Indicators:

- Value of client sales and services
- Number of clients accessing new markets
- Number of new products introduced on the market

## RISK MANAGEMENT

CEEC intends to manage internal and external risk as follows:

| Occurrence   | Risk   | Mitigation   |
|--|--|--|
| Internal   |  |  |
| 50% Collateral for projects rural districts              | Depletion of Empowerment Fund as foreclosure cannot recover loan amounts   | Enhance collateral by prioritizing approval of projects where plant and equipment on client's land can become additional collateral through additional mortgage.                                       |
| 90% approved projects in rural areas                     | Depletion of Empowerment Fund as foreclosure cannot recover loan amounts.<br><br>High costs of programme management. | Limit no-collateral projects to 20% of portfolio value.<br><br>Decentralize project management through smart partnerships with organizations already on the ground such as Department of Cooperatives. |
| Support to Start-Ups                                     | High project failure rate.   | Limit start ups x % of portfolio.  |
| Weak Ground Presence of the Commission                   | Weak loan collection and project monitoring leads o high project failure rate and low loan repayment rates.          | Decentralize project management rough smart partnerships with organizations already on the ground such as Department of Cooperatives.  |
| Low monitoring and evaluation staffing at the Commission | Weak project monitoring leads o high project failure rate and low loan repayment rates.                              | Increase M&E staffing at the Commission.<br><br>Decentralize project management through smart partnerships with organizations already on the ground such as Department of Cooperatives.                |
| External   |  |  |

| Occurrence                      | Risk  | Mitigation   |
|---------------------------------|---|--|
| Inter-agency Collaboration Risk | Low commitment from partner public sector institutions leads weak project implementation and high project failure rate.   | <p>Establish formal inter-agency implementation committees with interdiction of Permanent Secretaries.</p> <p>Ensure both parties include the activity in their annual work plans and budgets through intermediation of Permanent Secretaries and involvement of Ministry of National Development Planning.</p>  |
| Financing risk                  | Weak and inconsistent Funding from Treasury constrains operations at the Commission and investment targets through business loans cannot be met.  | <p>Maximize internal revenue measures to support operations.</p> <p>Leverage innovative sources of financing such as loans, the capital market, syndicating etc. to raise complimentary financing for Empowerment Fund.</p> <p>Develop strategies for keeping key policy makers (Statehouse, Ministry of Finance, MNDP, etc.) abreast with requirements, benefits and results of economic empowerment.</p> |
| Foreign exchange risk           | Exchange rate fluctuations increase investment costs beyond approved loan amounts for clients leading to frequent requests for additional funding and delays in project implementation. | <p>Approve forex component of project budgets in foreign currency denominations.</p> <p>Impose time limits for due diligence compliance by clients to facilitate timely project implementation.</p>  |

| <b>Occurrence</b>    | <b>Risk</b>  | <b>Mitigation</b>   |
|----------------------|--|---|
| Client capacity risk | Weak project management capacity leads to high rate of project failure.  | Undertake frequent client monitoring visits.<br>Intensify client training and other capacity building.<br><br>Increase strategy business development services to clients. |
| Legal risk           | Necessary legal reforms are not addressed. Vague targeting of citizens renders reservation schemes and preferential procurement ineffective. | Develop strategies for keeping key policy makers (MCTI, etc.) clear on the need for reform and abreast with requirements, benefits and results of economic empowerment.   |

## **RESOURCE REQUIREMENTS**

### **A. PROGRAM LEVELS AND SOURCES**

CEEC's proposed Strategic Plan for the period 2017-2021 lays out its results to bring increased participation in the economy by targeted Zambians. Experience and performance from recent years indicate that CEEC has made a difference for the people of Zambia. The new SP will build on a number of activities that have proven successful to date and includes several new initiatives and emphasis. In addition to funding empowerment projects, funds will also be used for operational management.

The Commission's proposed innovative activities under the new Strategy are designed to absorb higher levels of funding. In addition to the funding detailed above, the Commission will try to leverage appropriate funds for program expansion.

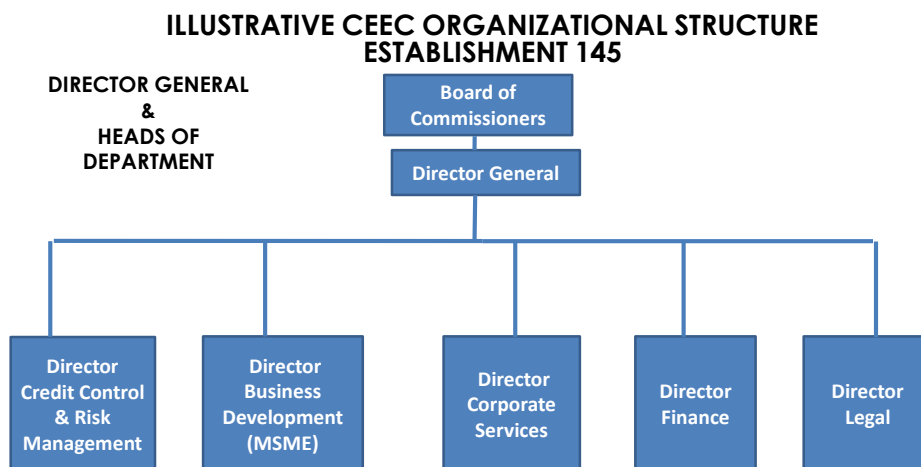
### **B. OPERATIONAL EXPENSES, EMPOWERMENT FUND AND WORKFORCE**

Historically, CEEC's OE levels have fallen well short of optimal requirements for a growing program both programmatically and technically under the new Strategy. With a present workforce of 67, CEEC is subsisting on very low OE levels. For CEEC to be the success story it can, this OE trend must be reversed with the unveiling of the new SP. In the meantime the Commission has straight-lined expenditure growth from the base case of 2016.

CEEC requires a minimum annual level of ZMW 200,000,000 over the five (5)-year Strategy period, to support the proposed program budget and workforce required to implement and carry out the new Strategy. This level provides sufficient funding to sustain proposed technical programs, but will require the Commission to continue to identify alternative and creative means to fund some expense items and exercise prudent fiscal management to keep costs in check.

The projected workforce of 102 will be maintained within this budgetary level. All staff and associated costs for the new Strategy will need to be fully program-funded. The proposed organizational structure for the effective implementation of the new SP is presented includes five (5) directorates as follows:

**CEEC Proposed CEEC 2017-2021 strategic Plan Organizational Structure**



**Total No. 6**

The schematic diagrams for each Directorate are presented in Volume II of the Strategic Plan.

The total requirement for the Empowerment Fund for the five (5) years will be ZMW 500,000.

The Financial Projections for the new Strategy follow.



**CEEC 2017-2021 Strategic Plan Financial Projections**

| <b>CITIZENS ECONOMIC EMPOWERMENT COMMISSION</b>   |                    |                    |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>FORECAST STATEMENT OF COMPREHENSIVE INCOME</b> |                    |                    |                    |                    |                    |                    |
|   | <b>K</b>           | <b>K</b>           | <b>K</b>           | <b>K</b>           | <b>K</b>           | <b>K</b>           |
| <b>Income:</b>                                    | <b>YEAR 0</b>      | <b>YEAR 1</b>      | <b>YEAR 2</b>      | <b>YEAR 3</b>      | <b>YEAR 4</b>      | <b>YEAR 5</b>      |
| <b>Empowerment Fund</b>                           |                    |                    |                    |                    |                    |                    |
| Empowerment Grant                                 | 80,000,000         | 80,000,000         | 80,000,000         | 80,000,000         | 80,000,000         | 80,000,000         |
| AFDB Loan Proceeds                                | -                  | 60,000,000         | 60,000,000         | 60,000,000         | 60,000,000         | 60,000,000         |
| <b>Total Empowerment Fund</b>                     | <b>80,000,000</b>  | <b>140,000,000</b> | <b>140,000,000</b> | <b>140,000,000</b> | <b>140,000,000</b> | <b>140,000,000</b> |
| <b>Internal Sources of Income</b>                 |                    |                    |                    |                    |                    |                    |
| Facility Fees on Disbursements                    | 3,000,000          | 3,625,000          | 3,750,000          | 3,750,000          | 3,750,000          | 3,750,000          |
| Interest Income - Loans                           | 4,000,000          | 4,000,000          | 4,400,000          | 4,400,000          | 4,400,000          | 4,400,000          |
| Rental Income from Industrial Clusters            | -                  | 1,056,000          | 1,056,000          | 1,056,000          | 1,056,000          | 1,056,000          |
| Interest Income - Placements                      | 3,000,000          | 3,600,000          | 3,360,000          | 3,360,000          | 3,360,000          | 3,360,000          |
| <b>Total Internal income</b>                      | <b>10,000,000</b>  | <b>12,281,000</b>  | <b>12,566,000</b>  | <b>12,566,000</b>  | <b>12,566,000</b>  | <b>12,566,000</b>  |
| Operational Grant                                 | 14,572,523         | 14,572,523         | 14,572,523         | 14,572,523         | 14,572,523         | 14,572,523         |
| <b>Total Income</b>                               | <b>104,572,523</b> | <b>166,853,523</b> | <b>167,138,523</b> | <b>167,138,523</b> | <b>167,138,523</b> | <b>167,138,523</b> |
| <b>Recurrent expenditure:</b>                     |                    |                    |                    |                    |                    |                    |
| Staff emoluments                                  | 21,432,276         | 23,575,504         | 25,933,054         | 28,526,359         | 31,378,995         | 34,516,895         |
| Administrative and Operational costs              | 22,010,244         | 66,030,732         | 66,691,039         | 73,360,143         | 69,692,136         | 62,722,922         |
| Depreciation and amortisation                     | 820,613            | 4,518,113          | 4,292,208          | 4,077,597          | 3,873,717          | 3,680,031          |
| <b>Total Costs</b>                                | <b>44,263,133</b>  | <b>94,124,349</b>  | <b>96,916,301</b>  | <b>105,964,100</b> | <b>104,944,849</b> | <b>100,919,849</b> |
| <b>Surplus/(Deficit) for the Quarter</b>          | <b>60,309,390</b>  | <b>72,729,174</b>  | <b>70,222,222</b>  | <b>61,174,423</b>  | <b>62,193,674</b>  | <b>66,218,674</b>  |

**CITIZENS ECONOMIC EMPOWERMENT COMMISSION  
FORECAST STATEMENT OF FINANCIAL POSITION**

|                                     | K<br>YEAR 0<br>2016 | K<br>YEAR 1<br>2017 | YEAR 2<br>2018     | K<br>YEAR 3<br>2019 | K<br>YEAR 4<br>2020 |
|-------------------------------------|---------------------|---------------------|--------------------|---------------------|---------------------|
| <b>ASSETS</b>                       |                     |                     |                    |                     |                     |
| Non-Current Assets                  |                     |                     |                    |                     |                     |
| Property, plant and equipment       | 5,470,755           | 30,120,755          | 28,614,717         | 27,183,981          | 25,824,782          |
|                                     | <b>5,470,755</b>    | <b>30,120,755</b>   | <b>28,614,717</b>  | <b>27,183,981</b>   | <b>25,824,782</b>   |
| <b>Current Assets</b>               |                     |                     |                    |                     |                     |
| Cash and cash equivalents           | 31,784,140          | 47,676,210          | 45,292,400         | 22,646,200          | 24,910,820          |
| Trade and other receivables         | 560,912,085         | 553,094,502         | 519,185,710        | 485,276,919         | 451,368,127         |
| Inventories                         | 557,269             | 668,723             | 735,595            | 772,375             | 733,756             |
|                                     | <b>593,253,494</b>  | <b>601,439,435</b>  | <b>565,213,705</b> | <b>508,695,493</b>  | <b>477,012,703</b>  |
| <b>TOTAL ASSETS</b>                 | <b>598,724,249</b>  | <b>631,560,190</b>  | <b>593,828,422</b> | <b>535,879,475</b>  | <b>502,837,485</b>  |
| <b>EQUITY AND LIABILITIES</b>       |                     |                     |                    |                     |                     |
| Capital Fund and Reserves           | 587,901,959         | 623,517,692         | 586,616,080        | 529,535,732         | 497,148,636         |
|                                     | <b>587,901,959</b>  | <b>623,517,692</b>  | <b>586,616,080</b> | <b>529,535,732</b>  | <b>497,148,636</b>  |
| <b>Non-Current Liabilities</b>      |                     |                     |                    |                     |                     |
| Finance lease                       | 510,000             | 390,000             | 270,000            | 150,000             | 30,000              |
|                                     | <b>510,000</b>      | <b>390,000</b>      | <b>270,000</b>     | <b>150,000</b>      | <b>30,000</b>       |
| <b>Current Liabilities</b>          |                     |                     |                    |                     |                     |
| Trade payables                      | 7,514,761           | 6,011,809           | 4,809,447          | 3,847,558           | 3,078,046           |
| Staff related accruals              | 2,797,529           | 1,640,689           | 2,132,895          | 2,346,185           | 2,580,803           |
|                                     | <b>10,312,290</b>   | <b>7,652,497</b>    | <b>6,942,342</b>   | <b>6,193,742</b>    | <b>5,658,849</b>    |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>598,724,249</b>  | <b>631,560,189</b>  | <b>593,828,422</b> | <b>535,879,474</b>  | <b>502,837,485</b>  |

## NOTES TO THE FORECAST

### 1. INCOME

The following are the sources of income used in forecast

#### **a) Empowerment Grant**

This represents the estimated annual appropriation from government as presented in the yellow book.

#### **b) Africa Development Bank (AfDB) Loan Proceeds**

This is financing expected under the AfDB loan facility which is targeted at implementation of Industrial Clusters and Cassava Commercialization. A total of K300 million is expected and it is assumed in the forecast that the monies will be drawn over a five year period.

#### **c) Facility Fees on Disbursements**

These are one off fees collected from loan disbursements at the rate of 5 percent. The commission has authorization to utilize these funds on operational activities of the commission.

#### **d) Interest on Loan Recoveries**

These are interest amounts on empowerment loans. The commission forecasts to collect K16 million per annum.

#### **e) Rental Income from Industrial Cluster workshops**

This is income the commission forecasts to collect from leasing out space in the industrial yards. The commission anticipates to collect K1,056,000.00 annually.

#### **f) Interest Income on Placements**

These are funds expected to be earned on placement of latent funds with various commercial banks. The funds are placed for a maximum of 30days and the interest is channeled towards operational costs.

#### **g) Operational Grant**

This represents the estimated annual appropriation from Parliament for operations of the commission. It is assumed that the allocation shall remain the same in the forecast.

## 2. EXPENDITURE

The forecasted areas of expenditure are as follows:

### **a) Staff Emoluments**

This represents expenditure on salaries, allowances, gratuities and other staff related costs. It is assumed in the forecast that the cost will have increase by 10 percent annually.

### **b) Administration and Operational Costs**

This represents the forecast expenditure on programme activities and operations which include general administration, capital expenditure and other costs.

These costs are assumed to increase by 10 percent annually as activities to implement and operationalize the clusters materialize.

### **c) Depreciation and Amortisation**

This represents the costs associated with the wear and tear of the commission non-current assets.

The depreciation costs are assumed to increase by an average of 15 percent in the first 3 years of the forecast.