

UNITED NATIONS SYSTEM IN ZAMBIA

Programme Document

Title:	Broad-based wealth and job creation in Zambia: Economic empowerment through MSME development
Country:	Zambia
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Abbreviations

BDS	Business development services
CEE	Citizens' economic empowerment
CEEC	Citizens' Economic Empowerment Commission
CSO	Central Statistical Office
CTA	Chief Technical Advisor
FNDP	Fifth National Development Plan
GRZ	Government of the Republic of Zambia
GSB	Growing Sustainable Business
JASZ	Joint Assistance Strategy for Zambia
JICA	Japan International Cooperation Agency
ICT	Information and communication technologies
ILO	International Labour Organisation
M&E	Monitoring and evaluation
MCTI	Ministry of Commerce, Trade and Industry
MFI	Microfinance institution
MLSS	Ministry of Labour and Social Security
MSE	Micro- and small enterprise
MSME	Micro-, small and medium enterprise
PACRO	Patents and Companies Registration Office
PIU	Programme Implementation Unit
PLT	Programme Liaison Team
PSD	Private sector development
PSD-PCU/PMU	Private sector development programme coordinating unit (also referred to as programme management unit)
R&D	Research and development
SED	Small Enterprise Development
SEDB	Small Enterprise Development Board
SEED (ILO)	ILO Small Enterprise Development Team
SEED (World Bank)	World Bank Support to Economic Expansion and Diversification
SHEMP	Small Holders Enterprise and Marketing Programme
SIDO	Small Industries Development Organisation
TNC	Trans-national corporation
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UN-HABITAT	United Nations Human Settlements Programme
UNIDO	United Nations Industrial Development Organisation
UNIFEM	United Nations Development Fund for Women
WEDAZ	Women's Entrepreneurs' Development Association of Zambia
WEDGE	Women's Entrepreneurship Development and Gender Equality
ZBF	Zambia Business Forum
ZCSMBA	Zambia Chamber of Small and Medium Business Associations
ZDA	Zambia Development Agency
ZFAWIB	Zambia Federation of Associations of Women in Business
ZFE	Zambia Federation of Employers
ZIBA	Zambia Indigenous Business Association
ZNFU	Zambia National Farmers' Union

Introduction

Zambia's long-term development objective, as articulated in the National Vision 2030, is “to become a prosperous middle income country by the year 2030.” The associated goals call for policies that accelerate and sustain economic growth, and which enable the poor to participate in, and benefit from, the growth process. The theme of the Fifth National Development Plan is *Achieving Broad Based Wealth and Job Creation*.¹ This programme will contribute to this objective, in particular by stimulating investment, entrepreneurship and employment creation within the micro-, small- and medium enterprise (MSME) sector and through pro-poor business models.

The programme will do so through a mix of interventions that focus on specific sub-groups in the MSME sector and that emphasise innovative tools and delivery approaches. The programme will be grounded in a systemic enterprise development approach, which recognises the need for interventions at micro, meso and macro levels. The programme will deliver interventions at each of these three levels, but will focus particularly on the meso level in order to develop the capacity of local institutions. In the process, the programme aims for better coordination of United Nations support on private sector development in Zambia. Led by ILO on behalf of the UN System in Zambia (including both resident and non-resident agencies), the programme will consolidate and strengthen the activities of multiple UN agencies including UNCTAD, UNDP and the UN Global Compact, within the context of the UN Development Assistance Framework and the recommendations of the High Level Panel report on UN System coherence at the country level.

¹ In full, “Broad Based Wealth and Job Creation through Citizenry Participation and Technological Advancement”.

1. Background and Justification

1.1 Situation Analysis

The Zambian economy has recorded impressive growth over recent years, but this positive development is yet to translate into broad-based wealth and employment creation. Wealth creation is limited to a minority of the population (particularly in urban areas) and income inequalities are rising. The Fifth National Development Plan (FNDP) notes that “the improved economic performance since 1999 has not significantly reduced poverty”, due to weak linkages between the capital intensive sectors which have driven growth and the rest of the economy.² Neither has growth translated into a commensurate increase in jobs. Of the 6,184,000 people in the labour force, only about 700,000 are formally employed, and the remainder is either engaged in the informal economy or unemployed.³ These statistics reflect a pervasive lack of employment and entrepreneurial opportunities throughout the Zambian population. The apparent breadth of the definition used by the Citizens Economic Empowerment Act (2006) to describe a ‘targeted citizen’ for empowerment underlines this.⁴ The lack of opportunities for decent employment holds back human development, perpetuates inequality, exacerbates poverty, and limits the prospects for achieving the MDGs. Such Decent Work deficits are highlighted in Government’s National Employment and Labour Market Policy; given prominence in the FNDP, and are at the core of the ILO Decent Work Country Programme, which includes employment as one of its four pillars.

These issues are particularly pronounced among certain sections of the population, notably women, young people and people with disabilities.⁵ These groups face particularly acute challenges in relation to technical and business management skills; market access and information; access to capital including collateral; and must often overcome barriers related to confidence and social status. Over half of women in the labour force are unpaid family workers, while 34% and 12% are self-employed and paid employees respectively. 77.7% of the female labour force works part-time. In contrast, 51% of the male labour force is self-employed and 22% are paid employees, and 67.4% works part-time.⁶ Under-employment among employed people is highest among the 15-19 age group (88.8%) and female workers have higher under-employment rates than their male counterparts in all age groups.

This situation is incompatible with Zambia’s long-term development objective, as articulated in the National Vision 2030, of becoming a prosperous middle income country by the year 2030. The associated goals call for policies that accelerate and sustain economic growth, and which enable the poor to participate in, and benefit from, the growth process. The focus of the FNDP is hence on pro-poor, growth-oriented sectors that create employment and income opportunities for the poor, under the theme of “*Achieving Broad Based Wealth and Job Creation*”.

Private sector development initiatives by the Government of Zambia and its development partners are yet to fully unlock the potential of MSME as the main engine for broad-based growth and employment creation. While some ongoing programmes do have a focus on MSME, few of them use labour-intensity as eligibility criteria, and few of them deliberately aim at unlocking the full potential of women entrepreneurs as a driver of growth. To enable the poor to participate in, and benefit from, the growth process in Zambia, there must be a focus on MSME development, and within the target market to further focus on sub-groups with untapped growth potential and with high employment creation potential, and on innovative mechanisms to release creative entrepreneurial energy.

² Fifth National Development Plan, 2006.

³ Zambia Labour Force Survey 2005, CSO, Lusaka (2007).

⁴ According to the Act, “‘targeted citizen’ means a citizen who is or has been marginalized or disadvantaged and whose access to economic resources and development capacity has been constrained due to various factors including race, sex, educational background, status and disability.” (Citizens Economic Empowerment Act, No. 9 of 2006: 39)

⁵ Job creation for women, young people and people with disabilities is one of the priority issues identified in Zambia’s Decent Work Country Programme.

⁶ Zambia Labour Force Survey 2005, CSO, Lusaka (2007).

Data on the MSME sector and the employment generated within it is incomplete and unreliable. The Ministry of Labour and Social Security has requested support towards the development of a labour market information system. The existence of more (and more reliable) data on the MSME sector would allow more informed policy dialogue and improved targeting of interventions.

Existing provision of business development service (BDS) support to the MSME sector is fragmented and standardised, and key actors lack the necessary capacity to improve service delivery to MSME. BDS providers have generally not tailored their service offer to the specific needs of MSME or segments of the MSME market. Many BDS providers have avoided the MSME sector on the assumption that it does not provide a sufficient or lucrative market. There has been insufficient attention paid to developing the capacity of BDS facilitators and BDS providers to improve their service delivery. Some interventions in the BDS market have undermined it by competing with existing BDS providers, often at subsidised rates.⁷

Ongoing PSD interventions are yet to fully exploit the potential of large-scale businesses as strategic partners in the development of MSME. Business linkages between MSMEs and large companies, whether foreign or domestic, can not only provide a market for MSMEs, but also opportunities for upgrading through technology and knowledge transfer, and enhanced access to finance. In Zambia, these opportunities have not been fully mapped, let alone exploited.⁸ The institutional framework tends to reinforce a disconnect between efforts to attract large investors and to encourage MSME development respectively. The establishment of the Zambia Development Agency (ZDA), which incorporates the functions of the erstwhile Small Enterprise Development Board as well as the Zambia Investment Centre, offers an opportunity to resolve this disconnect. However, given that investment promotion and MSE development remain in separate Divisions within the new ZDA, this will require concerted effort.

The programme described in the following aims to address these development challenges by stimulating demand for business development services at enterprise level; developing the capacity of facilitators and providers of business development services; and developing national capacity for strengthening policy development, dialogue, coordination and implementation. In the process, the programme aims for better coordination of United Nations support on private sector development in Zambia.

1.2 Links to Development Frameworks

This programme is a direct response to Zambia's Fifth National Development Plan, whose theme is 'Achieving Broad Based Wealth and Job Creation'. It is a contribution to Zambia's long-term development objective, as articulated in the National Vision 2030, of becoming a '*prosperous middle income country by the year 2030.*'

The programme relates in particular to the Employment and Labour chapter of the FNDP, and to the Private Sector Development (PSD) Reform Programme, which is described in the FNDP as the main instrument for improving the business and investment climate in Zambia during the FNDP period. Of the various PSD reform areas, the programme will relate most closely to Citizen's Empowerment, whose objective is to "unlock the growth potential of

⁷ The programme uses a broad and flexible definition of BDS, as follows: "services that are intended to improve the performance of the enterprise, its access to markets, and its ability to compete." Crucially, this definition allows the inclusion of financial services and services which unlock access to finance (e.g. business plan development), recognizing the importance of finance as a critical factor in economic empowerment.

⁸ At the policy level, the opportunities offered by business linkages have been recognized as an important ingredient in MSME development. In particular, the UNCTAD/JBIC 'Blue Book on Best Practice in Investment Promotion and Facilitation in Zambia' recommended the establishment of a linkages programme. Produced in December 2006 following a stakeholder engagement process and launched in early 2007, the Blue Book included as measure 10: 'Establish a pilot business linkages project comprising 5 TNCs'. Furthermore, the Citizens Economic Empowerment Act of 2006 sets out a framework for incentivising public and private institutions to source from Zambian MSME. Finally, the Triangle of Hope initiative has recommended the facilitation of both horizontal and vertical linkages.

citizens through business development support and empowerment initiatives.” Further, the FNDP notes that the “main purpose of the Empowerment Policy and legislation is to provide a durable and sustainable foundation for achieving a significant level of citizen participation in business and the economy in general so as to contribute to the attainment of the desired sustainable and balanced economic growth.”

The programme is also in line with the Zambia Development Agency (ZDA) Act, particularly Part V (Micro and Small Businesses). The programme will work closely with the ZDA as its internal structures and capacities are defined and developed, in order to maximize synergies between the ZDA’s various elements and service offers. In particular, the programme will seek to build alliances between the current MSE Division and the Investment Division in relation to business linkages and by supporting a structured approach to pro-poor investment promotion and facilitation.

The programme will support the implementation of aspects of the Citizens Economic Empowerment (CEE) Act (2006). The programme will work closely with the CEE Commission to ensure all programme activities are aligned with the framework of the CEE Act; monitor the impact of the Act on the MSME sector through collaboration with business associations including ZCSMBA, identifying and recommending measures to enhance impact; and develop the capacity of the Commission through the provision of policy advice, drawing on international best practice.

The programme supports the Ministry of Commerce, Trade and Industry’s efforts to develop an MSME Development Policy, which relates to BDS support structure, entrepreneurial training, market facilitation including linkage programmes, and MSME financing. It is in line with MCTI’s policy proposal and planned intervention in support of Local Economic Development.

The programme is in line with the Ministry of Labour and Social Security (MLSS)’s National Employment and Labour Market Policy, which highlights promotion and support to MSMEs, and identification and support for job and business opportunities for men and women. Furthermore, the programme will contribute to the development of a labour market information system, which has been recognised as a priority by MLSS.

The programme is also in line with the policies and activities of other related ministries and government institutions, including:

- Ministry of Housing and Local Government (responsible for decentralization, business licensing and market operations);
- Ministry of Youth, Sport and Child Development (responsible for youth issues, including youth employment);
- Gender in Development Division of the Office of the President (responsible for implementing National Gender Policy, coordinating gender mainstreaming, and promoting women’s empowerment);
- Ministry of Community Development and Social Services (responsible for issues relating to disability, and women’s income-generating groups);
- Technical Education, Vocational and Entrepreneurship Training Authority (entrepreneurship and skills development).

The programme will strengthen the UN’s active status in PSD under the Joint Assistance Strategy for Zambia (JASZ). The programme will be managed in close consultation with other PSD Cooperating Partners and initiatives including the GRZ/JICA Triangle of Hope initiative, within the overall framework of the PSD Reform Programme. The programme will contribute to a number of activities within the Triangle of Hope workplan relating to MSMEs. These include the development of a Small Aggregation Initiative (horizontal linkages) and Supply Development Schemes (vertical linkages), to which the programme will provide support on piloting and implementation, and a pilot MSME Incubation Centre, on which the programme will provide technical advice regarding best practice and sustainable business models.

Coordination with other initiatives will be managed through the UN's key contact role on economic empowerment under the PSD Cooperating Partner group, and through liaison with the designated GRZ Focal Point and the PSD Programme Management Unit. In order to mainstream the programme into national processes and to ensure local ownership, governance mechanisms will be integrated within the existing structures of the PSD Reform Programme and designed at the start of the programme together with the GRZ Focal Person and the PSD-PMU, taking into account forthcoming changes as a result of the ongoing review of its institutional structure.

The programme is in line with Priority I of the ILO Decent Work Country Programme for Zambia and will contribute to its associated operational outcomes (see Annex 2).

1.3 Target Groups and Partners

1.3.1 Intermediate beneficiaries

The intermediate or direct beneficiaries of the programme are selected MSME policy coordination bodies, and selected facilitators and providers of MSME support services, among them prominently:

- The Zambia Development Agency (ZDA), particularly the Micro- and Small Enterprise Division but also encouraging direct connections with the other Divisions including those dealing with investment and export promotion. Through the ZDA, the programme will also interact with Line Ministries that have a mandate to contribute to MSME development including the Ministry of Commerce, Trade and Industry and the Ministry of Labour and Social Security, and other statutory organisations including the Citizens Economic Empowerment Commission.
- The Zambia Chamber of Small and Medium Business Associations (ZCSMBA), the principal voice of the MSME sector in Zambia and a major facilitator of MSME support services, but where applicable also other private sector bodies like the Zambian Federation of Employers (ZFE) and sector associations like Zambian National Farmers Union (ZNFU).
- A wide range of public and private sector business development service organizations to be selected based on criteria like MSME mandate and actual delivery capacity.

The programme will mostly reach through these intermediary institutions on to the ultimate or intended programme beneficiaries.

1.3.2 Ultimate beneficiaries

The ultimate programme beneficiaries are potential and existing micro-, small and medium scale entrepreneurs (MSME). The following targeting criteria will be applied:

- Sector focus: The programme will have a focus on MSME in sectors with untapped high growth potential and characterized by high labour intensity, including but not limited to agriculture.
- Geographic focus: Main, but not exclusive, emphasis will be on MSME located in rural areas, and in selected provinces of the country.
- Legal status: The programme will explicitly cover both informal and formal businesses, and encourage the graduation from informal to formal status where appropriate, bringing with it the benefits of increased market access and extending protection and rights.
- Gender of the owner-manager: The programme will apply affirmative action towards female entrepreneurs.
- Disabilities: The programme will apply a modest level of affirmative action towards disabled entrepreneurs by encouraging BDS providers to develop BDS products that enable people with disabilities to work their way out of poverty.
- Business size: The programme will emphasize micro- and small-scale businesses as intended beneficiaries of technical support. However, it will engage directly with medium- and large-scale enterprises as a means to creating linkages, and these enterprises will enjoy the associated benefits as a by-product.

The priority sectors and target provinces will be selected at the outset of the programme in close consultation with local stakeholders.

1.3.3 Partners

The programme partners within the UN System are ILO, UNDP, UNCTAD and the UN Global Compact. The main Government counterparts in the public sector are the Ministry of Commerce, Trade and Industry (within which the Department of Industry will act as Focal Point), and the Ministry of Labour and Social Security. At an operational level, the programme will interact mainly with the relevant statutory bodies, namely the Zambia Development Agency and the Citizens' Economic Empowerment Commission. In the private sector, the programme will work with a wide range of local stakeholders, among them prominently ZCSMBA and other business associations including those representing women entrepreneurs specifically.

All of the above stakeholders have been involved in the development of this programme document, through bilateral meetings and communications as well as through a stakeholder meeting hosted by MCTI on 22nd August 2007 (the notes of which are in Annex 3). Discussions with ZCSMBA and other partners on the links between the programme and the proposed parallel BDS voucher scheme have been particularly intensive.

2. Strategy and Programme Components

2.1 Description of the Programme Strategy

The programme will follow the basic principle that that private sector development is most successful and most sustainable when it is market-driven and business-focused.

Other than to correct market failures, interventions should not distort the market and should seek to stimulate commercial solutions. Over recent years, the UN's support to private sector development in Zambia and beyond has evolved in line with this principle. For example, the Growing Sustainable Business initiative seeks to facilitate business-led, private sector solutions to poverty, with a minimum of intervention. UNCTAD's EMPRETEC programme seeks to identify real market opportunities for MSMEs within the value chains of large enterprises. The BDS Zambia programme seeks to identify and apply information and communication technologies that can improve market information for MSMEs. The objective is to stimulate sustainable markets that provide both business benefits and development impact.

The programme will be delivered in the context of the Fifth National Development Plan and the joint assistance strategy (JASZ) that outlines the collective response of the bilateral and multilateral cooperating partners in terms of the assistance that they will provide to Zambia. The JASZ describes a division of labour along the lines of the sectors as described in the FNDP. Within this framework, the UN is a designated 'active' partner in private sector development (PSD) and under the terms of the PSD Memorandum of Understanding signed by GRZ, private sector and PSD Cooperating Partners, is committed to alignment of all PSD interventions with national systems and processes within the framework of the PSD Reform Programme. In addition, with the late inclusion of a new chapter on Employment and Labour in the FNDP, Government has intimated its desire to have the ILO as the lead cooperating partner for this sector. In this regard a sector advisory group is in the process of being formed.

The programme will integrate and coordinate the respective activities of UN agencies to Deliver as One. In the past, UN agencies working on these aspects of private sector development have delivered technical assistance and capacity development in a separate and sometimes uncoordinated manner. Within the context of the recommendations of the High Level Panel report on UN System coherence at the country level, there is increasing recognition of the synergies and complementarities that can be achieved through closer collaboration and Delivering as One. This proposal reflects an ambition and an opportunity to deliver an inclusive 'One UN' approach to support on private sector development in Zambia, with the ILO taking the lead but working closely with UNDP, UNCTAD and the Global Compact in the first instance, as well as other UN agencies in due course.

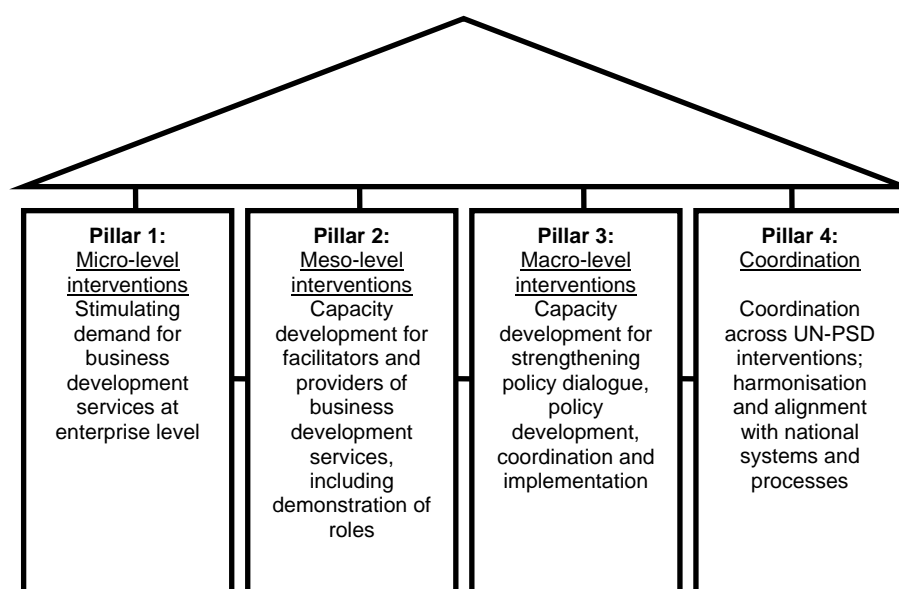
The programme will consolidate and coordinate existing UN-PSD interventions in Zambia, but will also introduce new interventions and scale up the overall level of support. The programme will incorporate ongoing, resourced activities under the ILO WEDGE project and ILO/Sida BDS Zambia project. It will continue and build on previous interventions under the UNDP GSB initiative, which otherwise would not have been delivered given resource constraints. It will allow the introduction of the UNCTAD/EMPRETEC entrepreneurship behaviour training methodology in Zambia, as requested by the Government, which otherwise would not have been achieved. It will create a platform for the consolidation and extension of previous interventions in relation to BDS. It will allow the United Nations to provide standing policy and capacity development support to the Government and national institutions, as well as perform the key contact role on economic empowerment and BDS within the PSD Cooperating Partner Group, which until now has been performed on an ad hoc and unsustainable basis. By combining these interventions within a holistic and comprehensive package of support, it will create synergies and scale effects.

The programme will be grounded in a systemic enterprise development approach⁹, which acknowledges the inter-dependence between stakeholder groups within a given wealth creation system. The approach distinguishes between three major system levels of interaction between business stakeholders:

- The macro-level of the system is captured by stakeholders with a mandate for defining and coordinating a conducive policy and regulatory framework for ‘doing business’ within the set system boundaries. This includes relevant Government Ministries, statutory bodies and national umbrella bodies set up by employers and workers.
- The meso-level of the system is the institutional environment, and in the context of this programme comprises stakeholders with a mandate to facilitate or physically deliver BDS to MSME. A BDS, here, can be any non-financial or financial service meant to improve the performance of a business. Examples of such institutions are industry associations, consultancy companies or vocational training institutes.
- The micro-level of the system is made up by the stakeholders directly involved in the market exchange for a good or service, either by taking a stake in the production and provision of the product, or by buying and consuming it. In this context, this level comprises individual businesses or groups thereof.

Based on the framework above, the systemic enterprise development approach emphasizes interventions that are tailored to the specific needs of the corresponding core stakeholders and recognises the need for interventions at all levels and that reinforce the links between those levels.

With this systemic enterprise development approach in mind, the intervention strategy of the programme is based on *three+one* pillars. The first, second and third programme pillar define intervention areas on the micro-level, the meso-level and the macro-level as described above. The fourth pillar refers to lateral coordination of UN-PSD initiatives in Zambia, within the broader framework of the PSD programme defined by the Government of Zambia and implemented together with other cooperating partners. The four programme pillars are illustrated in the diagram below.



As indicated in the diagram above, pillar 1 comprises interventions aimed at stimulating demand for BDS at enterprise level. The main focus of this pillar will be the establishment of a BDS voucher scheme intended to enhance MSME access to quality BDS services. The scheme itself is the subject of a parallel but structurally linked project, led by

⁹ This draws on an emerging framework developed by ILO within which all enterprise development activities in the sub-region are delivered.

ZDA with significant input from ZCSMBA and ZNFU, and delivered through a resourcing agreement between ZDA and Finland, the Netherlands and the United Nations. The United Nations input into this scheme will comprise direct in-kind technical assistance at micro-level (see output 1.1 and associated activities described below), as well as indirect inputs at meso- and macro-levels (see outputs 2.1-2.6 and 3.1-3.3 and associated activities described below). The measures at micro-level will provide technical support to ZDA, ZCSMBA and ZNFU related to the establishment and operations of the voucher scheme, drawing on lessons from international practice as necessary. The measures at meso- and macro-level will ensure that the voucher scheme does not operate in isolation, and that interventions to strengthen the supply side of the BDS market complement the voucher-based interventions on the demand side. Pillar 1 will also include measures at the micro-level that create demand among MSME and large enterprises for business linkage brokerage services.

Pillar 2 comprises interventions aimed at strengthening the delivery capacity of BDS facilitators and providers. Among the service facilitators, the programme will work closely with ZCSMBA but where applicable also with other local organizations including the Zambian Federation of Employers and other parties with a mandate for MSME facilitation services. At the provider level, the programme will work with a wide range of public and private sector organizations, including organizations such as the Women's Entrepreneurship Development Association of Zambia that have a mandate to reach out particularly to women entrepreneurs. Activities under this pillar will include the establishment of a BDS market information system; developing operating procedures and quality standards for BDS facilitators and providers; supporting BDS product development and adaptation for the MSME market; supporting BDS marketing systems; developing capacity to facilitate business linkages and related pro-poor business models; and technical assistance related to MSME Incubation Centres.

Capacity development activities will include the demonstration of roles and functions that local institutions will eventually perform themselves. In the short-term, the programme will employ staff or consultants to perform certain roles for which there is currently a lack of institutional mandate or capacity. The resulting demonstration effect will form part of the national capacity development process. This applies in particular to three interventions:

a. Brokerage of business linkages and related pro-poor business models: The programme will employ and train a nationally recruited Business Linkages Broker, who will build on the previous work of the UNDP Growing Sustainable Business (GSB) Broker.¹⁰ The Business Linkages Broker will apply the GSB methodology for partnership-based business model development and implementation, as well as the UNCTAD/EMPRETEC business linkages methodology as developed in other countries including Uganda to screen and evaluate business linkages potential.¹¹ The Business Linkages Broker will work closely with national institutions (ZDA and ZCSMBA in the first instance) as part of a structured transition process during which one or more of those institutions will be exposed to the methodologies used to facilitate and broker business linkages and the capacity to apply such methodologies developed. The transition process will have the following benchmarks:

- Month 10: Local institution and focal point/counterpart identified and exposed to methodologies through close liaison with the Business Linkages Broker. Capacity assessment completed and capacity development responses designed in collaboration with host institution. Business Linkages Taskforce established, chaired by ZDA.
- Month 20: Capacity development responses delivered. Business Linkages Broker physically and institutionally situated in local institution.

¹⁰ This will include the continuation of previous work on specific GSB projects that relate to business linkages, notably the Spar supplier linkages programme and work with Zambian Breweries on cassava processing. Opportunities to link these and new business linkages projects with previous GSB input in the aquaculture, dairy and microfinance sectors will be maximized.

¹¹ The methodology identifies leadership abilities and business linkages potential according to buyers' requirements, quality, delivery capacity and other criteria. In applying this methodology, the programme will draw on the expertise developed by the EMPRETEC Africa Forum, in particular, the Uganda, Zimbabwe and Ethiopia EMPRETEC Centres.

- Month 36: Business Linkages Brokerage function fully developed within a local institution, with staff trained and sustainable stakeholder partnerships established.
- b. Entrepreneurial behaviours:** The programme will introduce the UNCTAD/EMPRETEC methodology to Zambia, as requested by MCTI.¹² In the initial stages, this will be done using the UNCTAD/EMPRETEC master trainers who have experience in other sub-Saharan African countries. These master trainers will deliver a series of workshops in the first year of the programme, which will introduce the methodology and tailor specific materials for use in the Zambian context. From these workshops and through direct engagement with existing BDS facilitators and providers, local master trainers will be identified and trained for the delivery of subsequent workshops. In the second and third years, the input of the external master trainers will be reduced progressively and activities will focus on providing support to local BDS providers and ensuring quality control through monitoring and evaluation.
- c. BDS Advisory Services:** The programme will employ and train a nationally recruited BDS Advisor, who will be responsible for the management and delivery of a portfolio of activities related to BDS capacity development. The BDS Advisor will draw on services offered through ongoing UN initiatives including ICT-based BDS as promoted through the BDS Zambia project; and BDS for women entrepreneurs as promoted through the WEDGE project. He/she will also provide technical support in relation to new activities including the BDS voucher scheme, BDS market information system, BDS product development and adaptation for the MSME market; BDS marketing systems and MSME Incubation Centres. The BDS Advisor will be backstopped directly by the Senior Enterprise Development Specialist of ILO's sub-regional office in Harare.

Pillar 3 comprises interventions aimed at creating a more conducive policy, legal and regulatory framework for MSME development in Zambia. Interventions will develop the capacity of local institutions (notably MCTI, MLSS, ZDA and the CEE Commission) for MSME-related policy planning, coordination and implementation, as well as developing the capacity of other institutions (including workers' and employers' organisations and those institutions representing the interests of MSME such as ZCSMBA) to participate in strengthened policy dialogue. Interventions will include policy advisory services and the facilitation of policy dialogue.

Pillar 4 comprises interventions that coordinate the UN response to private sector development in Zambia and that harmonize and align UN interventions with national systems and processes and interventions supported and delivered by other cooperating partners. Interventions will focus on knowledge management; engagement of and liaison with the private sector, Government and other partners; and UN coordination and representation.

2.2 Programme Objectives, Outputs and Activities

2.2.1 Development Objective/Programme Impact

The development objective of the programme is to contribute to broad-based wealth and job creation in Zambia, in particular by stimulating investment, entrepreneurship and employment creation within the MSME sector and through pro-poor business models.

The long-lasting change induced by the programme will be an increased number of employment opportunities in the Zambian MSME sector, and increased incomes for both MSME owner-managers and their employees. Our vision of success is reduced vulnerability and a material improvement in the market opportunities and incomes of at least ten thousand MSME during the life of the programme. Within the economically active population in the MSME sector, women, the youth and people with disabilities will have benefited in particular from these changes.

¹² Note 77/07 of 28 March 2007 received from Zambia's Permanent Mission in Geneva requesting UNCTAD to "consider initiating the EMPRETEC Programme in Zambia through the Zambia Chamber of Small and Medium Business Associations".

2.2.2 Immediate objectives/programme outcomes

The immediate programme objectives and direct programme outcomes are as follows:

Objective 1: Stimulate demand for business development services among targeted MSME.

Outcome: An increased BDS¹³ take-up rate, particularly but not exclusively among MSME with special vulnerability characteristics. Furthermore, these MSME will have expressed their satisfaction with these services and as one indication of the actual service quality, many of these MSME will have made repeat use of the service offer.

Objective 2: Strengthen the service delivery capacity of MSME service facilitators and providers.

Outcome: A sustainable and resilient national institutional capacity to facilitate and deliver BDS to MSME. At the facilitator level, the partner organizations of the programme will have increased the number of BDS providers registering as members with the facilitators, among them prominently ZCSMBA, and expressing their satisfaction with the facilitator services rendered through the latter. At the provider level, the partner organisations of the programme will have increased the number of BDS units sold to local MSME (either in return for cash or in-kind through vouchers). These providers will have furthermore adjusted their product portfolio and developed BDS products tailored to the needs and wants of an MSME clientele, and they will have proven capacity to market these services among MSME. Finally, the MSME clients of these providers will have expressed their satisfaction with the increased service quality.

Objective 3: Strengthen policy dialogue, planning and coordination on economic empowerment through MSME development.

Outcome: Increased coherence in the policy, regulatory and legal framework that constitutes the policy environment for PSD in Zambia, as relates to MSME development. Also, the key stakeholders in this policy environment, and among them prominently the Zambia Development Agency, will have more effectively coordinated the implementation of the MSME-related PSD initiatives as a result of the programme interventions.

Objective 4: Generate greater coherence among UN-PSD interventions.

Outcome: Synergies and scale effects resulting from the better coordination among UN-PSD initiatives, and among them prominently initiatives that focus on MSME development, and from greater harmonization with other interventions and alignment with national institutions and processes.

2.3 Outputs and activities

The outputs and activities associated with each of the immediate objectives are identified in the following table.

2.4 Indicators of achievement

The project impact and output indicators are illustrated in the table below.

¹³ In this section we include business linkage brokerage as a BDS.

Objective	Outputs	Activities
1. Stimulate demand for business development services among targeted MSME.	1.1 Establishment of a BDS voucher programme for MSME in selected sectors of the Zambian economy	1.1.1 Expose ZCSMBA and ZNFU to regional and international best practice in setting up and operating a BDS voucher scheme 1.1.2 Based on the findings of the BDS market analysis (see output 2.1 below), train and advise ZCSMBA and ZNFU how to determine priority sectors, priority target groups and priority BDS products to be covered by the voucher scheme 1.1.3 Assist ZCSMBA and ZNFU to identify an institutional arrangement for the establishment and operations of the voucher fund 1.1.4 Train and advise ZCSMBA and ZNFU to develop standards voucher scheme operations procedures for service coordinators, service facilitators and service providers (as part of the broader standards operations manuals to be developed under output 2.2) 1.1.5 Advise ZDA, ZCSMBA and ZNFU on implementing their respective roles at the coordinator and facilitator levels of the voucher scheme, and to how to monitor compliance of BDS organizations at the provider level 1.1.6 Monitor and evaluate the outcomes and impact of the voucher scheme
	1.2 Increased awareness among existing and potential TNCs and large local companies of the importance and benefits of creating business linkages with MSME	1.2.1 Individual meetings and workshops with TNCs and large local companies 1.2.2 Disseminate information about potential benefits of business linkages through documented best practices in various media, through the Global Compact membership and through business associations
2. Strengthen the service delivery capacity of MSME service facilitators and providers.	2.1 A widely accessible BDS market information system covering the supply of, and demand for, BDS for selected sectors and target groups.	2.1.1 Carry out research on the supply of, and demand for, BDS for selected sectors and target groups 2.1.2 Develop a market information system to document and widely disseminate the information among MSME, providers and interested parties 2.1.3 Capacitate the facilitator(s) to operate and maintain the market information system
	2.2 Standard operating procedures and quality standards manuals for BDS coordinator, BDS facilitators and BDS providers	2.2.1 In close consultation with MSME, BDS providers, BDS facilitators and the coordinator, develop standard operating procedures and service quality standards for stakeholders at all system levels 2.2.2 Train and advise the coordinator and facilitators on compliance with these procedures and service quality standards 2.2.3 Develop a multi-level quality control system and capacitate the coordinators, facilitators and providers to use the system

Objective	Outputs	Activities
	2.3 BDS products that are affordable for, and meet the demand of, MSME in the selected sectors and target groups, including ICT-based BDS and those that target women.	2.3.1 Based on the outcomes of the market research (refer to output 2.1), and together with BDS partner organisations, carry out internal assessments of BDS providers' product portfolios 2.3.2 Introduce or adapt existing and/or develop new BDS tools and products in close collaboration with the BDS partner organisations, including but not limited to: <ul style="list-style-type: none"> - UNCTAD/EMPRETEC (entrepreneurial behaviours) - Generate Your Business Idea, Start Your Business, Expand Your Business and related tools - Products that target women including exhibition skills and tools for Growth-Oriented Women Entrepreneurs - ICT-based BDS 2.3.3 Support BDS providers in market segmentation and the corresponding adaptation of products 2.3.4 For adapted/new BDS products, support BDS providers to pilot the products, and pending pilot outcome, to finalise these products 2.3.5 Support BDS facilitators and providers to deliver existing, adapted and new BDS products to the market, through institutional support, training of trainers, provision of training materials, manuals and other material 2.3.6 Monitor and evaluate the outcome and impact of new product development against the set of quality standards, and document emerging best practice
	2.4 BDS pricing, promotion and distribution systems tailored to the needs of MSME in the priority sectors and target groups.	2.4.1 Informed by the outcomes of the market research (refer to output 2.1), train and advise BDS providers how to sell their products to MSME 2.4.2 Assist these providers to pilot innovative marketing approaches and document emerging best practice 2.4.3 Monitor and evaluate the outcome and impact of the marketing effort against the set quality standards, and document emerging best practice
	2.5 Increased understanding of and capacity to play the roles that local institutions can perform in facilitating and brokering business linkages and related pro-poor business models	Drawing on both the GSB methodology and the EMPRETEC business linkages methodology: <ul style="list-style-type: none"> 2.5.1 Map linkage opportunities by sector and subsector and according to geographical location 2.5.2 Rank opportunities by criteria (to be developed) such as MSME development impact, ease of upgrading MSME suppliers, availability of technical assistance 2.5.3 Identify and engage potential partner enterprises and technical assistance providers 2.5.4 Train staff within BDS facilitators and providers in business linkages, aggregation joint ventures and best practice 2.5.5 Develop guidelines and other documentation tailored to specific BDS facilitators and providers according to best practice 2.5.6 Demonstrate roles and functions through brokerage of linkage and aggregation projects with businesses, including: <ul style="list-style-type: none"> - gaining knowledge about specific companies' value chains and verifying roles that each stakeholder could play - providing support for specific market research and business model development - assisting TNCs and large local companies to identify suitable MSME partners and technical assistance partners - screening and evaluating MSME according to agreed criteria - facilitating access to technical assistance to upgrade productive capacities of MSME in line with buyers' needs - facilitating access to technical assistance to design and implement aggregation joint ventures - drawing out specific lessons for policymakers 2.5.7 Provide ongoing technical assistance to BDS facilitators and providers following the adoption of business linkages brokerage function 2.5.8 Introduce and apply monitoring and evaluation mechanisms within local institutions, including feedback systems between MSMEs, large companies and project partners

Objective	Outputs	Activities
	2.6 Increased understanding of BDS coordinator, facilitators and providers of the functions of an MSME Incubation Centre	2.6.1 Training for representatives of BDS coordinator, facilitators and providers in the functions of an MSME Incubation Centre 2.6.2 Provide guidance on how to develop public-private partnerships and related business models intended to ensure the sustainability of MSME Incubation Centres 2.6.3 Technical assistance to BDS coordinator and facilitators following the establishment of a pilot MSME Incubation Centre, including support on monitoring and evaluation and strategies for replication
3. Strengthen policy dialogue, planning and coordination on economic empowerment through MSME development.	3.1 Increased coherence and efficacy of relevant policies, strategies and legal frameworks	3.1.1 Review existing policies, strategies and legal frameworks including the ZDA Act, CEE Act and draft MSME policy and highlight incoherence and opportunities for improved coherence 3.1.2 Recommend policy amendments that would create a more conducive environment for the creation of business linkages 3.1.3 Ongoing policy advice on a demand-driven basis to MCTI, MLSS, ZDA and CEE Commission on economic empowerment and MSME, drawing on international good practice 3.1.4 Strengthen capacity of ZDA to coordinate and implement MSME-related policies and strategies
	3.2 Strengthened policy dialogue among key stakeholders	3.2.1 Establish strategic linkages between key stakeholders including workers' and employers' organisations and those institutions representing MSME 3.2.2 Build capacity of workers' and employers' organisations to engage in pro-employment policy dialogue, including that related to MSME 3.2.3 Provide technical support to ZCSMBA/ZIBA regarding its annual monitoring of the implementation of the CEE Act among members, and to generate constructive suggestions for amendments to the CEE Act and its implementation, based on the findings of the annual monitoring exercise 3.2.4 Draw policy lessons from the implementation of pro-poor business partnerships and pass these through appropriate channels including the institutional structures of the PSD Reform Programme and specific line ministries as appropriate 3.2.5 Familiarise policy community with international best practice and successful examples of business linkages, and promote dialogue on measures to promote the development of business linkages 3.2.6 Establish a multi-stakeholder Business Linkages Taskforce chaired by ZDA that will provide support and coordination mechanisms to implement and monitor business linkages 3.2.7 On behalf of and in collaboration with Cooperating Partners, perform the key contact role within the PSD CP group on economic empowerment, MSME and BDS
	3.3 MSME component of a labour market information system developed	3.3.1 Provide technical assistance to MLSS and ZCSMBA towards the development of a labour market information system within which information on employment within the formal and informal MSME sector is gathered and disseminated
4. Generate greater coherence among UN-PSD interventions.	4.1 All activities within UN-PSD interventions harmonised and coordinated.	4.1.1 Track and coordinate all UN-PSD interventions in Zambia 4.1.2 Engage the private sector in dialogue and with regard to specific UN PSD interventions 4.1.3 Represent UN within fora such as the PSDRP Working Groups and the PSD Cooperating Partner group 4.1.4 Engage in dialogue on PSD with GRZ, the private sector and other partners 4.1.5 Outreach within and beyond the immediate UN project partners (ILO, UNDP, UNCTAD and Global Compact) to encourage sharing of information and joint activities. 4.1.6 Ongoing liaison with MCTI Focal Point, PSD-PCU, ZDA and CEE Commission to maximise alignment and harmonisation of UN support with national institutions and processes

Project impact and output indicators of achievement

Objectives	Indicators	Means of Verification	Assumptions
<p>Development Objective: To contribute to broad-based wealth and job creation in Zambia, in particular by stimulating investment, entrepreneurship and employment creation within the MSME sector and through pro-poor business models</p>	<ul style="list-style-type: none"> ▪ No of new jobs created by MSME (gender-disaggregated with affirmative action threshold) ▪ Increase in MSME incomes (gender disaggregated with affirmative action threshold) <p><i>Vision of success: Reduced vulnerability and a material improvement in the market opportunities and incomes of at least ten thousand MSME during the life of the programme.</i></p>	<ul style="list-style-type: none"> • PACRO data • ZCSMBA data • ZDA data • Labour Force Survey and related labour market information 	<ul style="list-style-type: none"> ▪ Political stability in Zambia ▪ Supportive policy environment for private sector development
Immediate Objectives			
1: Stimulate demand for BDS among targeted MSME	<ul style="list-style-type: none"> ▪ BDS uptake rate among MSME in priority sectors ▪ Repeat BDS usage among these MSME ▪ Increased awareness among existing and potential TNCs and large local companies of the importance and benefits of creating business linkages with MSME 	<ul style="list-style-type: none"> ▪ Voucher scheme audits ▪ BDS provider client records ▪ Impact assessment 	<ul style="list-style-type: none"> ▪ Resources allocated to the parallel BDS voucher scheme
2: Strengthen the service delivery capacity of MSME service facilitators and providers	<p><u>Facilitator level</u></p> <ul style="list-style-type: none"> ▪ No of providers registering as members with the facilitator bodies ▪ Satisfaction rate of BDS providers with facilitator services <p><u>Provider level</u></p> <ul style="list-style-type: none"> ▪ No of service units sold to MSME in cash or kind ▪ No of new service products tailored to MSME ▪ MSME service satisfaction rate 	<ul style="list-style-type: none"> ▪ Membership databases ▪ Membership surveys ▪ Physical evidence of new products ▪ Impact assessments at MSME level ▪ WEDGE programme progress reports ▪ BDS Zambia programme progress reports ▪ Business linkages monthly progress reports 	<ul style="list-style-type: none"> ▪ At least satisfactory capacity on the supply side of the BDS market already established at the launch of the programme, both on the facilitator and provider level
3: Strengthen policy dialogue, planning and coordination on economic empowerment through MSME development	<ul style="list-style-type: none"> ▪ % of policy stakeholders stating that the policy, legal and regulatory framework has been streamlined and fine-tuned with a view to MSME development and with special emphasis on the priority sectors ▪ % of MSME in the target sectors classifying the business climate as improved 	<ul style="list-style-type: none"> ▪ MCTI and ZDA data ▪ PSD Reform Programme progress reports ▪ Annual reports of Citizens' Economic Empowerment Commission ▪ Outcomes of ZCSMBA annual reviews of CEE implementation ▪ World Bank Investment Climate Assessment ▪ Doing Business indicators ▪ Stakeholder surveys 	<ul style="list-style-type: none"> ▪ Coordination commitment among policy level, including willingness to comply with reporting requirements ▪ ZDA established and operational by the time of programme launch ▪ MSME willing to collaborate in surveys
4: Generate greater coherence among UN-PSD interventions	<ul style="list-style-type: none"> ▪ Increased number of opportunities for joint programming identified and implemented ▪ More consistent messages on the UN's role and activities in PSD communicated to stakeholders ▪ Greater information flow between UN agencies on PSD related activities in Zambia 	<ul style="list-style-type: none"> ▪ UNCT/ZUNDAF progress reports ▪ PSD theme group reports ▪ Stakeholder surveys 	<ul style="list-style-type: none"> ▪ Commitment to collaborate at heads of agency level ▪ Willingness in UNCT to commit resources

Outputs	Indicators	Means of Verification	Assumptions
1.1 Establishment of a BDS voucher programme for MSME in selected sectors of the Zambian economy	<ul style="list-style-type: none"> BDS Voucher scheme established BDS uptake rate among MSME in priority sectors Repeat BDS usage among these MSME 	<ul style="list-style-type: none"> Voucher scheme audits BDS provider client records Impact assessment 	<ul style="list-style-type: none"> Resources allocated to the parallel BDS voucher scheme
1.2 Increased awareness among existing and potential TNCs and large local companies of the importance and benefits of creating business linkages with MSME	<ul style="list-style-type: none"> At least twenty large enterprises committed to developing linkages with MSME. 	<ul style="list-style-type: none"> Business linkages monthly progress reports 	<ul style="list-style-type: none"> Large enterprises are willing to see business linkages as a business opportunity rather than philanthropy
2.1 A widely accessible BDS market information system covering the supply of, and demand for, BDS for selected sectors and target groups.	<ul style="list-style-type: none"> Physical evidence of a fully operational market information system (e.g. online or offline BDS directories/search engine; customer hotlines etc) Market research reports 	<ul style="list-style-type: none"> On site verification 	<ul style="list-style-type: none"> Local consultants have at least satisfactory capacity to carry out the market research Local service providers have the capacity to develop an ICT-based market information system
2.2 Standard operating procedures and quality standards manuals for BDS coordinator, BDS facilitators and BDS providers	<ul style="list-style-type: none"> Standard operations manuals for providers and facilitators Quality standards manuals 	<ul style="list-style-type: none"> Physical evidence 	<ul style="list-style-type: none"> Providers and facilitators are committed to comply with established service standards
2.3 BDS products that are affordable for, and meet the demand of, MSME in the selected sectors and target groups, including ICT-based BDS and those that target women.	<ul style="list-style-type: none"> Portfolio assessment reports for each partner organisation At least six new product development/adaptation initiatives launched At least four commercially viable BDS products M&E tools and processes to monitor outcomes and impact of the new product development effort 	<ul style="list-style-type: none"> Physical evidence of reports Physical evidence of new products Interviews with BDS organisations during mid-term review and end of programme impact evaluation Income statements of BDS organisations M&E data 	<ul style="list-style-type: none"> Local partner organisations are committed to implement new product development Local partner organisations are willing to share performance data with the evaluators
2.4 BDS pricing, promotion and distribution systems tailored to the needs of MSME in the priority sectors and target groups.	<ul style="list-style-type: none"> 75% of BDS providers modify their existing pricing, distribution and promotion systems in line with international best practice, and in response to established needs and wants of target MSME M&E tools and processes to monitor outcomes and impact of the marketing effort 	<ul style="list-style-type: none"> Physical evidence M&E data Mid-term progress review and end of programme impact evaluation 	<ul style="list-style-type: none"> Local partner organisations are willing to adapt/modify their existing marketing systems
2.5 Increased understanding of and capacity to play the roles that local institutions can perform in facilitating and brokering business linkages and related pro-poor business models	<ul style="list-style-type: none"> Report summarising and ranking linkage opportunities by sector and subsector and geographical location Focal points in local partner organisations trained and other capacity development needs identified and delivered Standard operations manuals developed for specific local organisations 	<ul style="list-style-type: none"> Business linkages monthly progress reports Physical evidence M&E data Mid-term progress review and end of programme impact evaluation 	<ul style="list-style-type: none"> Technical assistance partners remain committed to collaboration Business linkages remains a priority at policy level

Outputs	Indicators	Means of Verification	Assumptions
	<ul style="list-style-type: none"> At least ten partnerships with large enterprises actively developing linkages; methodology and results documented and disseminated to local partners M&E tools and processes to monitor outcomes and impact of business linkages efforts 		
2.6 Increased understanding of BDS coordinator, facilitators and providers of the functions of an MSME Incubation Centre	<ul style="list-style-type: none"> Standard operations manual based on best practice, including guidance on public-private partnerships and related business models M&E tools and processes to monitor outcomes and impact of pilot MSME Incubation Centre 	<ul style="list-style-type: none"> Physical evidence 	<ul style="list-style-type: none"> Local partner organisations accept the need for MSME Incubation Centres to be financially sustainable
3.1 Increased coherence and efficacy of relevant policies, strategies and legal frameworks	<ul style="list-style-type: none"> Recommendations for policy amendments Implementation of adopted recommendations Improved coordination and implementation of MSME-related policies and strategies 	<ul style="list-style-type: none"> Physical evidence Survey of MSME associations Mid-term progress review and end of programme impact evaluation 	<ul style="list-style-type: none"> Local partner organisations committed to policy implementation and willing to adopt best practice Local partner organisations are willing to share performance data with the evaluators
3.2 Strengthened policy dialogue among key stakeholders	<ul style="list-style-type: none"> Greater strategic linkages between key stakeholders Constructive suggestions regarding the CEE Act and its implementation generated by ZCSMBA/ZIBA on an annual basis Business Linkages Taskforce established and actively supporting and monitoring business linkages Active participation in PSD CP group as key contact on economic empowerment, MSME and BDS 	<ul style="list-style-type: none"> Survey of MSME associations and tripartite constituents Physical evidence Business linkages monthly progress reports Survey of PSD Cooperating Partners 	<ul style="list-style-type: none"> Local partner organisations willing to engage constructively in policy debates Business linkages remains a priority at policy level Economic empowerment, MSME and BDS remains a priority within PSDRP
3.3 MSME component of a labour market information system developed	<ul style="list-style-type: none"> Standard operations manuals 	<ul style="list-style-type: none"> Physical evidence 	<ul style="list-style-type: none"> Parallel resources are allocated for the implementation of the LMIS
4.1 All activities within UN-PSD interventions harmonised and coordinated.	<ul style="list-style-type: none"> UN-PSD focal point established and actively tracking all UN PSD interventions Governance of programme aligned and harmonised with national systems and processes 	<ul style="list-style-type: none"> Mid-term progress review and end of programme impact evaluation 	<ul style="list-style-type: none"> Commitment to collaborate at heads of agency level GRZ systems and processes are able to accommodate programme governance requirements

2.5 Assumptions and Risks

Overall, the programme design is based on the assumption that poverty alleviation by way of private sector development in general, and MSME development in particular, will remain a priority of the Government of Zambia over the coming years. A shift in these development priorities would severely impact on the delivery capacity of the programme but the likelihood of this event is classified as very low since poverty alleviation through private sector development and MSME development have been firmly endorsed in the Fifth National Development Plan.

The programme design also assumes that overall macro-economic and macro-political framework in Zambia will remain stable in the coming years. A deterioration of the macro-economic or macro-political environment would severely curtail the delivery capacity of the programme but the risk of this event is classified as low in the light of recent GDP growth rates and the political stability in the country over the last five years.

Many outputs and activities will have a partnership development and capacity development character. For these, close engagement with prospective partner institutions and in some cases capacity needs assessments will be undertaken. This engagement process will need to be flexible and responsive to changes in the institutional environment, given that some of the likely partners are nascent organisations (notably the Zambia Development Agency and the Citizens' Economic Empowerment Commission). It remains to be seen whether ZDA will have become fully operational by end 2007. If the institution building process is delayed, ZDA might not be in a position to fully play the intended MSME policy coordination role, and the programme might need to look into alternative collaboration arrangements with one of the Line Ministries or alternatives. Similarly, the CEE Commission will need to be fully operational by end 2007.

Close attention will need to be paid to the absorptive capacity of the local partner organizations on the coordinator level, the facilitator level and the provider level. The pressure on local organizations to work with multiple international agencies may lead to delays in implementation.

Finally, the success of the programme will strongly depend on the actual performance of the UN-facilitated projects and other projects that it intends to bring together. For example, the programme capacity to stimulate demand for BDS will partly depend on the performance of the BDS voucher project, the BDS Zambia project will play a crucial role to reach MSME via mass media and the WEDGE project will be crucial in reaching out to women entrepreneurs. Failure of any of these projects to perform would as a direct result negatively impact on the delivery capacity of the overarching programme. To hedge against this risk, the programme management unit will need to very closely work together with the project coordinators, and where necessary seek to intervene with corrective action (i.e. by way of technical support).

2.6 Prior Obligations

In line with the assumptions discussed above, the following prior obligations will need to be met:

- The Government of Zambia will need to ensure that ZDA and CEEC are fully operational by end 2007.
- BDS Voucher scheme: The BDS voucher scheme should be launched simultaneously with the programme, with a Memorandum of Understanding spelling out the nature and scope of the planned collaborative effort and the responsibilities of each institution involved.
- Local facilitator bodies: ZCSMBA and other facilitator bodies should have committed in writing to the programme, and should have signed Memoranda of Understanding spelling out the nature and scope of the planned collaborative effort.

3. Implementation Plan

Illustrated overleaf is the tentative implementation plan for the programme. The implementation plan might be refined and adjusted during the programme inception phase and together with local stakeholders, and it will be reviewed at six-month intervals within the agreed programme governance structure.

EXECUTION SCHEDULE

Outputs	Activities	Months											
		1-3	4-6	7-9	10-12	13-15	16-18	19-21	22-24	25-27	28-30	31-33	33-36
1.1 Establishment of a BDS voucher programme for MSME in selected sectors of the Zambian economy	1.1.1												
	1.1.2												
	1.1.3												
	1.1.4												
	1.1.5												
	1.1.6												
1.2 Increased awareness among existing and potential TNCs and large local companies of the importance and benefits of creating business linkages	1.2.1												
	1.2.2												
2.1 A widely accessible BDS market information system covering the supply of, and demand for, BDS for selected sectors and target groups.	2.1.1												
	2.1.2												
	2.1.3												
2.2 Standard operating procedures and quality standards manuals for BDS coordinator, BDS facilitators and BDS providers	2.2.1												
	2.2.2												
	2.2.3												
2.3 BDS products that are affordable for, and meet the demand of, MSME in the selected sectors and target groups, including ICT-based BDS and those that target women.	2.3.1												
	2.3.2												
	2.3.3												
	2.3.4												
	2.3.5												
	2.3.6												
2.4 BDS pricing, promotion and distribution systems tailored to the needs of MSME in the priority sectors and target groups.	2.4.1												
	2.4.2												
	2.4.3												
2.5 Increased understanding of and capacity to play the roles that local institutions can perform in facilitating and brokering business linkages and related pro-poor business models	2.5.1												
	2.5.2												
	2.5.3												
	2.5.4												
	2.5.5												
	2.5.6												
	2.5.7												
	2.5.8												
2.6 Increased understanding of BDS coordinator, facilitators and providers of the functions of an MSME Incubation Centre	2.6.1												
	2.6.2												
	2.6.3												
3.1 Increased coherence and efficacy of relevant policies, strategies and legal frameworks	3.1.1												
	3.1.2												
	3.1.3												
	3.1.4												

EXECUTION SCHEDULE

Outputs	Activities	Months											
		1-3	4-6	7-9	10-12	13-15	16-18	19-21	22-24	25-27	28-30	31-33	33-36
3.2 Strengthened policy dialogue among key stakeholders	3.2.1												
	3.2.2												
	3.2.3												
	3.2.4												
	3.2.5												
	3.2.6												
	3.2.7												
3.3 MSME component of a labour market information system developed	3.3.1												
4.1 All activities within UN-PSD interventions harmonised and coordinated.	4.1.1												
	4.1.2												
	4.1.3												
	4.1.4												
	4.1.5												
	4.1.6												

4. Institutional Framework and Management Arrangements

4.1 Institutional Framework

The main Government counterparts in the public sector are the Ministry of Commerce, Trade and Industry and Ministry of Labour and Social Security. The Department of Industry within MCTI will act as the Focal Point for Government, and the Acting Chief Economist (who has overall responsibility for MSME) will act as the Focal Person. At an operational level, the programme will interact mainly with the relevant statutory bodies, namely the Zambia Development Agency and the Citizens' Economic Empowerment Commission. Close liaison with the PSD Programme Coordinating Unit within MCTI will ensure alignment with the PSD Reform Programme and associated interventions including the Triangle of Hope. In the private sector, the programme will work with a wide range of local stakeholders, among them prominently with ZCSMBA. Through these facilitators and providers, the programme will reach the ultimate programme beneficiaries on the ground.

The institutional framework underpinning the programme design is based on a set of normative assumptions:

- The main role of Government is to create a conducive political and legal environment that stimulates a vibrant environment for business development services. In particular, Government defines the rules of engagement between market stakeholders and monitor and where applicable enforces compliances.
- The private sector, in turn, can and should play a much larger role in the facilitation and physical provision of a wide range of support services to MSME; private sector providers are thought to be often more demand-oriented and cost-efficient in the service delivery since their economic survival depends on attracting paying customers in acutely price-sensitive markets.
- Having said this, the facilitation or provision of support services for MSME need not principally be the exclusive reserve of private sector providers and should not exclusively rely on commercial transactions. On the contrary, public sector providers have a role to play in service provision, particularly where most vulnerable target groups are concerned and market mechanisms fail; however Government should create a level playfield for competition between public and private sector providers, by removing preferential access of public providers to service transaction subsidies and by facilitating non-discriminate access to technical program support for all parties.
- Generally, the user pays principle should always apply, that is the programme beneficiaries on all system levels should at least contribute in cash or kind, including the ultimate programme beneficiaries: If the buying decision is put in the hands of the customer, the programme as well as facilitators and providers are forced to offer cost-efficient and demand-oriented services.

As indicated above, transaction subsidies are legitimate to promote highly vulnerable target groups and to meet the overall poverty alleviation objective of the programme, but these subsidies need to be precisely targeted to minimize market distortions and end users should still be expected to at least contribute part of the service costs. Also, these service subsidies should preferably be provided by third parties in the private sector, to make providers less dependent on the programme and make them less supply driven – this will significantly enhance the prospects for a sustainable market exchange once programme support has phased out (see below under 'Sustainability' for more details).

4.2 Management Arrangements

This programme will be executed by the Government of the Republic of Zambia. It will be implemented by various national institutions with support from the UN System in Zambia. That support will be coordinated by the ILO. This follows an invitation from the Office of the UN Resident Coordinator to ILO to coordinate a single UN programme of support for broad-based wealth and job

creation, in the context of the recommendations of the High Level Panel report on UN System coherence at the country level.

As an active partner in PSD, the UN has been delivering various technical interventions and programmes in Zambia. To date, these have been managed at the individual agency level and there has been little coordination between them. This programme will incorporate elements of the following UN interventions, and will apply the respective technical capacities of each:

- **UNCTAD/EMPRETEC**

EMPRETEC is UNCTAD's integrated entrepreneurship and innovation capacity building programme promoting the creation of sustainable support structures that help promising entrepreneurs build innovative and competitive MSMEs. The programme identifies promising entrepreneurs, provides training aimed at developing their entrepreneurial traits and business skills, assists in the preparation of business plans and financing their business ventures, helps to arrange mutually beneficial linkages with larger and foreign companies, and makes available long-term support systems. UNCTAD has received a request¹⁴ from Zambia on behalf of the Ministry of Commerce, Trade and Industry to consider the introduction of UNCTAD/EMPRETEC in Zambia. The next step will be a programming mission to develop the programme in coordination with Government, embedding the programme within an existing private sector development institution as the local counterpart. Embedded in the UNCTAD/EMPRETEC is a **Business Linkages** component which, based on the EMPRETEC approach and methodology, aims to develop linkages between large enterprises and local SME suppliers. In this regard, UNCTAD provides a combination of advisory (policy-oriented) and technical assistance (action-oriented) services. Based on the 'Blue Book for Zambia', which proposed ten short term measures deliverable in less than two years that are intended to move Zambia towards best practice in investment promotion and facilitation, UNCTAD and the Japanese Bank for International Cooperation (JBIC) proposed a pilot project comprising business linkages with three to five transnational corporations (TNCs). UNCTAD will cooperate with the on-going activities under the Growing Sustainable Business initiative to develop such linkages. See Box 1 and Annex 1.5 for more information.

Box 1: International examples of linkage programmes initiated through UNCTAD pilot programmes

- Viet Nam: Unilever Viet Nam will increase domestic sourcing by 59 per cent, an increase that will account for 86 per cent of its entire operation. Unilever Viet Nam supports the training and development of small and medium-sized enterprises in total productive maintenance (TPM), in order to improve their manufacturing sustainability and other areas of management such as safety, hygiene, performance monitoring (KPI) and a manufacturing sustainability improvement programme (MSIP).
- Brazil: Projeto Vinculos: 11 large corporations are assisting in upgrading over 80 local partners to meet SHE and ISO 14001 standards. For example, after a successful pilot phase with the project, BASF has decided to extend its supplier upgrading programme developed with the project to all its Brazilian operations, carrying 100 per cent of the costs.
- Uganda: six firms have linked with 26 local businesses to streamline their supply chains. The linkages will support a host of local farmers, manufactures and distributors. For example, Uganda Breweries will assist in upgrading over 2,000 farmers. In Western Uganda, Kinyara Sugar Works Limited strengthened its link with Kinyara Sugarcane Growers Limited, thereby benefiting about 2,500 local farmers.

- **Growing Sustainable Business for Poverty Reduction (GSB) initiative**

Led by UNDP's Private Sector Division, GSB is a global initiative, which currently operates in 19 countries. GSB facilitates enterprise solutions to poverty, working directly with businesses and other partners to help them design and implement pro-poor business models including supplier

¹⁴ Note 77/07 of 28 March 2007 received from Zambia's Permanent Mission in Geneva requesting UNCTAD to "consider initiating the EMPRETEC Programme in Zambia through the Zambia Chamber of Small and Medium Business Associations".

linkages; MSME financing; pro-poor sourcing; and 'bottom of the pyramid' consumer solutions. GSB was launched in Zambia in October 2005 and has developed a pipeline of pro-poor business partnerships including two linkage projects (see Box 2). In line with the recommendations of a review in 2007, the next phase of the initiative will focus on selected pro-poor business models with systemic impact and relevance for the policy dialogue, and developing the capacity of local institutions to facilitate pro-poor enterprise development. See Annex 1.3 for more information.

Box 2 Existing work on linkages in Zambia

Through the Growing Sustainable Business (GSB) initiative, UNDP is working with **Zambian Breweries** and other partners to develop a viable value chain for cassava, from which syrups such as maltose and glucose can be derived. This will potentially reduce sourcing costs and dependence on existing inputs for the Breweries, create employment in processing, and enhance livelihoods and food security for thousands of cassava farmers. The scale is significant, with initial estimates suggesting that the glucose demand for brewing alone would equate to approximately 100 MT of wet cassava root per day. Given average yields of approximately 10MT/ha, this could represent the output of over 3500 farmers if each planted on average 1ha of cassava. Once the value chain is established, further downstream opportunities will be explored.

Spar Zambia is a major groceries retailer with an ambitious expansion programme for the Zambian market. Part of this expansion programme involves a desire to significantly increase the proportion and value of goods procured from Zambian producers. The aims are to diversify Spar's supply base, improve the quality and shelf life of goods sold, and to achieve lower consumer prices. This offers an opportunity to develop sustainable markets, both for processed goods and the primary products produced by smallholders that are required to produce these. GSB is working with Spar and other partners to design a dedicated commercially driven 'supplier linkages' programme, that will support value chain investments and upgrading. The programme will help local suppliers to improve their quality and service through training and hands on technical support. It will also assist Spar's staff with methodology and tools for developing the local supply chain. A pilot in the honey sub-sector is currently ongoing; this will be rolled out to other sectors under the programme.

- **Women's Entrepreneurship Development and Gender Equality (WEDGE)**

Part of the ILO's SEED Programme and funded by Irish Aid, this programme carries out affirmative actions in support of women starting, formalising and growing their enterprises, and mainstreams gender equality issues into small enterprise development support. It builds the capacity of and works directly with two designated partner organisations, the Women Entrepreneurs' Development Association of Zambia (WEDAZ) and the Zambia Federation of Associations of Women in Business (ZFAWIB). The WEDGE programme will contribute inputs related to capacity development of BDS facilitators and providers, and the introduction of tools such as those designed for Growth-Oriented Women Entrepreneurs. See Annex 1.1 for more information.

- **Business Development Services (BDS) Zambia**

Managed by ILO Lusaka and funded by Sweden, this project focuses on marketing, communication and information services and systems for micro and small enterprises, particularly related to media and information and communication technologies. During the current phase of the project, value chain analysis is being carried out in the dairy and jatropha subsectors. This will form one input to the proposed linkages programme. The project will also provide inputs related to BDS market analysis and capacity development of BDS facilitators and providers. See Annex 1.2 for more information.

- **UN Global Compact Zambia**

The Global Compact is a network and voluntary initiative that seeks to promote responsible corporate citizenship. It aims to mainstream ten principles¹⁵ into business activities around the world, and to catalyse business actions in support of UN goals. The Global Compact Zambia

¹⁵ The Global Compact's ten principles are in the areas of human rights, labour, the environment and anti-corruption and are derived from relevant UN and ILO conventions. At the Global Compact's core are six UN agencies including the ILO and UNDP.

office has an active network of businesses and delivers services to the business community including MDG awareness events and workplace training on HIV and AIDS. The programme will use this network for outreach. See Annex 1.4 for more information.

- **BDS market development**

The ILO has significant experience in developing markets for business development services (BDS).¹⁶ In Zambia, it has previously established delivery mechanisms for its series of MSME training modules (GYBI, SYB, IYB, EYB)¹⁷, and it carried out a BDS Market Assessment in 2003. There is now considerable interest in systematising and kick-starting the Zambian BDS market, recognising that both the demand and supply sides of this market are deficient and MSMEs are therefore unable to access many services that would improve their performance, access to markets and ability to compete. The proposed programme will avail UN expertise to Zambian institutions to create a better understanding of the existing market and to design and implement appropriate interventions in response, taking into account best practice and experience from other countries.

Furthermore, the programme will be managed in the context of and in parallel with the following complementary PSD-related activities and capacities:

- **UN support to GRZ on trade and investment**

This includes UNDP's role as Fund Manager of the Integrated Framework for Trade Related Technical Assistance to Least Developed Countries; UN support under the Joint Integrated Technical Assistance Programme¹⁸; support requested from UNCTAD towards the establishment and development of the Zambia Development Agency including support at meso-level such as training in good governance in investment promotion; and support requested from UNCTAD on strengthening institutional and professional capacity in negotiating bilateral investment treaties and double taxation treaties.

- **Policy Coherence Initiative**

This ILO initiative will be delivered in Zambia in collaboration with UNDP's Strategy and Policy Unit, the World Bank and International Monetary Fund, and aims to achieve greater policy coherence for generating employment and decent work.

- **Related World Bank/IFC support to GRZ**

In the context of the wider UN System, the programme will work closely with the Lusaka office of the World Bank in order to maximise links with related existing programmes, namely SEED in the tourism and gemstones sectors; the Agricultural Development Support Programme in agriculture, and the International Finance Corporation's Linkages project in the mining sector. It is anticipated that there will be further opportunities for collaboration given new activities under the forthcoming World Bank Country Assistance Strategy, which will focus on broad-based growth.

- **Other UN work related to private sector development**

For example, ILO and UNCTAD are partnering with UNESCO on an European Union-funded proposal to support creative and culture-based industries; links will also be explored with other UN agencies including the United Nations Industrial Development Organisation (industrial development, MSME clusters, standards, etc.), UNIFEM (women's empowerment); the Food and Agricultural Organisation (agri-business and value chains), etc.

The ILO Representative Office for Zambia, Malawi and Mozambique is located in Lusaka, Zambia. The ILO's tripartite constituents in Zambia are represented by the Government (Ministry of Labour and Social Security), the employers (Zambia Federation of Employers), and the workers (Zambia Congress of Trade Unions, and Federation of Free Trade Unions in Zambia). The ILO's support in Zambia is defined by a Decent Work Country Programme, which includes a pillar on employment.

¹⁶ See www.ilo.org/seed.

¹⁷ Generate Your Business Idea, Start Your Business, Improve Your Business, Expand Your Business.

¹⁸ Delivered jointly by the World Trade Organisation, UNCTAD and the International Trade Centre.

On behalf of the UN System in Zambia, the ILO Lusaka office will be responsible for the accommodation, administration, and financial management of the programme throughout its three year duration. The programme will benefit from a standing technical capacity housed within the ILO Lusaka office. It will also draw on technical backstopping as necessary from the respective sub-regional offices and headquarters of ILO (particularly the Senior Enterprise Development Specialist of the ILO sub-regional office in Harare), UNDP (particularly the Growing Sustainable Business unit within Private Sector Division) and UNCTAD (particularly the Enterprise Development Branch).

The programme will benefit from a standing Programme Implementation Unit (PIU) housed within the ILO Lusaka office. While recognising the commitment of Cooperating Partners to limit the use of such units, the Government and stakeholders agree that this modality is desirable for the delivery of this programme. This is due to its systemic MSME development approach, which implies interventions at micro, meso and macro levels and associated technical and capacity development support to multiple institutions on a demand-driven and flexible basis. At present there is no single national institution that would have both the mandate and the capacity to coordinate and deliver the required interventions.

The PIU will comprise four core technical positions:

1. A chief technical adviser (CTA), responsible for overall management of the programme as well as outputs under objectives 3 and 4 specifically.
2. A nationally recruited Business Linkages Broker, responsible for outputs 1.2 and 2.5, and within the context of the global GSB initiative, liaising with other GSB Brokers and UNDP Private Sector Division and reporting on progress to the GSB Global Program Manager in line with standard GSB procedures.
3. A nationally recruited BDS Advisor, responsible for management/delivery of outputs 1.1, 2.1, 2.2, 2.3, 2.4 and 2.6.
4. A Project Associate, recruited under the UN Volunteer (UNV) modality, who will be responsible for discrete research, development and project management tasks, and supporting other members of the PIU as necessary. This post is extra-budgetary on the assumption that Finland will be prepared to fund a Finnish UNV post separately.

These staff will be supported by short term international and national consultants and advisers. The PIU will be complemented by administrative/support staff, who will be shared with other ILO programmes on a cost-sharing basis.¹⁹

Coordination of the various activities and inputs, including the oversight and technical backstopping delivered by offices other than ILO Lusaka, will be facilitated by a standing multi-institutional Programme Liaison Team (PLT), which will be chaired by the programme CTA and will also comprise:

- CTA, BDS Zambia project
- Project Officer, WEDGE Zambia project
- Global Program Manager, GSB initiative, UNDP
- Chief, Enterprise Policies and Capacity Building, UNCTAD
- Country Coordinator, Global Compact Zambia
- Senior Enterprise Development Specialist, ILO

The PLT will establish structures that allow for efficient dual management and reporting as necessary. However, ultimate responsibility for reporting and delivery of all activities described in this proposal rests with the PIU.

The respective roles and responsibilities of ILO Lusaka, Global Compact Lusaka, and the respective headquarters and regional offices of UNDP, UNCTAD and ILO will be defined in a

¹⁹ In the first instance, this will most likely comprise the Finance and Administrative Assistant and Driver/Office Assistant employed under the BDS Zambia project.

Memorandum of Understanding, to be developed prior to the start of the programme. Although the programme will be managed at the country level by ILO Lusaka, it will deliver activities in the context of cooperation with other UN agencies and existing programmes, some of which reach beyond Zambia. For example, the activities delivered through the WEDGE project are managed at the country level by a project officer, with technical support from a multi-country team managed from ILO's Addis Ababa office. GSB inputs will be delivered in a partnership between the PIU and UNDP's Private Sector Division in the framework of the global GSB programme. UNCTAD/EMPRETEC inputs will be delivered in a partnership between the PIU and UNCTAD's Enterprise Development Branch, in the framework of the global UNCTAD/EMPRETEC programme. The proposed budget allows for technical support from the respective headquarters' and regional technical units.

In order to mainstream the programme into national processes and to ensure local ownership, governance mechanisms will be established that monitor the performance of the project against half-yearly progress reports and reviews and approve the programme workplans for the next six months. These will be integrated within the structures of the PSD Reform Programme. In the first instance, the proposed MSME Working Group will act as a technical advisory group and stakeholder committee. This Working Group will monitor the programme, while also providing policy guidance and recommendations on prioritization, sequencing and programme implementation. The Working Group will report to the PSD Steering Committee, which will formally act as the Steering Committee for the programme. The same Working Group will act as the stakeholder committee of the parallel BDS voucher programme.

5. Sustainability

As indicated above, the programme places key emphasis on facilitating a sustainable market exchange for business development services and developing the national capacity to perform such a facilitation role in the future. A major focus of the programme is the development of national institutional capacity, through a combination of direct technical assistance and demonstration as part of a structured transition process. Although the management of the programme itself will be hosted within ILO, in order to build national capacity and institutional mandate the PIU will interact closely at activity level (and increasingly so over the programme duration) with national institutional partners, to maximise national ownership, capacity transfer and sustainability. Implementation will be carried out in close liaison with relevant PSD Working Groups and other PSDRP structures as appropriate, taking into account changes in those structures over time as agreed with the PSD-PMU and the GRZ Focal Point.

In order to ensure sustainability, the programme will:

- build on existing local institutional MSME support structures, and seek to consolidate and further expand the service delivery capacity of these organizations up to a point where they can effectively and independently continue to facilitate and provide MSME support services once programme support has been phased out
- consolidate the existing knowledge brought together from various former SED organizations under the roof of ZDA and to empower this newly created organization to effectively coordinate PSD programmes particularly in the field of MSME and on behalf of the Zambian Government
- use the multiplier (training of trainers) approach to vastly increase programme outreach and to diversify risk
- focus on technical support to coordinators, facilitators and providers at the pre-service transaction level, i.e. in the field MSME service product development, service marketing support and trainer and training manager development. The programme will thus minimize market distortions at the service transaction level
- stimulate competition among providers and orient these providers towards their customers

- stress market diagnostics at all system levels to inform the development of demand-driven BDS tailored to the needs of MSME, demand-driven capacity building support for providers and facilitators, and tailored advisory services for ZDA
- emphasize developing mass markets for pro-poor BDS, i.e. to assist local providers to use mass media like radio or television to reach tens of thousands of clients at a time with their BDS and to enable them to externalize part of the service delivery costs by attracting corporate sponsors
- minimize service subsidies for MSME; even voucher beneficiaries will be expected to at least cost-share the voucher costs, and emphasis will be laid on graduating MSME clients to a point where they meet all service transaction costs
- reduce service subsidies at the provider and facilitator level: BDS providers and facilitators will be expected to also meet part of the costs for human resource development and related capacity building support
- formulate a clear exit strategy at the outset of the programme implementation process, highlighting how support interventions will gradually phase out over time at all system levels, to reduce donor-dependency and to build national institutional capacity. In particular, as noted above, capacity development activities will include the demonstration of roles and functions that local institutions will eventually perform themselves. In the short-term, the programme will employ staff or consultants to perform certain roles for which there is currently a lack of institutional mandate or capacity. The resulting demonstration effect will form part of the national capacity development process. This will complement explicit interventions which will build that mandate and capacity during the programme period (see sections 2.1 and 2.3 above for further details).

6. Monitoring, Reporting, and Evaluation

The CTA will prepare a programme inception report in time for the constitutive meeting of the designated governance body after the first three months of the programme cycle. The CTA will furthermore submit quarterly programme implementation updates to ILO, UNCTAD, UNDP and the Global Compact Zambia.

The CTA will also prepare half-yearly progress reports for submission to the designated governance body and ahead of its half-year reviews. On occasion of these meetings, the CTA will also submit detailed workplans of activities for the next six months in the programme cycle. Both the progress reports and the workplans are subject to review and approval by the designated governance body. Towards the 18th month of the programme cycle, the CTA will commission an ILO-internal mid-term progress review, and towards the 32nd month of the programme cycle, the CTA will commission an external evaluation of its activities.

The full participation of all partners in the planning, implementation and monitoring of the process will be assured and, in order to make this more effective, capacity building support will be provided on performance monitoring and evaluation to enhance their full and meaningful engagement.

7. Knowledge Management and Sharing

The programme will systematically document the outcomes of its various activities, and widely disseminate its findings both among local stakeholders and in the international community by way of an internet-based resource platform, through reports and newsletters, and at conferences and workshops. The programme will work closely with UNDP New York, UNCTAD Geneva, Global Compact New York, the ILO Lusaka and ILO Harare offices, ILO Headquarters and ILO Turin, and participate in any knowledge sharing events and mechanisms for coordination and collaboration between the overall partnership programme and the projects that may be initiated by these offices.

8. Inputs

The programme will be financed with financial inputs from the UN and the Government of Finland. Refer below to 'Programme Budget' for more details about how the inputs will be utilized. The budget is reproduced in Annex 4 broken down by individual outputs.

Financial resources that can be committed at this stage by the UN represent over 25% of the total indicative budget and amount to \$560,000. The UN contribution will consist of resources allocated both to activities within existing projects and to new activities, all of which will be incorporated into the programme. The contribution comprises resources secured under:

- ILO WEDGE programme (US\$300,000), which will contribute to outputs 2.3 and 3.2.
- ILO BDS Zambia project (US\$200,000), which will contribute to outputs 2.1, 2.3 and 2.4.
- UNCTAD/EMPRETEC (US\$60,000), which will contribute to outputs 1.2, 2.3 and 2.5.

It is anticipated that the actual UN input will exceed this total, given future resource mobilisation and programming activities prior to and during the programme. If and when additional resources are secured that allow the expansion of specific activities (e.g. business linkages, as is the focus of an existing concept note submitted to Japan), the PIU will discuss with Finland how resources could be reallocated accordingly in line with the overall objectives of the programme.

The contribution requested from Finland is US\$1,680,000. As described above, the Finnish contribution will enable the UN to consolidate and coordinate existing interventions in Zambia, but also to introduce new interventions and scale up the overall level of support.

The total budget, allocation of UN resources that can currently be committed and hence the request to Finland is distributed across the three years of the programme as follows (figures rounded to the nearest \$10,000):

Requested resources	Yr1 (2008)	Yr2 (2009)	Yr3 (2010)	Total
Total budget	1,030,000	640,000	570,000	2,240,000
UN contribution	360,000	100,000	100,000	560,000
Requested resources	670,000	540,000	470,000	1,680,000

In addition, the UN and various external partners will provide in-kind contributions, which for accounting purposes are not included in the budget. Local stakeholders are expected to contribute in kind to the programme as follows:

- At the coordinator level, ZDA is expected to contribute financially to the voucher scheme and to meet all costs associated with sending its staff to capacity building initiatives. ZDA will furthermore provide meeting room space to facilitate the MSME policy dialogue, and communication services to network among policy level stakeholders.
- At the facilitator level, organizations like ZCSMBA are expected to delegate one staff member free of charge to facilitate programme activities, and to offer office space for meetings with BDS providers.
- At the provider level, BDS providers will be expected to cost-share the capacity building interventions at the pre-service transaction level, i.e., pay a registration fee for training of trainer seminars or co-finance new product development effort. The cost-sharing ratio will vary from service to service, but it is recommended to charge local stakeholders at least 20%. Income from provider service charges should go to the facilitator, to compensate the organization for facilitation costs.
- At the level of MSME, the ultimate beneficiaries will be encouraged to pay all or part of the service transaction costs. Income from MSME service charges should go to the service providers to enable them to recoup their investment and where applicable to generate a surplus.

9. Programme Budget

Budget Line		Total		Year 1		Year 2		Year 3	
Code	Title	W/M	US\$	W/M	US\$	W/M	US\$	W/M	US\$

10. Project Personnel

11.01	CTA	36	396,000	12	132,000	12	132,000	12	132,000
11.02	Short Term Experts	12	132,000	6	66,000	4	44,000	2	22,000
11.99	Total Intl Experts	48	528,000	18	198,000	16	176,000	14	154,000

13	Administrative Support		45,000		15,000		15,000		15,000
15	Travel Costs		59,000		39,000		10,000		10,000
16	Mission Costs		51,000		37,000		7,000		7,000
17.01	National Prof. Personnel	78	390,000	30	150,000	24	120,000	24	120,000
17.99	Total Nat'l Personnel	78	545,000	30	241,000	24	152,000	24	152,000

19	Total Personnel	126	1,073,000	48	439,000	40	328,000	38	306,000
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20. Subcontracts

20.01	Subcontracts		540,000		310,000		130,000		100,000
29	Total Subcontracts		540,000		310,000		130,000		100,000

30. Training

32.01	Seminars		269,000		139,000		80,000		50,000
	Study tours		15,000		15,000				
39	Total Training		284,000		154,000		80,000		50,000

40. Equipment

41.01	Project equipment		30,000		20,000		5,000		5,000
49	Total Equipment	0	30,000		20,000		5,000		5,000

50. Miscellaneous

51	Op'n & Mtce of Equipment		30,000		10,000		10,000		10,000
53	Sundries (incl. office rent)		48,900		24,000		14,500		10,400
59	Total Miscellaneous		78,900		34,000		24,500		20,400

	Sub-Total:		2,005,900		957,000		567,500		481,400
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60. Support Costs

68	Programme Support at 10% of donor contribution		150,443		71,775		42,563		36,105
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	Sub-Total:		2,156,343		1,028,775		610,063		517,505
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70. Provisions

71	Cost Increase at 5% p.a.		83,547		0		30,503		53,044
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99	Grand Total:		2,239,890		1,028,775		640,566		570,549
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10. Review of Programme Design

National partners and stakeholders have been involved extensively in the design and review of this document in order to establish the realism of the project objectives, strategy and intervention logic and to establish broad national ownership of the programme objectives and proposed interventions. Partners and stakeholders involved in this process have included representatives of:

- Government (MCTI, MLSS, PSD-PMU, ZDA, CEE Commission)
- Business Associations (ZCSMBA, ZNFU, ZBF, ZACCI, WEDAZ, ZFAWIB, ZFE)
- Cooperating Partners (Finland, the Netherlands, World Bank)
- UN agencies (ILO, UNCTAD, UNDP, UN-HABITAT, UNIDO, Global Compact Zambia)

The review process has included a stakeholder meeting held on 20th August 2007, hosted and chaired by MCTI and an appraisal and validation meeting held on 16th November 2007, hosted by the ILO and co-chaired by the ILO and MCTI. It has also included reviewing and commenting on drafts at various stages. The conclusion of the 16th November meeting was that the document was formally validated, subject to agreed amendments that have been incorporated in this final version.

In addition, the document was formally appraised by the Government of Finland, on the basis of which the requested resources were allocated to the programme. There was no substantial feedback on the document or requests for amendments arising from this appraisal.

11. Agreement

To be attached

Annex 1: Further information on existing UN PSD Programmes

1.1 Women's Entrepreneurship Development and Gender Equality (WEDGE)

The WEDGE team is part of the ILO's Small Enterprise Development (SEED) Programme. It works on enhancing economic opportunities for women:

- By carrying out affirmative actions in support of women starting, formalizing and growing their enterprises
- By mainstreaming gender equality issues into the ILO's other SEED work

The WEDGE approach is threefold:

- Developing the knowledge base on women entrepreneurs (WEs)
- Promoting representation, advocacy and voice
- Developing innovative support services for women entrepreneurs

The objective of the WEDGE team is to ensure that women and men have equal access to economic resources and business support to enable them to start, formalize and grow their businesses. WEDGE also works to contribute to the Global Employment Agenda's overarching goal of ending discrimination in the labour market by focusing on policy issues that affect women entrepreneurs.

WEDGE takes account of longer-term sustainability issues; in terms of where market-led approaches to BDS may be appropriate, as well as where subsidies may be required to assist target groups living in poverty. The target groups include women entrepreneurs who wish to create their own business; women in the informal economy wishing to formalize their businesses; and women who are already in business and want to expand. A special focus is given to the business development needs of women entrepreneurs with disabilities and those living with HIV & AIDS. Activities in Zambia have not included a bias according to sector or geographical location (serving rural, peri-urban and urban without exception). Rather, the target groups are defined by the memberships of partner organizations.

WEDGE supports the ILO constituents, and member-based associations of women entrepreneurs and other associations serving them. WEDGE works with business support agencies interested and/or involved in assisting women entrepreneurs.

Details of the WEDGE tools are outlined on seven Fact Sheets²⁰:

- GET Ahead for Women in Enterprise
- The FAMOS Check for Female And Male Operated Small enterprises
- Improve Your Exhibition Skills (IYES)
- WED Capacity Building Guide
- WED Association Building Guide
- Growth Oriented Women Entrepreneurs (GOWE) Assessment Framework
- The Gender Sensitive Value Chain Analysis

The WEDGE systematic approach was initially adopted in Ethiopia, Tanzania and Zambia, and more recently in Kenya and Uganda. In Zambia, WEDGE builds the capacity of and works directly with two designated partner organisations, the Women Entrepreneurs' Development Association of Zambia (WEDAZ) and the Zambia Federation of Associations of Women in Business (ZFAWIB). Activities in Zambia have addressed the barriers identified in the situation analysis above as follows:

- **Business management skills:** WEDGE conducted a Training of Trainers in Gender and Entrepreneurship Together (GET) Ahead for Basic Business Skills (BBS) for 25 trainers from 25 institutional partners. GET Ahead tool is more basic than the SIYB and WEs with low basic education can participate in the training because it deals with experiential learning.

²⁰ Available at www.ilo.org/seed.

- **Technical skills:** WEDGE has provided financial and technical support to institutional partners which in turn provide technical skills training.
- **Marketing and market access:** WEDGE has provided training in Improve Your Exhibition Skills (IYES). WEDGE trained 14 IYES trainers from institutional partners who provide the training to WEs. The IYES skills provides the WEs with skills that they can use to participate in trade shows.
- **BDS provision:** WEDGE trained 16 BDS trainers who in turn provide BDS to WEs and BDS facilitators.
- **Capacity Building training for Women Associations (WEAs):** WEDGE provided WEA Capacity Building training to WEAs using the WEDGE WEA Capacity Building guide/tool. WEDGE also uses the Training for Transformation tools to train WEAs and support organisations so that they can provide the services that their members/affiliates need to start and grow their businesses.

The current phase (Phase 2) of the WEDGE project globally ends on 31st October 2007. Under the terms of the ILO-Irish Aid Partnership Agreement, Phase 3 will be resourced for the period January 2008 to December 2010 and WEDGE Zambia will continue to be resourced under this agreement. A bridging period to prepare for Phase 3 will take place from 1st November to 31st December 2007.

In Zambia, Phase 2 is currently being evaluated. The budget and workplan for Phase 3 will be prepared during the bridging period and will take account of the outcome of the evaluation. However, it is likely that Phase 3 will include a focus on Growth-Oriented Women Entrepreneurs (GOWE) and a closer partnership with MCTI. This will be in line with the wider programme.

Integration with the wider programme will not increase the financial resources available to WEDGE activities, but the delivery of many of these activities will be enhanced by this integration and the accompanying synergies and scale effects.

1.2 Business Development Services (BDS Zambia)

BDS Zambia is a unique, innovative and experimental project of the International Labour Organization (ILO), currently funded by the Swedish International Development Agency (Sida). BDS Zambia is developing and testing commercial and sustainable models helping private sector providers on home grown business solutions that pre-empt and target the specific needs of micro and small enterprises or emerging businesses in Zambia to help them grow and become better customers and suppliers. It is a learning and knowledge sharing initiative on good and best practices in market development, creating channels and adding value to other development programmes and projects supporting the growth and development of the informal, small and medium enterprise sector in Zambia.

Since September 2003, the ILO business development services project (BDS Zambia) is using the promotion of information and communication services to facilitate systemic changes in the functioning of commodity and service markets to overcome “market failures” and improve access, opportunities and benefits for the poor in micro and small enterprises and smallholder farms (MSEs) in Zambia. On the basis that well functioning markets that support competition, lower the costs of doing business and provide incentives for trade and investment leading to growth and poverty reduction, the project’s development approach is pivoted on market-based incentives to leverage private “enterprise” contribution to development and ensure sustainability and long term impact on job creation.

Through innovative partnering with “social entrepreneurs”, the BDS Zambia project has been brokering private enterprises that see the value in tapping into local networks to serve low-income markets profitably, delivering significant value to their shareholders while in turn creating the essential market infrastructure for socio-economic development in the neediest communities in Zambia.

BDS Zambia focuses in particular on information and communication technology services (ICTs) such as mobile phone, print and radio, help in the functioning of MSE commodity and service markets. The provision and access to information and communication services make it possible to link producers and consumers to markets - accelerating business competitiveness, promoting efficiencies in delivery of goods and services, democratic governance and human development. ICTs improve access to market opportunities and benefits for the poor in micro and small enterprises (MSEs) enabling them to make decisions that improve their lives.

Information is no longer simply a strategic business asset; it is now a critical enabler of success. Most of project’s work in overcoming “market failures” in Zambia has been around building service capacity in private national and community media as “change agents” for advocacy, lobbying and promoting social dialogue on promoting small business enabling environment as well as business marketing and information channels, with the direct participation from the private sector to drive bundled business services and opportunities to MSEs in Zambia, at a price and quality they can afford.

The impact of the marketing and information services facilitated by the BDS Zambia project has been making markets work for small businesses, improving the incomes of the poor particular in rural areas, through access to markets and other opportunities. Also the project has contributed to the increased awareness and HIV/AIDS risk management among MSEs including those with disabilities. The brokering and engagement of private enterprises holds the promise of sustainability and long term impact on job creation. A major impact assessment for the Project 2003-2007 is planned for the last quarter of 2007.

In its second phase, the BDS Zambia Project is focusing on agriculture and more specifically, on sub-sector selection and specific value-chain market development activities. Phase II is scheduled to end in June 2008 and the project is not currently resourced beyond this date. Selected activities in the first half of 2008 will directly contribute to the programme activities.

For further information, see www.bdszambia.com.

1.3 Growing Sustainable Business

The UNDP Growing Sustainable Business for Poverty Reduction initiative (GSB) initiates and supports pro-poor business investments. The initiative grew out of the 2002 UN Global Compact policy dialogue on business and sustainable development. GSB works with interested companies to develop innovative models aimed at doing business with the poor. The program encourages, facilitates and supports the development and implementation of commercially viable projects that demonstrate both a business and development case. Essentially, this entails the following two basic types of business activities:

- “The poor as consumers”: New business models that can develop markets at the “base of the economic pyramid” for goods and services that meet the needs of the poor.
- “The poor as producers/sellers”: Commercial linkages between large multinational or domestic companies and small local enterprises.

The GSB is now working in 19 countries and has more than 70 business partnerships in its portfolio. The GSB delivery mechanism involves a full-time broker, a research platform, and a technical assistance platform, almost always resourced locally. The GSB Broker acts as a convener and intermediary for business, government, civil society, potential sources of finance, and development partners. GSB can provide co-funding for product specific marketing and feasibility studies, which inform specific pro-poor business plans. By providing technical assistance, GSB can help prepare local stakeholders, in particular local entrepreneurs, government and NGOs, that might be expected to play a role in the implementation of any given GSB investment project.

GSB in Zambia

The GSB initiative was launched in Zambia in 2005. The GSB Broker has developed a pipeline of pro-poor business partnerships, mainly focusing on value chain linkages/pro-poor sourcing and models for the delivery of energy services. In one example, GSB partners with the supermarket chain Spar to support local entrepreneurs who could potentially supply large buyers, but who require access to finance and/or technical assistance to do so. Spar Zambia is now working with GSB on the development of a corporate supplier linkages programme. Connected to this effort, and in partnership with Land o’Lakes and various medium-sized dairies, GSB has supported the development of a business model for investing in processing capacity that brings groups of small-scale dairy farmers into commercial value chains. GSB and Spar are now exploring similar opportunities to link micro, small and medium enterprises and primary producers of other products (e.g. fish, honey, fruit and vegetables) into Spar’s procurement systems. To do so, GSB will facilitate links with finance and technical assistance providers as necessary, including the Finnish-supported PLARD project in Luapula Province, with which links have already been established on a related aquaculture project.

GSB Zambia underwent a review in 2007. Based on the feedback from stakeholders during the review, as well as current understanding of best practice within GSB operations globally, the mission identified a number of recommendations for the future of GSB in Zambia:

Recommendation 1: Enhance local ownership of the GSB model. There is a need to design and manage a process of transition towards national ownership and implementation of the pro-poor business facilitation function that is at the heart of GSB. This is in line with UNDP’s long-term vision of capacity development and lessons learned from other countries where GSB is implemented.²¹ The mission considered a number of Zambian institutions that might be appropriate for closer collaboration with GSB at this operational level, with the intention of building the institutional capacity to eventually take on the brokering function.

Recommendation 2: Establish stronger partnerships with technical assistance and finance providers in Zambia. In order to enhance the effectiveness of the GSB brokerage function, GSB will establish and strengthen long-term partnerships with organizations that are

²¹ As a result of this learning, efforts are being made to house GSB within national institutions from inception within new GSB countries. There is already experience of hosting the GSB initiative within national investment promotion agencies in Malawi; this model is shortly to be replicated in Mozambique.

in a position to provide technical assistance and finance to GSB-brokered business partnerships.

Recommendation 3: Focus on a limited number of high-priority business partnerships, with closer monitoring of progress. Given the complex challenges for entrepreneurs in Zambia and the need to optimize the effectiveness of the support that the GSB provides, it is recommended to limit the number of active business partnerships and focus on supporting implementation of these. GSB Zambia will benefit from a more consistent process for project appraisal and tracking, as well as stronger technical backstopping from UNDP headquarters.

Recommendation 4: Work towards deeper integration of UN support on PSD, including at the operational level for GSB. ILO, UNCTAD and UNDP, and to some extent UNIDO, are all active in PSD in Zambia, offering complementary specialisms and competencies. This offers opportunities for deepening integration of UN support to the Government of Zambia through collaboration and joint programming on PSD, as well as operational linkages in relation to GSB specifically. This proposal responds to this recommendation.

Recommendation 5: Inform policy dialogue on the basis of experiences on the ground and consider wider role for UN based on availability of resources. The partnerships with the private sector established through GSB have important policy implications. The GSB seeks to highlight and disseminate direct policy implications arising from successfully brokered investments, in order to inform policy dialogue. This level of policy work is within the core functions of GSB. Furthermore, the review mission highlighted the fact that UNDP has potential roles to play within PSD beyond the core functions of GSB, including: policy advice and advocacy, particularly on citizens' economic empowerment; liaison and networking with Government, the PSD Donor Group and other PSD stakeholders; and fulfilling other institutional obligations such as those related to the Integrated Framework.

Recommendation 6: Improve communication. GSB Zambia should keep key stakeholders (businesses, cooperating partners, relevant NGOs, and Government) informed about progress on priority business partnerships. GSB will liaise with the communication team of the PSD Reform Programme Coordinating Unit within MCTI, and with the PSD Donor Group, on the best channels and events for such communication. GSB should establish a frequent (every 2-3 months) and informal newsletter. Outreach could also be enhanced through an Advisory Board. The composition and responsibilities of such a Board in Zambia should be defined in parallel with other issues of governance and design of the initiative as are being explored through this proposal.

The GSB initiative in Zambia is not currently resourced beyond 2007 and would not continue without securing third-party resources.

For more information, see www.undp.org/business/gsb.

1.4 Global Compact

In an address to the World Economic Forum on 31 January 1999, the former Secretary-General of the United Nations, Kofi Annan, challenged business leaders to join an international initiative – the Global Compact – that would bring companies together with UN agencies, labour and civil society to support universal environmental and social principles. The Global Compact's operational phase was launched at UN Headquarters in New York on 26 July 2000. Today, thousands of companies from all regions of the world, international labour and civil society organizations are engaged in the Global Compact, working to advance ten universal principles in the areas of human rights, labour, the environment and anti-corruption .

Through the power of collective action, the Global Compact seeks to promote responsible corporate citizenship so that business can be part of the solution to the challenges of globalisation. In this way, the private sector – in partnership with other social actors – can help realize the Secretary-General's vision: a more sustainable and inclusive global economy.

The Global Compact is a purely voluntary initiative with two objectives:

- Mainstream the ten principles in business activities around the world
- Catalyse actions in support of UN goals

To achieve these objectives, the Global Compact offers facilitation and engagement through several mechanisms: Policy Dialogues, Learning, Country/Regional Networks, and Partnership Projects.

The Global Compact is a network. At its core are the Global Compact Office and six UN agencies:

- Office of the High Commissioner for Human Rights
- United Nations Environment Programme
- International Labour Organization
- United Nations Development Programme
- United Nations Industrial Development Organization
- United Nations Office on Drugs and Crime

The Global Compact involves all the relevant social actors: governments, who defined the principles on which the initiative is based; companies, whose actions it seeks to influence; labour, in whose hands the concrete process of global production takes place; civil society organizations, representing the wider community of stakeholders; and The United Nations, the world's only truly global political forum, as an authoritative convener and facilitator.

Local networks are clusters of participants who come together to advance the Global Compact and its principles within a particular geographic context. They perform increasingly important roles in rooting the Global Compact within different national, cultural and language contexts, and also in helping to manage the organisational consequences of the Compact's rapid expansion. Their role is to facilitate the progress of companies (both local firms and subsidiaries of foreign corporations) engaged in the Compact with respect to implementation of the ten principles, while also creating opportunities for multi-stakeholder engagement and collective action. Furthermore, networks deepen the learning experience of all participants through their own activities and events and promote action in support of broader UN goals.

The Global Compact was first introduced to Zambia in 2002. A steering committee was established, consisting of representatives from business, government, donors, multilateral NGOs, the UN system and civil society. The GC was officially launched in March 2003 aided by UNDP. More than 60 Zambian-based companies and institutions, both private and public, have so far signed up to the GC network. Global Compact Zambia is no longer dependent on UN resources and has successfully mobilized resources to provide its activities. Links with the wider programme will allow the Global Compact to play a greater role in MSME development, drawing on and expanding its established networks.

For more information, see www.unglobalcompact.org.

1.5 UNCTAD/EMPRETEC

One of the pioneering programmes of the United Nations system in developing entrepreneurship is the UNCTAD/EMPRETEC²², a programme that instils into a selected group of promising entrepreneurs behavioural change. The programme started in 1988 in partnership with UNDP. Under the leadership of UNCTAD and its public and private partners and donors (among others, the Government of Italy, Germany and the Netherlands), the UNCTAD/EMPRETEC programme has trained over *120,000 entrepreneurs in 27 developing countries*, with more than 600 local certified trainers. UNDP also has experience in the Enterprise Africa initiative that has been carried out in collaboration with UNCTAD/EMPRETEC.

By stimulating public-private sector partnerships and developing an institution with a forward looking Advisory Board, UNCTAD/EMPRETEC Centres play a major role in connecting entrepreneurs with institutions. Wherever implemented, the training workshops creates lifelong bonds that are essential for future business growth, creating a critical mass of successful, committed entrepreneurs who then become the driving force of the project. As a matter of fact, many entrepreneurs associated to the centres in Africa are available to serve as trainers, resource persons and lectures organized by UNCTAD/EMPRETEC, both nationally and internationally. In all its country projects, UNCTAD/EMPRETEC applies a unique methodology that brought results in Africa. Here follow some examples:

Uganda

- 7 senior/lead certified trainers, 5 with experience on with installations of new UNCTAD/EMPRETEC Centres in Africa;
- 400 people trained, since the establishment of the centre;
- First African centre piloting the Business Linkages component of the UNCTAD/EMPRETEC programme: 23 linkages identified for MSME-multinational partnerships;
- A success story: Nina Karugaba, a woman entrepreneur, came to Enterprise Uganda for business development services (BDS) and her company has increased the amount of tax revenue it provides the Government from \$30,000 annually to \$850,000 annually, after three years of training, and mentoring, at a combined cost borne by her firm of \$12,000.

Ethiopia

- 11 certified local trainers;
- 100 entrepreneurship training workshops held, almost 3,000 people trained (33% women) since the establishment of the centre;
- Comprehensive portfolio of training and non-training services;
- Matching Grant Fund approved for 62 applicants.

Zimbabwe

- 88 entrepreneurship development workshops;
- 1,600 people trained since the establishment of the centre in 1992;
- Wide offer of corporate entrepreneurship training (*intrapreneurship* development workshops);

Usually delivered in close collaboration with UNCTAD/EMPRETEC, UNCTAD's **business linkages** programme assists its client companies to define their requirements for business linkages between Transnational Corporations (TNCs) affiliates or large domestic companies and local SMEs.

For example, in Uganda, the business linkage promotion programme is run by Enterprise Uganda (the business development services centre hosting the Uganda's UNCTAD/EMPRETEC programme), in collaboration with the Uganda Investment Authority (UIA). It is supported by UNDP, UNCTAD, and the Government of Sweden. The main objective of the project is to promote the creation of durable and mutually beneficial partnerships between TNC affiliates and large local companies, and MSMEs. Since its inception in 2005, the project has achieved the following results:

²² The name EMPRETEC - the Spanish acronym for *emprendedores* (entrepreneurs) and *tecnología* (technology) - was first introduced in Argentina in 1988 to describe a United Nations programme conceived to assist SME of developing and transition economies to grow, internationalize, and form mutually beneficial business linkages with transnational corporations.

- An agreement has been signed with Uganda Breweries, which will assist in the upgrading of the members of the barley growers' association in Eastern Uganda, benefiting over 2,000 farmers.
- In Western Uganda, Kinyara Sugar Works Limited, under Booker Tate, signed an agreement to strengthen its relationship with Kinyara Sugarcane Growers Limited, thereby benefiting about 2,500 local farmers.
- In the telecommunications sector, two telephone companies have signed to upgrade their distributor network.
- In the real estate sector, the country's biggest property developer has signed an agreement to support 15 local suppliers.

Project partners and feedback from SME partners who have taken part in UNCTAD Business Linkage programmes in other countries includes the following:

PROGRAMME PARTNERS:	FEEDBACK FROM MSME PARTNERS:
	<p>“Projeto Vinculos has been a success, both in terms of methodology and quality of the team, towards achieving our objective of being ISO 14001 certified.” Elisabete Ambrosio, CEO, Plasticos Maunus Ltd. (Brazil)</p> <p>“The partnership established between <i>Projeto Vinculos</i> and <i>Wofran</i> bore great fruits for the company, as it motivated significant changes in terms of entrepreneurial spirit and company structure.” Lilian Gleig, Managing Director, Wofran (Brazil)</p> <p>“I saw results already before finishing the workshop. I reorganized my office and recruited four more staff... I started a radio programme and I set a budget for advertising. Beforehand, I used to put ads in newspapers only.” Mr. Charles Mulamata, MD, Uganda Electronics & Comp. Ind. Ltd. (UECI – Uganda)</p> <p>“The TPM programme has brought considerable changes at our factories, such as a clean factory environment. In addition, the most important thing is to create a new mindset in the workers. They now feel more closely bound to their factory because they believe more in the success of the company.” Mr. Phan Quang Hoa, General Director, Net Detergent Company, (Viet Nam)</p>

The pilot EMPRETEC linkages programme in Uganda is currently undergoing a mid-term review, the results of which will be available by the end of 2007. EMPRETEC does not currently exist in Zambia. Initial resources (\$60,000) have been secured towards the introduction of the related linkages methodology in Zambia, within a wider programme on business linkages being developed with support from the Government of Norway and in the context of an allocation within the new tranche of the 2008-2010 UNCTAD Development Account to business linkages. This will help to strengthen the methodology and offer opportunities for drawing on lessons from other countries.

In Zambia, integration with the wider programme will greatly increase the scope and impact of the introduction of EMPRETEC and will bring significant synergies and scale effects.

For more information, see www.empretec.net and www.unctad.org and follow the links to enterprise development.

Annex 2: ILO Decent Work Country Programme: Priority 1 and Associated Outcomes

Priority I: More and better employment for the youth, women and people with disabilities, supported by enhanced labour market information systems.

Outcome I.1: Policies, legislation, action plans, strategies, programmes and resources facilitating the creation of broad based wealth and decent employment for the youth, women and people with disabilities in place and implemented in accordance with the National Employment and Labour Market Policy.

Outcome I.2: The target groups have enhanced employment and self-employment opportunities, assisted by improved access to business development services, management and technical skills, and financing mechanisms, and supported by national Budget and cooperating partners.

Outcome I.3: Reduced risks, vulnerabilities and Decent Work deficits facing the target groups in seeking and maintaining decent employment, and graduating from informal to formal employment and enterprises.

Annex 3: Budget according to outputs

YEAR 1

Budget Line		Outputs												
Code	Title	1.1	1.2	2.1	2.2	2.3	2.4	2.5	2.6	3.1	3.2	3.3	4.1	Total
11.01	CTA: months	1	0.5	0.5	0.5	1	0.5	1	0.5	2	2	0.5	2	12
	CTA: cost	11000	5500	5500	5500	11000	5500	11000	5500	22000	22000	5500	22000	132000
11.02	Short Term Experts: months	2.5	0	1.5	1	1	0	0	0	0	0	0	0	6
	Short Term Experts: cost	27500	0	16500	11000	11000	0	0	0	0	0	0	0	66000
11.99	Total International Experts	38500	5500	22000	16500	22000	5500	11000	5500	22000	22000	5500	22000	198000
13	Administrative Support	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	15000
15	Travel Costs	3250	3250	3250	3250	3250	3250	3250	3250	3250	3250	3250	3250	39000
16	Mission Costs	3083	3083	3083	3083	3083	3083	3083	3083	3083	3083	3083	3083	37000
17.01	National Professional Personnel: months	3	2	7	3	4	0.5	8	0.5	0	2	0	0	30
	National Professional Personnel: cost	15000	10000	35000	15000	20000	2500	40000	2500	0	10000	0	0	150000
17.99	Total National Personnel	22583	17583	42583	22583	27583	10083	47583	10083	7583	17583	7583	7583	241000
19	Total Project Personnel	61083	23083	64583	39083	49583	15583	58583	15583	29583	39583	13083	29583	439000
20.01	Subcontracts	20000	10000	20000	0	250000	0	10000	0	0	0	0	0	310000
29	Total Subcontracts	20000	10000	20000	0	250000	0	10000	0	0	0	0	0	310000
32.01	Seminars	5000	0	7000	0	108000	5000	5000	5000	0	4000	0	0	139000
	Study tours	15000	0	0	0	0	0	0	0	0	0	0	0	15000
39	Total Training	20000	0	7000	0	108000	5000	5000	5000	0	4000	0	0	154000
41.01	Project equipment	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	20000
49	Total Equipment	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	20000
51	Op'n & Mte of Equipment	833	833	833	833	833	833	833	833	833	833	833	833	10000
53	Sundries (incl. office rent)	1333	1833	5333	833	4833	4833	833	833	833	833	833	833	24000
59	Total Miscellaneous	2167	2667	6167	1667	5667	5667	1667	1667	1667	1667	1667	1667	34000
	Sub-Total:	104917	37417	99417	42417	414917	27917	76917	23917	32917	46917	16417	32917	957000
68	Programme Support at 10% of donor contribution	5981	5981	5981	5981	5981	5981	5981	5981	5981	5981	5981	5981	71775
	Sub-Total:	110898	43398	105398	48398	420898	33898	82898	29898	38898	52898	22398	38898	1028775
71	Provision for Cost Increase at 5%	0	0	0	0	0	0	0	0	0	0	0	0	0
99	Grand Total:	110898	43398	105398	48398	420898	33898	82898	29898	38898	52898	22398	38898	1028775

YEAR 2

Budget Line		Outputs												
Code	Title	1.1	1.2	2.1	2.2	2.3	2.4	2.5	2.6	3.1	3.2	3.3	4.1	Total
11.01	CTA: months	1	0.5	0.5	0.5	1	0.5	1	0.5	2	2	0.5	2	12
	CTA: cost	11000	5500	5500	5500	11000	5500	11000	5500	22000	22000	5500	22000	132000
11.02	Short Term Experts: months	1	0	0.5	0.5	1	0.5	0	0	0	0	0.5	0	4
	Short Term Experts: cost	11000	0	5500	5500	11000	5500	0	0	0	0	5500	0	44000
11.99	Total International Experts	22000	5500	11000	11000	22000	11000	11000	5500	22000	22000	11000	22000	176000
13	Administrative Support	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	15000
15	Travel Costs	833	833	833	833	833	833	833	833	833	833	833	833	10000
16	Mission Costs	583	583	583	583	583	583	583	583	583	583	583	583	7000
17.01	National Professional Personnel: months	0.5	2	1	2	4	3	8	1.5	0	2	0	0	24
	National Professional Personnel: cost	2500	10000	5000	10000	20000	15000	40000	7500	0	10000	0	0	120000
17.99	Total National Personnel	5167	12667	7667	12667	22667	17667	42667	10167	2667	12667	2667	2667	152000
19	Total Project Personnel	27167	18167	18667	23667	44667	28667	53667	15667	24667	34667	13667	24667	328000
20.01	Subcontracts	0	0	0	0	90000	10000	10000	0	0	10000	10000	0	130000
29	Total Subcontracts	0	0	0	0	90000	10000	10000	0	0	10000	10000	0	130000
32.01	Seminars	0	0	0	0	61000	0	10000	0	0	4000	5000	0	80000
	Study tours	0	0	0	0	0	0	0	0	0	0	0	0	0
39	Total Training	0	0	0	0	61000	0	10000	0	0	4000	5000	0	80000
41.01	Project equipment	417	417	417	417	417	417	417	417	417	417	417	417	5000
49	Total Equipment	417	417	417	417	417	417	417	417	417	417	417	417	5000
51	Op'n & Mte of Equipment	833	833	833	833	833	833	833	833	833	833	833	833	10000
53	Sundries (incl. office rent)	833	833	833	833	833	833	5333	833	833	833	833	833	14500
59	Total Miscellaneous	1667	1667	1667	1667	1667	1667	6167	1667	1667	1667	1667	1667	24500
	Sub-Total:	29250	20250	20750	25750	197750	40750	80250	17750	26750	50750	30750	26750	567500
68	Programme Support at 10% of donor contribution	3547	3547	3547	3547	3547	3547	3547	3547	3547	3547	3547	3547	42563
	Sub-Total:	32797	23797	24297	29297	201297	44297	83797	21297	30297	54297	34297	30297	610063
71	Provision for Cost Increase at 5%	1640	1190	1215	1465	10065	2215	4190	1065	1515	2715	1715	1515	30503
99	Grand Total:	34437	24987	25512	30762	211362	46512	87987	22362	31812	57012	36012	31812	640566

YEAR 3

Budget Line		Outputs												
Code	Title	1.1	1.2	2.1	2.2	2.3	2.4	2.5	2.6	3.1	3.2	3.3	4.1	Total
11.01	CTA: months	1	0.5	0.5	0.5	1	0.5	1	0.5	2	2	0.5	2	12
	CTA: cost	11000	5500	5500	5500	11000	5500	11000	5500	22000	22000	5500	22000	132000
11.02	Short Term Experts: months	0.5	0	0	0.5	1	0	0	0	0	0	0	0	2
	Short Term Experts: cost	5500	0	0	5500	11000	0	0	0	0	0	0	0	22000
11.99	Total International Experts	16500	5500	5500	11000	22000	5500	11000	5500	22000	22000	5500	22000	154000
13	Administrative Support	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	15000
15	Travel Costs	833	833	833	833	833	833	833	833	833	833	833	833	10000
16	Mission Costs	583	583	583	583	583	583	583	583	583	583	583	583	7000
17.01	National Professional Personnel: months	2	2	1.5	1.5	4	1	8	2	0	2	0	0	24
	National Professional Personnel: cost	10000	10000	7500	7500	20000	5000	40000	10000	0	10000	0	0	120000
17.99	Total National Personnel	12667	12667	10167	10167	22667	7667	42667	12667	2667	12667	2667	2667	152000
19	Total Project Personnel	29167	18167	15667	21167	44667	13167	53667	18167	24667	34667	8167	24667	306000
20.01	Subcontracts	0	0	0	0	80000	0	10000	0	0	10000	0	0	100000
29	Total Subcontracts	0	0	0	0	80000	0	10000	0	0	10000	0	0	100000
32.01	Seminars	0	0	0	0	43000	0	5000	0	0	2000	0	0	50000
	Study tours	0	0	0	0	0	0	0	0	0	0	0	0	0
39	Total Training	0	0	0	0	43000	0	5000	0	0	2000	0	0	50000
41.01	Project equipment	417	417	417	417	417	417	417	417	417	417	417	417	5000
49	Total Equipment	417	417	417	417	417	417	417	417	417	417	417	417	5000
51	Op'n & Mte of Equipment	833	833	833	833	833	833	833	833	833	833	833	833	10000
53	Sundries (incl. office rent)	833	833	833	833	833	833	833	833	833	833	833	1233	10400
59	Total Miscellaneous	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	2067	20400
	Sub-Total:	31250	20250	17750	23250	169750	15250	70750	20250	26750	48750	10250	27150	481400
68	Programme Support at 10% of donor contribution	3009	3009	3009	3009	3009	3009	3009	3009	3009	3009	3009	3009	36105
	Sub-Total:	34259	23259	20759	26259	172759	18259	73759	23259	29759	51759	13259	30159	517505
71	Provision for Cost Increase at 5%	3512	2384	2128	2692	17708	1872	7560	2384	3050	5305	1359	3091	53044
99	Grand Total:	37770	25643	22887	28950	190467	20130	81319	25643	32809	57064	14618	33250	570549

TOTAL

Budget Line		Outputs												
Code	Title	1.1	1.2	2.1	2.2	2.3	2.4	2.5	2.6	3.1	3.2	3.3	4.1	Total
11.01	CTA: months	3	1.5	1.5	1.5	3	1.5	3	1.5	6	6	1.5	6	36
	CTA: cost	33000	16500	16500	16500	33000	16500	33000	16500	66000	66000	16500	66000	396000
11.02	Short Term Experts: months	4	0	2	2	3	0.5	0	0	0	0	0.5	0	12
	Short Term Experts: cost	44000	0	22000	22000	33000	5500	0	0	0	0	5500	0	132000
11.99	Total International Experts	77000	16500	38500	38500	66000	22000	33000	16500	66000	66000	22000	66000	528000
13	Administrative Support	3750	3750	3750	3750	3750	3750	3750	3750	3750	3750	3750	3750	45000
15	Travel Costs	4917	4917	4917	4917	4917	4917	4917	4917	4917	4917	4917	4917	59000
16	Mission Costs	4250	4250	4250	4250	4250	4250	4250	4250	4250	4250	4250	4250	51000
17.01	National Professional Personnel: months	5.5	6	9.5	6.5	12	4.5	24	4	0	6	0	0	78
	National Professional Personnel: cost	27500	30000	47500	32500	60000	22500	120000	20000	0	30000	0	0	390000
17.99	Total National Personnel	40417	42917	60417	45417	72917	35417	132917	32917	12917	42917	12917	12917	545000
19	Total Project Personnel	117417	59417	98917	83917	138917	57417	165917	49417	78917	108917	34917	78917	1073000
20.01	Subcontracts	20000	10000	20000	0	420000	10000	30000	0	0	20000	10000	0	540000
29	Total Subcontracts	20000	10000	20000	0	420000	10000	30000	0	0	20000	10000	0	540000
32.01	Seminars	5000	0	7000	0	212000	5000	20000	5000	0	10000	5000	0	269000
	Study tours	15000	0	0	0	0	0	0	0	0	0	0	0	15000
39	Total Training	20000	0	7000	0	212000	5000	20000	5000	0	10000	5000	0	284000
41.01	Project equipment	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	30000
49	Total Equipment	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	30000
51	Op'n & Mte of Equipment	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	30000
53	Sundries (incl. office rent)	3000	3500	7000	2500	6500	6500	7000	2500	2500	2500	2500	2900	48900
59	Total Miscellaneous	5500	6000	9500	5000	9000	9000	9500	5000	5000	5000	5000	5400	78900
	Sub-Total:	165417	77917	137917	91417	782417	83917	227917	61917	86417	146417	57417	86817	2005900
68	Programme Support at 10% of donor contribution	12537	12537	12537	12537	12537	12537	12537	12537	12537	12537	12537	12537	150443
	Sub-Total:	177954	90454	150454	103954	794954	96454	240454	74454	98954	158954	69954	99354	2156343
71	Provision for Cost Increase at 5%	5151	3574	3343	4156	27773	4086	11750	3449	4565	8020	3074	4606	83547
99	Grand Total:	183105	94027	153796	108110	822726	100540	252204	77902	103519	166974	73027	103960	2239890