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PRESS STATEMENT

SMALL MEDIUM ENTERPRISE DEVELOPMENT IS CARDINAL TO PAVE THE WAY FOR A PRIVATE SECTOR LED ECONOMIC-RECOVERY

Lusaka, 16th September 2021: The Zambia Tax Platform (ZTP) commends Government for establishing the Ministry of Small Medium Enterprises (SMEs) as enterprises will have a more direct share of the national budget. This Ministry will also assist in improving coordination and providing oversight to institutions such as Citizens Economic Empowerment Commission (CEEC). The Platform holds that Micro and Small Medium Enterprises (MSMEs) have an important part to play in not only the growth but also the modernization of the economy as their activities cut across many economic sectors. These include construction, manufacturing, professional services, agriculture, trade, and mining. In Zambia, (MSME's) contribute approximately 88% of employment, account for about 97% of all businesses and generate significant domestic and export earnings (FSD Zambia and Zambia Invest 2017). As such, SME development emerges as a key instrument in poverty reduction efforts. However, over the recent past, the business environment has not been supportive enough for the growth of MSMEs for several reasons.

One of the pertinent challenges that MSMEs face in Zambia remains the lack of access to affordable finance to support the development and growth of their businesses. Although these enterprises account for a considerable share of employed persons, small business owners encounter difficulties to access credit from Financial Service Providers (FSPs), more so in rural areas where such financial services are constrained. Furthermore, the failure of most enterprises to formalize their business operations, exacerbates this problem. ZTP believes the new ministry can help address these challenges by providing a framework through which SMEs will be supported.

SMEs are central in the promotion of entrepreneurship and competition, that they are equitable in income distribution, much more productive and enhancing employment creation. Their potential provides room to strengthen local linkages and pave way for informal businesses to formalize in the country which can also lead to the government broadening the tax base. SMEs in Zambia, however, are mainly composed of enterprises that rely heavily on the use of low technology and their distribution are

more inclined towards traditional economic sectors of which production is labor intensive. For more meaningful and inclusive growth of these businesses, this will require proper coordination by the government and various non-state actors that can lift MSMEs to levels that they can compete favorably both locally and internationally.

The role that SMEs can play in job and wealth creation cannot be overemphasized. As ZTP, we therefore wish to urge the Government to ensure they deliver on their broad-based education and skills development agenda to create a critical mass of entrepreneurs especially among the youths. Furthermore, there is a need to take a holistic approach in providing MSME support which requires cross-cutting strategies consisting of simplified regulatory frameworks, good governance, sound macroeconomic policies, the development of a conducive microeconomic business environment, accessible finance, and suitable infrastructure among others. To integrate in global value chains (GVCs), SMEs in Zambia must be efficient and responsive to international market signals to take advantage of trade and investment opportunities if they are to reap the benefits of the international trading systems. Given the status quo highlighted above, ZTP is of the considered view that the creation of a line Ministry in-charge of SMEs will substantially mitigate some of the challenges and contribute to the formalization of this sector. Ultimately, the economic transformation and development of SMEs in Zambia will increase employment and tax revenue and thereby pave the way for a private sector led economic recovery.



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