



Republic of Zambia

**Ministerial Statement on the Status of the Industrial Clusters
Development Programme**

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Minister of Commerce, Trade and Industry to the National
Assembly of Zambia**

MARCH 2015

Mr Speaker,

May I take this opportunity to thank you for allowing me to deliver a ministerial Statement on the implementation of the Industrial Cluster Development Programme.

First and foremost, I wish to thank His Excellency the President, Mr. Edgar Chagwa Lungu for having bestowed upon me the honour to serve the people of Zambia as a Member of this August House, as well as a Member of his Cabinet.

I feel greatly privileged to be serving the country at a time when it is being led by a visionary leader who wants to deliver real, meaningful and lasting development for the citizenry. A leader who believes that we can cast aside political, tribal, regional and racial dynamics and collectively strive to build a country that will guarantee a prosperous future for all our children and generations to come. It is my fervent hope that I will play a role, in some small measure, in attaining this noble goal.

My journey to this house would not have been possible without the unwavering and unfettered support of my immediate as well as the extended family.

I intend to lead a Ministry that will be active in engaging the House through Parliamentary debates, Committee work and also by way of our legislative agenda.

We have set ourselves an ambitious agenda aimed at bringing our business environment and investment climate to international standards, whilst remaining cognizant of the unique attributes of our country.

It is my intention, in the remaining life of this Parliament, to table no less than ten new bills in the House.

These will cover, amongst others, Company Law, Standardization and Quality Assurance, Intellectual Property Law, as well as other interventions aimed at developing our Micro, Small and Medium Enterprises.

I have found that the legal frameworks which govern the Commerce, Trade and Industrial sectors were principally developed in the era of liberalization during the early 1990's.

Many of these laws, whilst not archaic, have, with the passage of time in a dynamic world of global business, become increasingly moribund and in need of revamping.

Mr. Speaker,

The Honourable Members of the House will recall that my predecessors have on previous occasions made statements in this House regarding the Industrial Clusters Development Programme.

My statement will outline the current status of the Industrial Cluster Development Programme as well as demonstrate how the programme will contribute to poverty reduction and job creation.

I will also highlight the impact that the programme is having on rural development and the measures that we have taken to improve the targeting and reach of the programme.

It is my intention to provide clarity on the focus of Government going forward, with regard to the Clusters Programme. This is necessary, taking into account the considerable interest that this matter has generated among the Honourable Members of Parliament, as is evidenced by the numerous Parliamentary Questions that my Ministry has received regarding this matter hitherto.

Mr. Speaker,

We have defined an Industrial Cluster as a *“physical place where enterprises dealing in similar products or lines of business are clustered and conduct their businesses”* or as *“a geographic concentration of interconnected businesses suppliers and associated institutions in a particular field or sector”*.

From these definitions, we have further gone on to define three main types of industrial clusters.

The first type of industrial cluster is defined as a ***Core Venture Type*** of industrial cluster where - we have different activities clustered around a particular enterprise, producing and supplying the different goods and services necessary for the operation of that business.

A typical illustration of this type of cluster is in Mazabuka where various sugar out-grower schemes have been established to supply sugarcane to Zambia Sugar Plc.

In the case of Core-Venture Clusters, Government will actively work with the private sector whilst continuing to provide an enabling environment in which the private sector investment can flourish.

Mr. Speaker,

Our focus therefore, will be to work with major private investors such as Lafarge Cement and Dangote Cement whose investments are expected to bring about long value chains. Small and Medium Enterprises will be able to access opportunities to supply goods and services to these Core Venture Companies. Jobs will be created.

An illustration of where this model has worked well is with the Chambishi Smelter located in the Chambishi MFEZ, which has acted as a catalyst of business opportunities for enterprises supplying goods and services such as transportation and distribution, based on business around the smelter.

We expect this to become a new growth model for industry based development.

We are, through the Zambia Development Agency, undertaking various investment promotion efforts targeted at attracting investment into sectors that will operate under this model, and provide core-ventures that will support Micro, Small and Medium enterprises (MSME's) through business opportunities across the value chain.

Mr. Speaker,

The second type of physical cluster takes the form of an Enclave. It may be a place like Buseko Market here in Lusaka, or the Nakadoli Market in Kitwe where various micro and small scale entrepreneurs operate from, engaged in various but related value addition activities.

Enterprises in such clusters, tend to use common facilities in terms of supporting and ancillary equipment. This type of cluster is what some members of the house have come to generally refer to as Industrial Cluster or Industrial Yards.

The Third type of Industrial Cluster is the Value Chain Industrial Cluster. One such example is a value chain for ground nuts where a number of activities, from growing groundnuts, harvesting them and removing husks in order to process them into different products such as peanut butter, oil and powdered groundnuts are undertaken.

The focus for this type of cluster is to add value to a particular primary product or commodity, and by so doing create jobs along the value chain from production to marketing and finally distribution.

Mr. Speaker,

Having outlined the three types of Industrial Clusters, I wish to state to the House that in the medium term, Government will not prioritise the implementation of the Enclave type physical Industrial Clusters or Industrial Yards except on a needs basis.

Establishing these types of Industrial Clusters is an expensive undertaking and the cost of establishing such fully-fledged clusters is estimated to be in the region of US\$20m to US\$30m, depending on the sector type.

The cost is driven by the need to set up significant infrastructure and other support services as well as the cost of procuring modern equipment and skills training to operate the equipment.

In order to be pragmatic, and taking into account limited national resources, we cannot realistically in the immediate term implement such clusters at national level.

Mr. Speaker,

I am aware that Government has indicated in the past that it is actively exploring the possibility of establishing such clusters, however, the cost has proved to be very prohibitive.

It should also be pointed out that the Enclave type clusters can only be established where there is an already established pool of entrepreneurs, resources and skills. This further limits the extent to which this type of cluster model can be developed.

Our focus will, therefore, be to support already existing enclave cluster formations such as the ones I mentioned earlier and assist them with business development as well as financing where appropriate. We will do this within the context of our Business Development initiatives for Micro, Small and Medium Enterprises.

We will, nonetheless, continue to engage potential funding partners to source external financing for at least one pilot Enclave Industrial Cluster and we are optimistic that a suitable partner will soon be found. However, our priority will remain the establishment of Value Chain Industrial Clusters.

Allow me to delve a little deeper into the **VALUE CHAIN DEVELOPMENT PROGRAMME.**

Mr Speaker,

The Value Chain Clusters are the primary vehicle through which my Ministry will facilitate Rural Industrialisation.

This is in line with the Industrialization and Job Creation Strategy of Government. I would strongly urge Members of Parliament to hold us to account on the Value Chain Clusters.

The Value Chain Cluster Development programme is an ambitious programme designed to move the country away from the production of primary products to that of value added products.

The objective is to add value to local natural resources and endowments, thereby creating wealth for enterprising Zambians as well as creating more jobs for our people. I am proud to inform the house that CEEC has a presence in all ten (10) Provinces.

The programme supports the creation of citizen-owned industries at the district level. In this way, Government is addressing both the need for industrialization and economic diversification as well as the need to increase the economic participation of our people, both now and in a future industrialized Zambia.

Mr Speaker,

In order to facilitate the implementation of this programme, the Citizens Economic Empowerment Commission (CEEC) was reorganised in 2012 to ensure that the Empowerment Fund is equitably and transparently distributed amongst the ten (10) Provinces of our country.

The programme targets specific value chains in order to promote industrialization at the district level based on the comparative advantage of each district. Emphasis has been placed on greater participation of women, the youth and the physically challenged.

Key measures in re-focusing the Funds include:

- (a) Targeting ninety percent (90%) of empowerment funding to rural areas so that there is a pro-rural bias aimed at ensuring accelerated rural industrialization;
- (b) Forty percent (40%) of the funds are being allocated to the youth and at least thirty percent (30%) to women;
- (c) Two windows have been created - one targeting those with the capacity to offer collateral and another window for Micro-loans for which collateral is not

required. This has significantly improved access to the fund and expanded the type of projects that can be financed;

(d) The Commission has hired Credit and Risk Management Officers in all the ten (10) Provinces in order to strengthen the monitoring of projects and loan repayments; and

(e) The Commission has introduced mandatory pre-financing training for loan recipients with business development support in areas such business planning, enterprise management and financial literacy.

These measures have resulted in an impressive increase in the loan recovery rates to eighty percent (80%) in 2014 compared to forty four percent (44%) in the period prior to the coming into office of the Patriotic Front Government.

This has led to a more sustainable revolving fund pool.

Mr Speaker,

Under the Value Chain Cluster Development Programme, Government is currently funding more than one thousand

seven hundred (1,700) projects countrywide, with unprecedented outreach to rural areas, women and youth.

Allow me to illustrate some outcomes and impacts of the Value Chain Programme:

- (a) Value Chain Projects are being implemented in forty two (42) districts, targeting Fish Farming, Beef, Tourism facilities, Poultry, Dairy, Rice, Groundnuts, Soya Beans, Palm Oil, Cassava, Pineapple, Honey and Mango value chains;
- (b) Over fifty three million (K53m) was been disbursed to various Value Chain projects in the period 2013-2014;
- (c) We have been able to create an estimated 13,000 sustainable jobs in the various Districts and many more indirect jobs. The districts in which we have projects include Sesheke, Kaoma, Kabompo, Chavuma, Mwansabombwe, Mungwi, Mpulungu, Chinsali, Nakonde, Mambwe, Vubwi, Chongwe, Mumbwa, Chitambo, Zimba and Namwala; and
- (d) Through the Financing deployed under the value chains, our people are implementing projects such as

Mango Juice production in Mongu; Cage Fishing in Siavonga; Rice processing in Mambwe; Dairy processing in Kabwe; Cotton processing in Mumbwa; production of High Energy Protein Supplements in Mungwi; production of Cooking Oil in Petauke and processing of Honey in Kabompo.

We have worked out the empowerment funding resources required to reach the remaining 61 districts nationwide by 2016.

If funded according to our plan, this programme should create not less than 45, 000 direct and indirect rural jobs by 2016 and deliver unprecedented value addition activity in the districts.

Mr Speaker,

As Minister responsible for Trade and Industry, I will look to this House to work in concert with me in expanding the involvement of Zambian citizens in our economy.

I am a firm believer that national development cannot be sustainable unless it is buttressed by the active involvement and participation of nationals.

If our citizens are reduced to the role of mere spectators, marginalised and sitting passively in the gallery and unable to share in the spoils of entrepreneurship – we shall have failed them.

Ours must be to find and deploy the necessary interventions and to create an enabling environment which will foster the creation of wealth, empower and benefit Zambian citizens.

Mr. Speaker,

In conclusion, as Minister it is my position that every investment into our country must come with opportunities for new businesses owned by Zambians; opportunities for Zambians to own shares in these multi-national companies and increased growth prospects for our small and medium-scale entrepreneurs.

I will focus on ensuring that large scale investments are designed in a manner that has greater impact than mere profit generation.

I intend to bring to the Government and the House, my experience and insights from the private sector and trust that these will be useful in my efforts to deliver on the promises of the PF Government.

I remain cognizant that the cut-and-thrust of Parliamentary debate necessitates that my colleagues on the opposite side of the House will constantly endeavour to make my life in the House as difficult as possible, I do trust that when we get things right, they will have the magnanimity to give us the occasional pat on the back!

I therefore look forward to the collective support of both sides of the House as we, collectively, endeavour to develop our beloved Zambia.

MR. SPEAKER, I THANK YOU.