

all the major regulators and ministries, the private sector and civil society organizations. In addition, government has been deliberately encouraging small businesses to bid for tenders for the supply of goods and services to various public institutions. There is need for SMEs to rise to the challenge and take advantage of these government initiatives.

Stakeholders Approach to Developing MSMEs

The majority of NGOs provide vocational and technical training including basic business management and accounting/bookkeeping,



leadership skills and general training in entrepreneurship. A number of them also provide credit as part of the package with business training.

The (PSDRP) and the Financial Sector Development Plan (FSDP) under the Bank of Zambia are working together to review the various laws on access to finance to enable MSME have better access. The following are some of the laws under review; banking and financial services act, companies act, money lenders act, the securities and exchange act.

However, government and NGOs do not adequately coordinate their activities to address MSMEs challenges. In addition, amongst NGOs working on small enterprise development, there is little coordination. Therefore, the development

to Small entrepreneurs needs "*coordinated support*" from all the stakeholders.

MSMEs Locally Developed Financial Strategies

Some Small traders have developed several financial coping mechanisms to enable them stay in business some of which include rotating credit and savings group (*Chilimba*). This system enables traders to lend money to each other on a rotation system on monthly or weekly basis. Mostly the chilimba system has no interest repayment. The other mechanism is borrowing on short term basis of 30 -60 days but with high interest rates of about 50-60% .This system is called (*Kaloba*). Though these two system are not so favorable, many small traders believe is the only way for them to acquire financial credit easily , bearing in mind the harsh conditions formal banking institutions administer to grant funds to small businesses such as collateral among other requirements.

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A Just Market System

"Equity and Efficiency— A market system for All"



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REFLECTION

"Promoting Faith and Justice"

What is a Just Market System

It is a market system that enables favorable participation from all market players. Buyers and sellers make up the market system. Sellers offer products and Buyers offer money, the interaction of these two players makes the market system complete.

A well promoted market system is essential in generating employment and tackling poverty. However, a favorable market system should allow for the participation of the poor and vulnerable groups who often trade as micro and small traders. Mostly, small traders are often at a disadvantage as they are subjected to compete with large businesses who sometimes may enjoy certain incentives that are not offered to small traders.

Therefore, the market system should be considered just if it allows for fair participation of all players (Sellers—Both Small and Big Traders) and Buyers.

With high unemployment in Zambia, where out of a labor force of about 5,000,000, only 500,000 are employed in the formal sector, merchandise trading has proved to a significant source of income and employment for a lot of people. However, many participants in the market have remained micro, small and medium traders, and fall under the category of Micro, Small and Medium Enterprises MSMEs.

The Status of MSMEs in Zambia

There has been a steady growth of many MSMEs in Zambia with sectors such as agriculture, retail and wholesale trade, simple manufacturing and service provision recording significant growth. In the agriculture sector, many MSMEs are peasants farmers and trade in maize, rice and groundnuts.

In simple manufacturing, there is growing metal fabrication and simple engineering trade. Retail and wholesale trade among MSMEs comprises of consumable products both food and non-food items. In service provision, there is the mushrooming of restaurants, saloons, passenger and goods transportation.

Challenges Faced by MSMEs in Zambia

There are a number of challenges MSMEs face which include;

- Lack of adequate trading market places and market information



- Lack of access to affordable finance
- Unfavorable regulatory environment which include (High License fees and too many licenses)

- Lack of technical and managerial skills among MSMEs makes it impossible for MSMEs to run their business efficiently
- Limited access to land especially women
- Long distances to markets especially in rural areas



Government Agencies

There are various public institutions that work around promoting the fair participation of all market players. These institutions include; Competition and Consumer Protection Commission (CCPC), Private Sector Development Reform Programme (PSDRP) and the Zambia Development Agency (ZDA)

Efforts in Addressing the Challenges faced by MSMEs

Over the years, there has been a lot of efforts aimed at addressing challenges faced by MSMEs. To have concrete defined direction on the development of the MSMEs, government in 2009 developed the **Micro, Small and Medium Enterprise Development policy**. The policy gives direction on governments focus during the 6 year implementation period of the policy from 2009-2015. The focus areas are; **Capacity development**, **Access** (Markets, business finance) and **Operating Environment**. In addition, the Zambia Development Agency (ZDA) spearheads the Implementation plan of the MSME Development policy. To this effect, ZDA has strategic partnerships with