

**THE UNIVERSITY OF ZAMBIA**

**SCHOOL OF LAW**

**Directed Research L410**

**TITLE: THE IMPACT, IF ANY, OF THE CITIZENS ECONOMIC  
EMPOWERMENT COMMISSION IN ZAMBIA FROM  
INCEPTION TO DATE.**

By

**EVANS KACHUNGU**

Computer No. **26067706**

A dissertation submitted to the University of Zambia, School of Law in partial fulfillment  
of the requirements for the Award of the Bachelors of Laws (LLB) Degree


UNZA

April 2011

## DECLARATION

I **Evans Kachungu**, Computer Number 26067706, do hereby declare that the contents of this Directed Research, are entirely based on my own research and represent my own work and that they have not previously been submitted for a degree at the this University or another University. Further, any other person's work consulted has been duly acknowledged.

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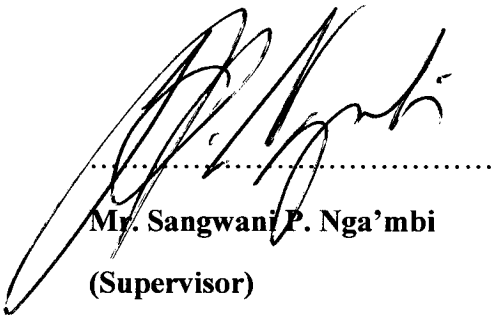
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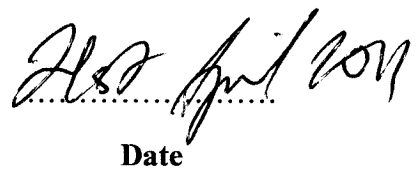
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## ABSTRACT

The desire to empower citizens in Zambia has been a common call for all successive governments in one way or the other. Through the policy of nationalization, the government had hoped to plough all the nations' resources in on central place. The next government thought privatization was going to improve people's living standards through ownership of businesses. The failures of these programmes are well documented. Against this background the Citizens Economic Empowerment Act was enacted in 2006 and it gave birth to Zambia's first empowerment Commission whose sole purpose was to target the most vulnerable in Society.

This study traced the background leading to the establishment of the Citizens Economic Empowerment Commission. Its functions and aims were fully discussed, in that it provides a mechanism through which citizens are empowered by being availed with loans for project finance and other startup businesses. This is done under chapter two which looked at the operations of the Commission in detail. Issues to do with interest rates applicable, the preferred form of collateral, the process of loan evaluation applicable documentation and eligibility requirements were the highlights of this chapter.

The research under chapter three analyses the successes achieved as a result of the Commission's formation and its challenges have been documented as well. Factors that have contributed to the Commission's failure to perform adequately have been stated as including lack of financial resources both for administration or operational and actual fund capital meant for loan approvals. Other challenges cited include poor staffing levels in districts other than the provincial capitals, shortage of skilled empowerment officers, failure to introduce online approvals as well as the stringent accounting financial statements as a preliquisite for loan finance for business applicants. Lack of autonomy, adequate office space as well as limited publicity concludes the challenges. The concern of chapter four was the analysis of the Empowerment Act's capacity in advancing the aims of the Commission. The empowerment trust fund has been discussed. The author concludes under chapter five that the Commission has not performed in a satisfactory manner and unless some of the concerns are addressed, in line with the recommendations, no meaningful impact shall be felt in the nearest future.

## **ACKNOWLEDGEMENTS**

The Completion of this Directed Research has been made possible with the assistance of others. Therefore, I wish, at this moment to acknowledge the various contributions and thereby express my heartfelt gratitude.

Firstly to God, I wholeheartedly thank you from the bottom of my heart for having given me breath to reach this far. I thank thee. I know that without your guidance, I would not have achieved a thing.

Special thanks go to my supervisor Mr. Sangwani Patrick Nga'mbi. I am humbly indebted for his professional guidance and allocating his precious time to review my work. I would not have gone any further without his support. To him, I say thank you again.

I wish to acknowledge with love the unfailing support from my family who have enabled me to come this far. I would not have made it without your love, care and understanding while I spent many hours away from you. This is especially so to Ireen, Mutango, Bupe, Siza and Kainda.

Special thanks also go to my friends whom I shared a lot of reading material with. This is especially so to, Mubita Mukelabai, Humphrey Mwale, Brian Mwanza and last but not the least Richard Lubinda.

Finally, I would also like to pay special tribute to our late Dean Professor Alfred Chanda whose guidance remains entrenched in me. Lastly, my acknowledgements would be incomplete without paying tribute to all my classmates who helped me reach this far in one way or another. To you ladies and gentlemen, I say thank you.

## **DEDICATION**

To my late sister Rabbecca, whom I so dearly miss, and wish she were around to me see graduate. To my wife Ireen and my off springs Kainda, Siza, Bupe and Mutango for having been there for me.

## **TABLE OF STATUTES**

The Citizens Economic Empowerment Act No. 9 of 2006.

The Zambia Development Agency Act No 11 of 2006

## ACRONYMS

<b>BEEC</b> .....	Black Economic Empowerment Commission
<b>CEEA</b> .....	Citizens Economic Empowerment Act
<b>CEEC</b> .....	Citizens Economic Empowerment Commission
<b>CSO</b> .....	Central Statistical Office
<b>DA</b> .....	District Administrator
<b>DC</b> .....	District Commissioner
<b>MDG</b> .....	Millennium Development Goals
<b>MMD</b> .....	Movement for Multiparty Democracy
<b>MP</b> .....	Member of Parliament
<b>NATSAVE</b> .....	National Savings and Credit Bank
<b>PACRO</b> .....	Patents and Company Registration Office
<b>PEC</b> .....	Provincial Empowerment Co-coordinator
<b>SAP</b> .....	Structural Adjustment Programme
<b>SC</b> .....	State Counsel
<b>SME</b> .....	Small and Medium Size Enterprises
<b>ZANACO</b> .....	Zambia National Commercial Bank
<b>ZDA</b> .....	Zambia Development Agency Act
<b>ZPA</b> .....	Zambia Privatisation Agency
<b>ZRA</b> .....	Zambia Revenue Authority



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## **CHAPTER ONE**

### **1.0 General Introduction**

Zambia, like many other countries, especially underdeveloped countries, is in the quest of economic development of its citizens. Development entails, inter alia the exploitation of natural resources. Indeed, Zambia is endowed with abundant natural resources especially copper which the country has been mining since the colonial period. Upon attaining independence in 1964, the mines were brought under the control of government in a bid to have the proceeds distributed evenly. More than four decades after attaining independence, the poverty levels in the country are not any lower than before.

The Citizens Economic Empowerment Act<sup>1</sup>, was enacted in 2006 and its purpose was to establish the Citizens Economic Empowerment Commission (CEEC) and its functions are: to promote the economic empowerment of targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies; promote gender-equality in accessing, owning, managing, controlling and exploiting economic resources; encourage an increase in broad-based and effective ownership and meaningful participation of targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies in the economy in order to contribute to sustainable economic growth; remove social customs, statutory provisions or other practices that limit access to any particular gender to skills training that is essential for effective participation in the economic sector; promote the employment of both gender by removing structural and discriminatory constraints that hinder any particular gender from employment opportunities and in so doing ensure equitable income distribution; promote equal opportunity of targeted citizens and citizen empowered companies, citizen influenced companies and citizen owned companies in accessing and being awarded procurement contracts and other services from State institutions; promote greenfield investment through joint ventures and partnerships between local and foreign investors in order to enhance broad-based economic empowerment; and provide for matters incidental to or connected to the foregoing.

To achieve this goal the Act also makes provision for the establishment of the Citizens Economic Empowerment Commission and prescribing its functions

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<sup>1</sup> No 9 of 2006

and powers and to provide for matters incidental to the stated goal<sup>2</sup>.

The CEE Act No. 9 came into force on 19<sup>th</sup> May 2006 and the CEEC was established thereafter. Following its creation, the Economic Empowerment Commission embarked on the drafting of a number of rules and or regulations to operationalise the provisions of the Economic Empowerment; in as far as the procedure for accessing such funds was concerned.

### **1.1 Statement of the problem**

The enactment of the CEE Act was hailed by many as one of the solutions that were to help the targeted group in promoting their economic well being and raise both their standard of living and that of doing business and ultimately contribute to the economic development of the country. The burden however, which the Government has had to face was to create a sustainable environment where the objectives of the Economic Empowerment Commission were to be achieved. This entails critically analyzing the legal provisions as contained in the Act in order to determine if certain policy decisions as formulated and pronounced by the Commission can be backed by the law. The big question as we stand today is to ascertain whether the Citizens Economic Empowerment Commission has had any impact on the general citizenry from the date of inception to date or whether it has worked up to expectation.

This paper will therefore evaluate of what impact the Act and the established Commission has had on citizens and the economy but particularly the targeted group, considering that the Commission has been in existence for well over four years now.

### **1.2 Objectives of the study**

The objective of this study therefore was to scrutinise the performance of the Commission in relation to the purpose for which it was established. It had to investigate if the Commission has had to set up any deliberate policies other than the umbrella Act establishing it and also the progress that has been made so far in achieving the purpose for which the Act and the Commission were established for.

This research did not approach this question from the perspective of whether CEE Act is relevant or effective to meet its purpose for which it was enacted. The question of the efficacy of the CEE Act has been adequately researched upon and there is general consensus

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<sup>2</sup> Section 4 (1) of the CEE Act

amongst scholars, both prior to and after the enactment of the CEE Act that the law on Citizens empowerment in Zambia needed to be enacted.

The study looked at what effect or impact the CEE Act and the Commission has had on the targeted group of this country. The research ultimately aims to add to the body of knowledge in the area of what policies and or Acts Zambia should establish in order to meet the needs of her people; or indeed recommend on how best the objectives of the Commission can be met using the law.

**1.3 Significance of the study**

The study aimed to review the impact, if any; the Citizens Economic Empowerment Commission has had from inception to date and whether much needs to be done in order to achieve the intended goals of the Government through the Commission. This aspect of the CEEC has not yet been researched on in Zambia and as such the significance of the study therefore is that it addresses a new area of research in the government’s bid to empower its citizens in relation to the Act in particular.

**1.4 Justification of the study**

Many policies have been formulated by subsequent Governments in order to ‘alleviate’ poverty among the targeted groups of this country yet the poverty levels still remain high and the general citizenry continues to look up to the successive governments for solutions. However, not much research or analysis has been conducted to determine the impact if any of such policies on individuals and the economy which would in essence ultimately prompt the government to take stock of its legal enactments. Although the study does not aim to carry out a quantitative analysis of the effect of the CEEC on the economy of Zambia, it however, aims to determine qualitatively if the CEEC has had an incremental impact on the targeted group.

**1.5 Research questions**

The study will address the following questions:

1. What policies and evaluation targets have been set up and put in place by the  
Zambian Government towards the achievement of the Commission’s intended goals.
2. With such policies in place, what progress has been made so far by the Zambian  
government towards meeting the objectives.

3. How effective are these deliberate policies in attaining the Commission's aims.
4. Identify and examine some shortfalls of the Commission.
5. Analyze the adequacy of the Act in meeting the aspirations of the Commission.
6. Examine whether there has been a traditional way of empowering the general citizenry prior to the establishment of the Commission.
7. Examine the role of the Commission in relation to its failures and achievements by
  - (a) Examining the rationale and the intended purpose
  - (b) Examining how independent the Commission is in terms of financial autonomy, independence from political interference and how accountable the Commission is to the appointing authorities.
  - (c) Examining the credit evaluation criteria for the applicants.
  - (d) Examine how the Commission's geographical locations affect accessibility of the Commission by the targeted would-be beneficiaries.
  - (e) Make recommendations how the Commission can be strengthened

## **1.6 Research Methodology**

Several ways have been used to come up with answers raised in this research. Desk research was mostly used to come up with the bulk of the answers in this research. The author accessed secondary information by way of government policy papers, gazettes, books, reports and media pronouncements by government and other relevant officials. The information was also sourced from publications by nongovernmental organizations in the form of commentaries, bulletins and magazines, including newspapers. The author also used internet sources in the research. A number of websites were visited from which the author came up with a number of conclusions. In addition, a number of interviews with government and nongovernmental organizations were conducted.

## **1.7 Structure of the paper**

The author attempted to summarize the research in five chapters as follows; Chapter one which is this chapter covers mainly the general introduction including the background to the study. This chapter sets the context of the essay. The chapter further presents, the statement of the problem, the rationale, significance of the study, objectives of the study; and methodology. Chapter two discusses the operation of Citizens Economic Empowerment Commission while chapter three analyses the challenges and achievements of the Commission. Chapter four looks at the adequacy of the Citizens Economic Empowerment



Act and the Empowerment Commission in relation to their provisions in meeting the objectives whereas chapter five concludes the topic and recommends the best ways of how the Commission can be enhanced.

## **1.8 Conclusion**

In conclusion, this chapter has basically highlighted the fact that the Zambian government through the enactment of the Citizens Economic Empowerment Act in 2006 and further the establishment of the Commission did realize and acknowledge that the poverty levels in the country were high coupled with economic disparities were high and as such called for affirmative action. This, it was envisaged, would be achieved by enacting a specific legislation to and establishing a tailor made Commission to cure the mischief. As the American Professor, Roscoe Pound (1870 – 1964) stated that;

Interests are the chief subject-matter of law, and that the task of law in society is the satisfaction of human wants and desires, He further stated that law is an instrument of social engineering. His emphasis was on the fact that the law should strike to achieve the maximum satisfaction of human wants and that we should continuously search for new laws and new means of achieving or promoting a better life<sup>3</sup>.

In other words, the law should strive to provide equal apportion to everyone and that laws are the features of the state and are the only means of achieving social control; as man is in constant search of an improved standard of life.

Going by what has been stated earlier in the chapter, what emerges is not whether the legal framework put in place is adequate but rather that a Commission was established in response to the Act. The foregoing chapters will analyze in detail whether the Commission has stood to the challenges faced by it during the period it had been in existence.

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<sup>3</sup> C. Anyangwe, An Outline of the Study of Jurisprudence. UNZA Press, Lusaka, 2005. pages 242-245

## CHAPTER 2

### **The Operation of the Citizens Economic Empowerment Commission**

#### **2.0 Introduction**

In response to the enactment of the Citizens Economic Empowerment Act in 2006, the Citizens Economic Empowerment Commission was established in accordance with section 4 (1)<sup>4</sup>. The Citizens Economic Empowerment Commission is a national policy whose main objective includes facilitating and increasing the levels of citizen participation in all facets of the Zambian economy in order to improve their own lives. As the preamble of the Act states;

The functions of the Commission shall be to promote the empowerment of citizens that are or have 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.

#### **2.1 Back ground insight**

At independence, in 1964, there was insignificant participation in business and national economy as a whole by Zambians. This led the Government to introduce measures such as the Mulungushi reforms and the subsequent Zambianisation programs which were aimed at broadening and deepening the participation of Zambians in the economy. Under the Mulungushi Reforms, outright ownership of business was reserved for Zambians in particular trading areas located in places where the majority of black Zambians lived or heavily patronized. The State took ownership of the mines and other capital-intensive businesses. Before the onset of privatisation, about 80% of the economy was under state control.

The direct ownership of businesses by Zambians as envisaged under the Mulungushi Reforms<sup>5</sup> did not succeed and had all but collapsed by the mid-eighties. State ownership through parastatal enterprises increased the stock of trained and managerial Zambian capital, but proved unsustainable and was overtaken in the mid-nineties by privatisation as part of economic restructuring.

Although privatization resulted in increased private ownership of business, it did not lead to significant rise in the private ownership of businesses by Zambians, but instead there

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<sup>4</sup> Section 4 (1) of the Citizens Economic Empowerment Act

<sup>5</sup> Zambia Economic Revolution: Address by His Excellency the President, Dr K.D. Kaunda, 19<sup>th</sup> April 1968, p.28

continued to exist high levels of poverty coupled with limited ownership and control of economic assets, marginalisation of the vulnerable groups in society and inadequate access to capital. It was therefore imperative for the government to come up with a deliberate policy, backed by the law, to redress and remove these inequalities.

It was against this background that in 2005, His Excellency, the late President, Mr. Levy Patrick Mwanawasa SC, appointed a Citizens Economic Empowerment Advisory Committee composed of public and private stakeholders and chaired by the private sector, which was tasked with the responsibility of developing a comprehensive empowerment policy that would ensure equity and empowerment of Zambian citizens as they engage in sustainable economic activities. The result of the Committee's work was the CEE Act, which was enacted in May 2006 and the subsequent establishment of the CEEC whose operations are discussed in detail below.

## **2.2 The Empowerment Commission in Action**

The Commission has its Head Office in Lusaka and has offices in all the nine provincial Head Quarters of Zambia namely Solwezi, Mongu, Ndola, Kabwe, Mansa, Kasama, Livingstone, Lusaka, and Chipata and has representation in all the other districts through the District planning Officers and District Commissioners. The Commission is headed by a board of twelve (12) Commissioners namely chairperson, the secretary to the treasury in the Ministry responsible for and the Management Finance, the Permanent Secretary in the Ministry responsible for Commerce, trade and industry, the permanent secretary in the ministry responsible for labour and social security, the Attorney General or a representative of the Attorney General, one person representing the youth, two persons representing the private sector and civil society organizations, three persons representing the University Community, Central Statistical office and the trade unions respectively and one person representing the disabled<sup>6</sup>. All these are appointed by the President<sup>7</sup>.

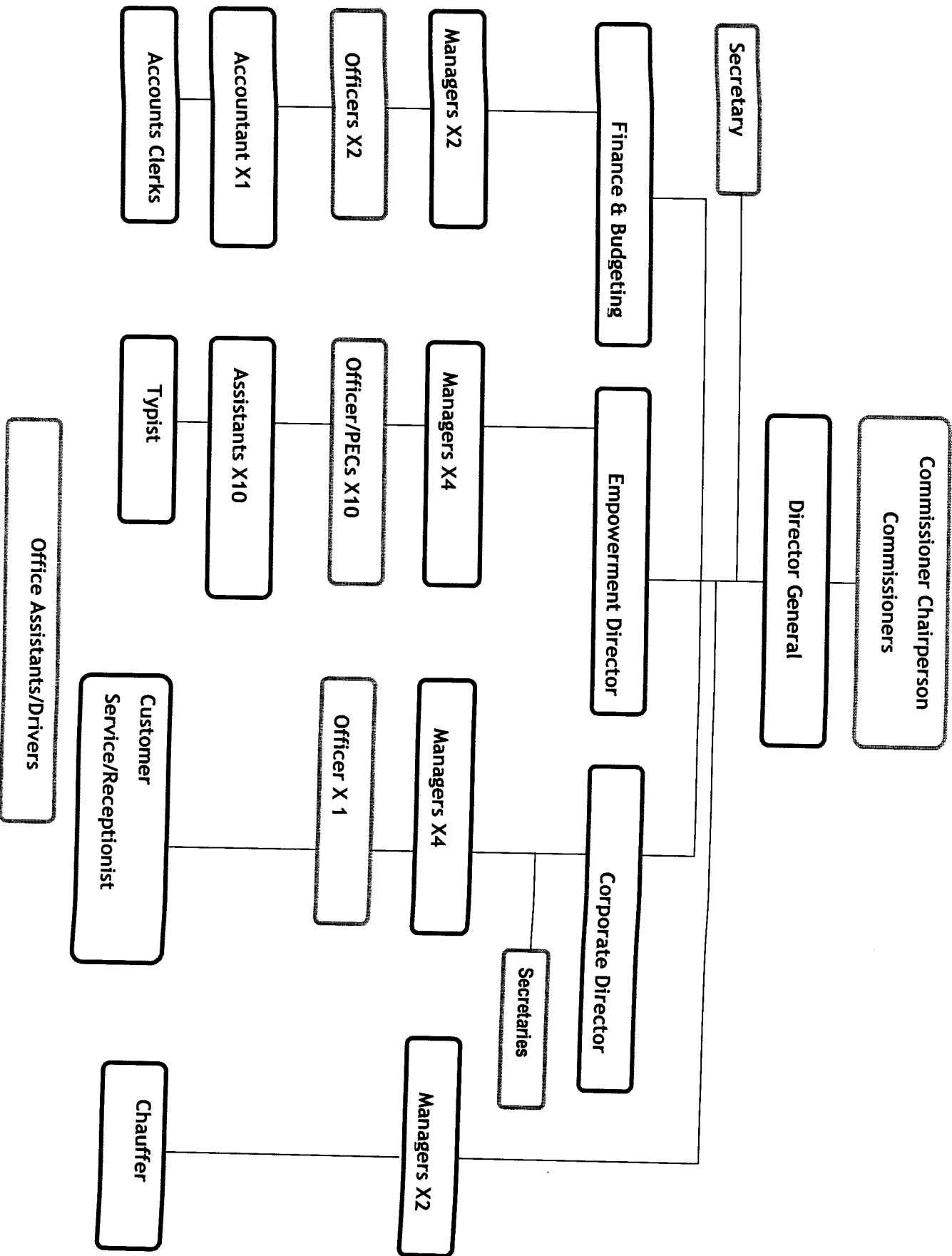
Funding for the Commission consists of monies allocated by Parliament, grants, fees, loans and any interest earned from investments made by the Citizens Economic Empowerment Commission.

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<sup>6</sup> Section 7 (1) of the Citizens Economic Empowerment Act (CEEA)

<sup>7</sup> Section 7 of the Act

The day to day management of the Commission is under the Director General. In total, the Commission has a staff workmanship of fifty six (56) employees nationwide. A full complement of staff is shown in the following organogram;



**Key**

**Director General’s Office**

The managerial level is composed of Executive Assistant and the Internal Auditor.

**Finance Directorate**

The managers in this office are Credit Control & Risk Manager and Finance and Budget Manager. The officers are Credit Control & Risk Officer and Information Technology Officer

**Empowerment Directorate**

This office is composed of the Empowerment Fund Manager, Programmes Manager, Research & Documentation Manager and Monitoring & Evaluation Manager. The Officers level has the Provincial Empowerment Coordinators and Programmes Officer.

**Corporate Services Directorate**

Managers are Human Resources Manager, Legal & Compliance Manager, Public Relations & Communications Manager and Procurement Manager. Officers are Procurement Officer.

**2.3 Eligibility for loan funding**

Section 3 of the CEEA notes that eligibility for funding from the CEEC is broad based, covering; Citizens owned companies, where at least fifty point one percent of its equity is owned by citizens and in which citizens have significant control of the management of the company, groups of citizens, co-operatives, citizens empowered companies, where twenty-five to fifty percent of its equity is owned by citizens; citizens influenced companies where five to twenty five percent of its equity is owned by citizens and in which citizens have significant control of the management of the company. In addition, individual citizens involved in the following economic sectors are eligible for funding: mining, financial services, agriculture, tourism, manufacturing, construction, transport, energy, information and communication technology and retail and trade, and services. Acknowledging the participation of women in accessing funding, the CEEC Director General said that ‘women should be applauded because they have done a lot

to create wealth and alleviate poverty in Zambia’. The Director General further said ninety eight (98) out 369 projects funded were women driven and the women co-managed the other projects<sup>8</sup>.

**2.4 The Process of accessing empowerment funds**

A person or organization wishing to access the empowerment funds is required to; think of a business idea and reduce it writing in form of a proposal; register a company through patents and Company Registration office or an individual Association/ Cooperative through the registrar of Societies. The applicant would then be required to obtain a tax clearance certificate from the Zambia Revenue Authority (ZRA). For Small and Medium Enterprises (SME’s), such organizations are required to register with the Zambia Development Agency SME department. The applicant is also required to open up a Bank account for the Company or Association with any of the participating Banks, namely, Zambia National Commercial Bank (ZANACO), Finance Bank Zambia Limited, National Savings and Credit Bank (NATSAVE), Standard Chartered Bank Plc, Barclays Bank Plc and ACCESS Bank. These six Banks also act as points where application forms would be acquired or bought from. All application forms for start-up business loans up to an amount of K50m and below do not require any fees. However, business loans above K50m attract a form application fee of K20,000.00. Loans between K50m up to K250m have their application forms charged at K50,000.00 whereas loans above K250m are charged at K100,000.00.

**2.5 Documentary requirements**

The Empowerment Commission does not accept any application forms for processing unless such were accompanied by;

- a) A business plan or business proposal
- b) Completed CEEC application form
- c) Certified copies of the National Registration Cards of all the promoters of the business.
- d) A certified copy of the certificate of registration of the Business (PACRO) or Registrar of Societies for Associations or Cooperatives.
- e) Certified copy of the certificate of registration with Zambia Development Agency.
- f) Bank account statement or reference letter from the Bank where need be and

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<sup>8</sup> The Sunday Mail, January 9, 2011, p.2.

g) Any other information that would give ones application an added advantage.

## **2.6 Interest rates**

The loan repayment period is determined by the business plan and appraisal process and this differs from project to project. The cost rationale is to provide cost effective funding for the projects and the cost of funds is therefore determined by such factors as funds being for productive investments only in form of loans, interest rate being charged at lower rate than commercial loans and the current interest rate was ten percent (10%) per annum and the principle being pegged between the Treasury bill rate and the government lending rate. This is a very favourable and competitive interest compared to the over 20% rate which the majority Banks on the market were currently charging.

## **2.7 Collateral preference**

The Commission requests and applies the following forms of collateral in isolation or as a combination; Landed Property, Plant and Machinery, Directors guarantees and Group security with signed guarantees.

## **2.8 Credit Evaluation**

In addition to the documentation stated above, the Commission does employ the following evaluation techniques prior to advancing credit.

**Viability of the investment:** This involves a critical analysis of the project to determine its long term viability in terms of its value addition to the sponsors and also whether the Commission would be able to recoup the investments. The other technique looked at is the sustainability of the project in the long run. **Technical and feasibility study:** The Commission ensures that a technical feasibility study of the project is undertaken in order to determine its value addition. **Ability to pay back:** In its evaluation process, the Commission looks at the applicant's ability to pay the principle amount and service interest as well. In other words, an applicant would have a very good project requiring substantial capital injection or debt financing from the Commission but the loan would fall through after analyzing his repayment capacity.



Economic Impact on overall job creation: A discussion with the loan evaluation team stated that the overall impact of a project on the economy as a whole does receive favourable responses than those which seem to benefit an individual only. Sustainability of the project. Competence of the promoter: The CEEC assesses to determine if the promoter has the competence to carry out the proposed business, because certain projects require the promoter to have certain skills. Environmental impact assessment of the project is undertaken. Is the project in line with the government's priority: The current government priority areas of development are agriculture, tourism and mining and as such projects in this line would receive favourable responses.

As at 31<sup>st</sup> December 2010, the Commission had received Five Hundred and Fifteen application forms and Three Hundred and Eighty Four had been approved and disbursed across the country.

Other functions of the Commission is to promote the empowerment of Citizens that have been marginalized or disadvantaged where access to economic resources and development capacity has been constrained due to various factors that include race, sex, educational background, status and disability as such the above stringent criteria are not strictly followed.

**2.9 Conclusion**

In conclusion, this chapter introduced the institution of the Citizens Economic Empowerment Commission and how it carries out its loan assessment. Clearly, it can be seen that this office is very important and a mile stone in the history of this country. The challenge is whether it is adequately staffed to meet the enormous task that the Commission had been tasked to achieve. The current loan applications stood at Five Hundred and Fifteen applications with only Three Hundred and Eighty Four applications approved in the two years that that Commission had been in full operational.

Zambia's 2010 census preliminary results indicated that Zambia's population has risen to Thirteen million from Nine Million Eight Hundred Thousand in 2000<sup>9</sup>. Given these statistics, it remains to be seen whether the CEEC has the capacity to improve the living standards of thirteen million citizens most of which live below the poverty datum line.

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<sup>9</sup> The Post Newspaper, January 28, 2011, p.5.

Out of the seventy two districts in Zambia, the CEEC organogram showed that only nine [being provincial Head Quarters] had trained empowerment officers while the rest of the districts were being serviced through the political appointees being the District Administrators. This clearly poses a big challenge in terms of service delivery for loan applications and approvals.

The channel for loan application forms was being done through the help of the six partner Banks namely Standard Chartered Bank, Barclays Bank, National Savings and Credit Bank (NATSAVE), Finance Bank, ACCESS Bank and Zambia National Commercial Bank (ZANACO). These Banks do not have a very strong rural representation and therefore poses another challenge in terms of application form accessibility. In addition, there is no benefit for these Banks to advertise a competitor product which they themselves were offering- at a higher rate than the CEEC one. Clearly there is no incentive.

It is no doubt that the CEEC is a good government initiative but clearly lacks operational capacity to carry out its mammoth task.

## **CHAPTER THREE**

### **Achievements and challenges of the Citizens Economic Empowerment Commission**

#### **3.0 Introduction**

This chapter looks at the achievements which the Commission has scored since inception and also the challenges which it has had to encounter and indeed which it has continued to encounter in its day to day operation.

The new Movement for Multiparty Democracy (MMD) Government which came into power after the general elections, propounded economic liberalisation as the main thrust of economic recovery and empowerment to the citizens. Therefore, its coming into power on 31<sup>st</sup> October 1991 put the privatisation program on a new footing there raising people's expectations to higher levels. The new Government was elected on the platform of strong support for private enterprise. Immediately after assuming office, President Frederick Chiluba made it clear that all parastatals would be put up for sale. To facilitate the process, the Government moved quickly to pass the necessary legislation and in 1992, the privatisation Act<sup>10</sup> was passed by Parliament.

This Act established the Zambia Privatisation Agency (ZPA) as the sole institution responsible for the divestiture of state enterprise. Other than freeing the Government from running the many state enterprises, one other important issue in the privatisation program was to increase public participation in ownership of the enterprises. Any privatisation program that was to exclude locals from taking significant stakes in the newly privatised companies risked being branded as a move to reintroduce foreign control or neocolonialism. This danger has been real for Zambia because of the low levels of incomes and savings which virtually excluded most of the local Zambians from participating in the acquisition of property.

Through this program, it was envisaged that people's economic wellbeing would be improved as well. However, as was observed, privatisation was rather part of the Government's overall economic reform program. This can be deduced from the objects, which included among others; scaling down the Government's direct initiative in economic actions and also its administrative

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<sup>10</sup> No. 21 of 1992

load, reducing budgetary cost arising from the huge subsidies which were making the parastatal companies to run, promoting a wide private ownership of businesses through share issues, promote the growth of capital markets, encourage competition and promote the efficient running of private driven enterprises, thereby reducing Government's involvement in business.

Looking at the objectives of the privatisation program, it is difficult to deduce that such a program was aimed at empowering the general citizenry as envisaged in the CEEA of 2006. It is a notorious fact that joblessness had increased and many citizens faced poverty. To this effect, the newly born Citizens Economic Empowerment Commission had been tasked to work towards alleviating empowering and alleviating poverty among the citizens. Below is an analysis of the strengths and weaknesses of CEEC.

**3.1 Strengths**

The most important strength of the Commission is that its creation is enabled by an act of Parliament from which it draws its mandate. According to the Act;

The CEEC is a body corporate with perpetual succession and a common seal, capable of suing and being sued. Among its roles is that it is mandated to advise necessary changes to various types of legislation for efficient delivery of economic empowerment initiatives.

The Act also empowers the Commission to promote gender equality in accessing, owning, controlling, managing and exploiting economic resources.

In her address to the Fifty –Second session of the Commission on the status of women, as a follow-up to the fourth world conference on women and to the twenty-third special session of the General Assembly, entitled ‘Women 2000’, Gender Equality, Development and peace for the twenty-first century, Honorable Patricia Mulasikwanda, MP, Minister of Gender and Women Development, stated that;

With regard to the economic empowerment of the Zambian citizens, Government has enacted the Citizens Economic Empowerment Act which has established an economic empowerment Commission to ensure that resources are availed to its citizens for economic empowerment. As a deliberate measure, the Act provides for the special measures to economically empower women and youths.

The Commission has power to ensure employment of both genders by recommending to appropriate authorities the removal of structural and discriminatory constraints and practices that hinder any particular gender from employment opportunities.

The Act also calls for equal opportunities for all and where necessary, ensures preferential treatment to targeted citizens, citizen empowered companies, citizen influenced companies and citizen owned companies in accessing procurement contracts and other services of any state institution. The Commission encourages state institutions responsible for sectors that impact on economic development to scale up investment in regional areas, develop a program to provide for the establishment of co-operatives and other community based progress in regional areas, introduce incentives for financial and other institutions to operate in regional areas in partnership with local communities and introduce incentives for financial and other institutions to operate in regional areas, provide matching grant funds to private sector investors willing to invest in viable projects in regional areas in partnership with local communities and introduce awards to companies that support broad based economic empowerment programs in regional areas<sup>11</sup>.

Another strength of the Commission is that at the time of this research, it was found that all personnel holding Directorate and Managerial Positions had a minimum of University degree qualifications making them well skilled for the jobs.

The Act also has other strengths. Funding to the Commission is guaranteed because Parliament is mandated to fund the Commission annually. The Act states that;

There is hereby established the citizens economic empowerment fund for supporting the development of broad based economic empowerment programs as may be appropriated by Parliament for the purpose of the fund; monies received by way of grants, fees, loans or donations for the purposes of the fund and interest accrued from any investment made by the Commission or raised through the local stock exchange<sup>12</sup>.

### **3.2 Factors Affecting the Effective Operation of the Commission**

#### **3.2.1 Appointment of Commissioners**

The CEEC is a public institution wholly supported by the Government, under the guidance of the Ministry of Commerce Trade and Industry. This means that the Government shapes the

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<sup>11</sup> Section 22 of the Act.

<sup>12</sup> Section 29 of the CEEA

Commission’s policy direction and pursues activities in line with what the Government wishes to achieve at a particular time. The Commissioners, to whom the Director General reports are appointed by the President on a part time basis. This implies that the political party in power has a direct say in the running of the Commission as such lacks autonomy. Moreover, no ratification of Commissioners by Parliament is required. This makes it open to abuse or interference by the President as he only has power to appoint Commissioners. There is a possibility of political cadres being appointed as Commissions owing to the lack of Parliamentary safety nets.

**3.2.2. Inadequate financial resources**

Despite the enabling act for the establishment of the CEEC being enacted in 2006, this research revealed that operations of the Commission commenced three years after, in January 2009 due to funding constraints.

The Manager in charge of credit evaluation<sup>13</sup> revealed that the low number of approved loans can in fact be attributed to this delay in commencing operations which had been in operations for two years only as at research date. Inadequate funding, which includes both operational/administrative and for the actual loan issues has been another constraint. Briefing the press, the CEEC Chairman Mr. J.J. Sikazwe stated that;

The Commission has since inception disbursed K126 Billion to 384 approved applications under its project finance funds and K24.3 Billion under its trade finance initiative as at 31<sup>st</sup> December 2010 out of a total of 515 applications received.

He further stated that;

The Commission has achieved a recovery rate of 60% of funds disbursed under trade and project finance initiative under the same period stated above<sup>14</sup>.

This pronouncement brought out two cardinal issues. The first is the low amount of funds disbursed to a low number of applications received and the second refers to the poor rate of loan repayment.

A disbursement level of K120 Billion to 384 applications received countrywide is clearly inadequate because the effect on the nation is minimal to facilitate any multiplier effect. Also a

<sup>13</sup> Interview: A. Ngimu, Credit Evaluation Manager at the Commission, on 14/02/11

<sup>14</sup> The Zambia Daily Mail January 7, 2011

recovery rate of sixty percent is equally low. This implied that forty percent of disbursed funds were defaulting. This is state of affairs is not encouraging considering that these funds were disbursed in a two year period only. In acknowledging the small number of beneficiaries, the chairman alluded this to;

Inability by the citizens to provide viable business plans coupled with poor loan repayment culture as a major challenge facing the Commission<sup>15</sup>.

### **3.2.3 Accessibility**

#### **3.2.3.1 Loan application forms**

To facilitate distribution and sale of credit application forms, the CEEC had entered into partnership with six Commercial Banks namely Standard Chartered Bank Plc, Barclays Bank Plc, ACCESS Bank, National Savings and Credit Bank (NATSAVE), Zambia National Commercial Bank (ZANACO) and Finance Bank Zambia Limited. One disadvantage with these Banks was that they were all high street Banks situated along the line of railway except for Finance Bank high which has some rural Branch networks, yet they are expected to play a pivotal role in terms of availing loan application forms. In trying to avert this anomaly, the CEEC was working in conjunction with the office of the District Commissioners. Unfortunately, many lacked technical skills to advise applicants properly as the majority of these Commissioners were MMD Party cadres. It is also worth noting that the application forms for amounts ranging from Fifty million to Two Hundred and Fifty million were not free but sold for Kwacha Fifty Thousand.

The CEEC's desire to market their services through the named Banks is hampered by the fact that these Banks were also in the business of giving loans to the same market and their loans were attracting higher interest rates compared with the CEEC's rate of Ten percent Per annum.

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<sup>15</sup> The Zambia Daily Mail, January 7, 2011

The majority of these partner Banks were lending at an average base rate of Twenty Five percent.

**3.2.3.2 Documentary requirements prior to loan approval**

The Commission’s credit application forms for individual borrowers and for Small and size Medium Enterprises (SME’s) Business sectors are very stringent, making it difficult for many to access such funds. An analysis of an individual borrower’s application form requires one to complete an eleven paged application form which requires one to provide all the details contained therein which briefly include the following; Part one requires one to provide business details such as Business name, address, Business location, name of contact person, when was the business registered, ownership of the business whether Limited Company, Partnership, Sole trader, Club/Association or cooperative. One is able to deduce from the onset that no one can be allowed to access Commission funds unless you have a registered business in place. This means that only business owners can access empowerment funds.

Part two of the application form requires one to state the major activities of the business, major products, major markets, major business suppliers, major customers, major competitors, networks and associated businesses. Part three of the application requires provision of management and employees’ information and it is mandatory that applicants provide details as per the table below;

Table 1.

Name of Shareholders	Designation	Occupation	Age	% of shareholding	Value of shares	Period on the board

Part four of the application calls for one to provide a detailed financial analysis which should include a five year projection of Sales, Gross profit as well as net profit. A cash flow analysis and a detailed balance sheet are required to be submitted at the point of application. (See spacemen shown below) In addition, one should equally have a running business account with a



## Financial information required

## Table 2

Item	Historical			Projected/ Forecast				
	Year 3	Year 2	Year 1	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Assets</b>								
Fixed								
Current								
Liabilities								
Long Term Liabilities								
<b>Total Assets</b>								
Equities and Liabilities								
Capital and Reserve								

## Table 3

Item	Historical				Projected/ Forecast				
	Yr 3	Yr 2	Yr 1	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	
FROM									
OPERATING									

ACTIVITIES								
Net Profit before tax								
Adjustments for								
Depreciation, Amortisation								
Interest paid								
Interest Received								
(Increase)/decrease in debtors								
(Increase)/decrease in creditors								
(Increase)/decrease in stock								
<b>Cash Generated from Operations</b>								
Interest paid								
Dividends Paid								
Income Taxes paid								
<b>Net Cash from Operating Activities</b>								
Cash flows from investing Activities								
Capital Expenditure								
Interest Received								
Net Cash used in investing activities								

Cash Flows From Financing Activities								
Proceeds from issue of shares								
Proceeds on disposal of fixed assets								
Holding Company Loan								
Other Bank long term loan								
Net Cash used in investing activities								
Net change in cash								
Cash equivalent at beginning of period								
Cash equivalent at end of period								

Once one satisfied the above requirements, he was then required to prepare and submit a detailed Business Plan which should contain the following details; Business description, Back ground, objective, Company History, incorporation, shareholders, target market, product/Service description, unique services, Market potential, organisation and Management structure, Critical Risks, loan benefits, amount of application and security information.

Application forms for amounts ranging from Kwacha Fifty One million to Two Hundred and Fifty million also require the submission of all the above details before an application can be evaluated.

Clearly, some of these requirements which the Commission has embedded in their application forms are too stringent if one looked at the purpose for which the Commission was set for. It is clear that one needs to have money to access money from the Commission. Opening a Business account in Zambia is still stringent, providing financial statements require the services of an accountant or financial advisor who require to be paid. The provision of fixed assets as security

et challenging for startups later on its registration procedures which require one to seek representation before registering security. It is therefore very difficult for an average person to meet these challenging requirements especially if they are a start-up business.

### **Inadequate Financial Resources**

For the Commission to carry out its mandated operations fully, it needs adequate funding. The Commission receives its funding from the Government treasury as appropriated by Parliament annually. However, the funds provided are inadequate to implement the planned activities of the Commission. The late release of funds makes it difficult for the Commission to undertake its long term programs. Over the past two years, i.e. 2009 and 2010, the Commission received a total allocation of Kwacha One Hundred and Fifty Seven Billion only. The budgetary allocation for the year 2011 had in fact been reduced as only Kwacha Forty Billion had been allocated yet the Commission had expenditure projected budget of Kwacha Sixty Billion. This resulted in a net shortfall of Kwacha Twenty Billion for the year 2011. As such the Commission will not be able to meet all its planned activities this year.

In terms of operational and administrative funds, the Commission had received as follows; Kwacha Three Billion Six Hundred Million in 2008, Kwacha Four Billion Five Hundred million in 2009 and the allocation was reduced to Kwacha Three Billion Six Hundred million in the year 2010<sup>6</sup>. As at this research date, the Commission had not yet received its allocation for the year 2011. Poor funding to the Commission has a negative effect as planned administrative and operational activities may not be fulfilled.

### **Lack of proper office space and equipment**

The Commission lacks proper office space to accommodate the fifty-six employees at based at the Commission Office in Lusaka as noted during this research. During my many visits to the Commission for research purposes, it was clear that the Commission needed a bigger office space to comfortably house all its employees. It was observed that many employees performing different functions were housed together in small offices. The building has no meeting rooms to meet clients in privacy if confidentiality was to be observed.

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Interview; Mr E. Sibongo, Accountant at the Commission, 07/01/2011



In its bid to sensitize would be loan applicants, the Commission does carry out workshops at the Commission's Head office. It was noted that workshops were conducted under erected tents which were mounted within the Commission premises. The research had an opportunity to attend one such workshop and it was clearly uncomfortable for both the participants and the workshop presenters.

In order for the Commission to carry out its operations, it requires the use of equipment such as computers, fax machines, printers, scanners and photocopier machines. However, due to limited funds, not all offices were provided with the necessary equipment. Consequently, the lack of equipment and adequate office space not only delay the processing of work but may also affect the workers' morale

### **3.2.6 Inadequate Personnel**

Another major factor affecting the operations of the Commission is the shortage of staff especially in other eight provinces other than Lusaka Province. To cover all the districts in a given province, the Commission only had one provincial empowerment coordinator (PEC) based at every Provincial Head Quarter. The outlying districts were serviced through the District Commissioner's office. This renders the performance of the Commission to susceptible to political interference as there were no guidelines to guard against political interference since these District Commissioners were political appointees, who were bound to favour applicants from the ruling party. These District Commissioners also did not have the necessary expertise to provide proper information to the general public. It is a policy of the CEEC to carry out visits to all applicants who have had their loans approved and disbursed but the shortage of personnel at District and Provincial level hampers project monitoring. *Project monitoring is one of the duties of the Provincial Empowerment Coordinators. The monitoring visits are required to be undertaken on a monthly basis according to the CEEC policy but these were taking as long as six months, hence affecting project monitoring. One would therefore be compelled to suggest that the Forty percent default rate can be attributed to lack of close project monitoring.*

### **3.2.7 Lack of Autonomy**

As earlier pointed out, the Commission came into existence following the enactment of the CEEA in 2006. Section 6 of the CEEA states that;

The President may give to the Commission such general or specific directions with respect to the discharge of its functions as the President considers necessary and the Commission shall give effect to such directives.

Section 7 further states that;

The Commission may, after the approval of the Minister, enter into agreements with any organisation or institution on any matter relevant to the carrying out of the Commission's functions under this Act.

Clearly these two provisions are a demonstration that the Commission does not operate or formulate policy decisions without Government hindsight. The Government shapes its policy direction.

The Commission falls under the Ministry of Commerce, Trade and Industry and therefore accountable to the Minister of this Ministry. The greatest challenge the Commission is experiencing in this respect is that all the Commissioners are appointed by the President as per section 7(1) and are accountable to him through the Minister, and not accountable to the National Assembly. With the current reporting structure, there is a risk that Parliament will fail to appreciate the status and importance of the Commission.

### **3.2.8 Lack of Publicity**

The Commission has been trying to publicise its operations as much as it would prefer but the extent to which this had been done had not been as effective as it should be. This research revealed that the Commission did undertake free weekly customer service forums which were held at the CEEC Head Office in Lusaka, wherein various presenters discussed various business topics. These forums, which this researcher had an opportunity to attend in the Second week of January 2011, were only availed to Lusaka based citizens and non for the other districts. This meant that Lusaka based applicants were at an advantage in terms of knowledge compared to their counterparts in other districts where the Commission did not hold such awareness seminars. In a nutshell, the Commission has not been able to facilitate adequate publicity in order to disseminate information about its operations and services to the general public due to inadequate

funding from the Government as alluded to above, coupled with a shortage of resource personnel.

With lack of publicity and sensitization programs, the majority of the public are not aware of the Commission's existence and the services it provided. Therefore, the Commission cannot serve its purpose fully and as such provides little value, if the majority of the people it is supposed to serve do not know about its existence. There is need for the Commission to advertise itself, because by so doing, members of the public will know more about the Commission and what value it is expected to render to society. Moreover, the Commission's failure to adequately carry out its mandate would work against Zambia's bid to meet its Millennium Development Goal (MDG) No. 1 which is reducing poverty and hunger by half by 2015 as shall only remain a pipe.

**3.2.9 Geographical Location**

The Commission's Head Office is located in Lusaka, which is the Capital City of Zambia. The Commission also has Provincial Empowerment Coordinators based at all the nine Provincial Head Quarters. No CEEC officials were present at district level. This makes the Commission be accessible by people within Lusaka and the Provincial Capitals, thereby limiting access by people from outside these centres. According to the preliminary results of the 2010 National Census released by the Central Statistical Office (CSO), Sixty- One percent of the total population of 13 Million people was based in rural areas while about Thirty-Nine per cent of the population was based in urban areas<sup>17</sup>. These results should therefore serve as a wake-up call for the Commission in determining where to focus its energies if it were to make any meaning impact in terms of enhancing the living standards of the citizens in the Country through loans provision.

Due to the high illiteracy levels in rural areas, most of the would be applicants cannot manage to access the Commission to make loan applications later on provide business proposals which are a prerequisite to loan applications. Further the cost of travelling to provincial capitals is too high for the majority of Zambians.<sup>18</sup> Therefore, in order to increase access to the Commission, there is need for the Commission to decentralize, in order to have real presence in Districts, whose

<sup>17</sup> The Post News paper, January 28, 2011

<sup>18</sup> Interview: Mr A Ngimu. Credit Evaluation Manager. On 07/01/2011.

offices are to be manned by qualified personnel. This will enable more people to have access to the Commission.

Failure by the Commission to carry out consistent provincial and district tours has resulted in only a few people having access to the Commission. As at December 2010, only Five Hundred and Fifteen applications had been received. Therefore, in order for the Commission to make a significant impact on the general populous, there is need for the Commission to fully decentralize up to district level. This will enable people to have access to the Commission.

**3.3 Conclusion**

In conclusion, this chapter examined the strengths and weaknesses of the Commission. The performance of the Commission was examined by looking at some statistical data. Further, the factors affecting the Commission were considered. The highlighted problems have made it difficult for the Commission to effectively carry out its mandate. Poor funding is yet another factor. Lack of sensitisation programmes has led to the majority of the public not being aware of the service offered by the Commission. The Commission’s chosen route of loan application forms distribution works against its interests as this is done through their competitor organizations who were also in the business of giving loans. The Commission has great potential to serve the public better with increased capacity, in terms of funding, awareness and staffing in general if only all the highlighted challenges were addressed. Government should show political will by allocating appropriate levels of funding as well as releasing the said funds on time. An approval level of Three Hundred and Eighty Four loans as at 31<sup>st</sup> December 2010 across all sectors in the country was too low and more work was required by the Commission, coupled with political will.



## CHAPTER FOUR

### **A critical analysis of the Citizens Economic Empowerment Act in furthering the Citizens Economic Empowerment Commission's objectives**

#### **4.0 Introduction**

At independence, in 1964, there was insignificant participation in business and national economy by Zambians as a whole. This led Government to introduce measures such as the Mulungushi Economic Reforms (1967 – 1968) and the subsequent Zambianisation programme which were aimed at broadening and deepening the participation of Zambians in the economy. Former President Dr Kenneth Kaunda stated, in his famous 1968 Mulungushi Economic Reforms that;

It is time that we must take urgent and vigorous steps to put Zambian business firmly in the hands of the people of Zambia, just as political power is in their hands<sup>19</sup>.

Under the Mulungushi Economic Reforms, outright ownership of business was reserved for Zambians in particular trading areas located in places where the majority of black Zambians lived or heavily patronised. President Kaunda announced a socialist economy in order to achieve humanism and citizen empowerment whose actions included the transfer of land to the state to be held in trust of all Zambians, only Zambian citizens could run transport services, Government nationalized the biggest companies by buying off their shares and in 1969 mining companies were nationalized as part of the Matero Economic Economic Reforms and other capital intensive businesses were taken over as well. Before the onset of privatisation in 1992, about Eighty percent of the economy was under state control.

The direct ownership of business by Zambians as envisaged under the Mulungushi Economic Reforms did not succeed and had all but collapsed by the mid-seventies. State ownership through parastatal enterprise increased the stock of trained and managerial Zambian Capital, but proved unsustainable and was overtaken in the early nineties by privatization as part of economic restructuring.

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<sup>19</sup> The Times of Zambia, April 20, 1968.

Although privatization resulted in increased private ownership of businesses, it did not lead to significant rise in the private ownership of businesses by majority Zambians, instead there continued to be high levels of poverty coupled with limited ownership and control of economic assets, marginalization of the vulnerable groups in society and inadequate access to capital. It was therefore imperative for the government to come up with a deliberate policy to redress and remove these inequalities.

The implementation of widespread market liberalization and structural adjustment changes under the Structural Adjustment Program (SAP) was mainly propelled by the North which sought to promote development in the South with the assumption that economic development could lead to poverty reduction through empowering citizens. Some programs embarked on by the have had direct implications on poverty. For example, the Structural Adjustment Program (SAP) which now have come to be known for the momentous changes they have brought to the Zambian society have led to massive job losses and de-industrialisation consequently aggravating the high poverty levels as recorded in the 1990-1998 period (table 1)<sup>20</sup>. SAP aimed at reducing the role of the state in the economy by stabilizing and liberalizing the economy including external trade and privatization of state owned enterprises as alluded to above.

Poverty trends from 1991 to 2006

Table 4

Residence Province	1991 incidence of poverty	1992 incidence of poverty	1993 incidence of poverty	1994 incidence of poverty	1995 incidence of poverty	1996 incidence of poverty
All Zambia	70	74	69	73	68	64
Rural	88	92	82	83	78	80
Urban	49	45	46	56	53	34
Province						

<sup>20</sup> Central Statistics Office Publication 2006

Central	70	81	74	77	76	72
Copperbelt	61	49	56	65	56	42
Eastern	85	91	82	79	70	79
Luapula	84	88	78	82	79	73
Lusaka	31	39	38	53	48	29
Northern	84	86	84	81	74	78
N. Western	75	88	80	77	76	72
Southern	79	87	76	75	69	73
Western	84	91	84	89	83	84

It is against this background that in 2005, His Excellency the President Mr. Levy Patrick Mwanawasa SC, appointed a Citizens Economic Empowerment advisory committee, which was composed of public and private stakeholders and chaired by the private sector, and was tasked with the responsibility of developing a comprehensive empowerment policy that would ensure equity and empowerment of Zambian citizens as they engage in sustainable economic activities<sup>21</sup>.

The result of the committee’s work was the enactment of Citizens Economic Empowerment Act in May 2006.

#### 4.1 A critical analysis of Citizens Economic Empowerment Act No. 9 of 2006

The Citizens Economic Act No. 9 of 2006 is principally aimed at uplifting the targeted citizens, who have suffered marginalization. It is meant to level the playing field and raise the citizens to a position where they can effectively participate in the national economy. Above all, it is meant to

<sup>21</sup> Ministry of Commerce Trade and Industry Quarterly News Volume 1, Issue 1 January to March 2007

ensure the upliftment of women, youths and physically challenged, these being the most vulnerable in society. The Act defines targeted citizens as:

A person who is historically marginalized or disadvantaged and whose access to economic resources and development capabilities have been constrained due to various factors which including race, sex, educational background, status and disabilities<sup>22</sup>.

The objectives of the Act include among others, the establishment of the Economic Empowerment Commission, Citizen Empowerment Fund, promoting the empowerment of targeted citizens and promoting investment through fostering joint local and foreign ownership of companies.

The CEE Act is;

- (a) A vehicle to promote and stimulate more local participation in the economy.
- (b) it provides for the establishment of the CEEC whose main functions include proposing changes to various types of legislation for the effective delivery of economic empowerment initiatives, mobilizing resources for economic empowerment, facilitating the development of sector codes, developing and disseminating business ideas, monitoring and evaluating economic empowerment initiatives and communication activities.
- (c) The Act also provides for the establishment of the empowerment fund which is aimed a supporting the development of broad based economic empowerment programmes.
- (d) And also aims to promote through fostering joint local and foreign ownership of companies

Broad based economic empowerment means;

the economic empowerment of targeted citizens, citizen empowerment companies, citizen influenced companies and citizen owned companies through diverse but integrated socio-economic strategies that include ownership of productive assets and resources, increasing the levels of employment in the formal sector, increasing household incomes, expanding literacy and skills development and ensuring preferential procurement and access to services of state institutions.

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<sup>22</sup> Preamble of the Citizens Economic Empowerment Act No. 9 of 2006

## **4.2 The Citizens Economic Empowerment Commissioner Established and its**

**specific targets.**

Section 4 establishes the CEEC which in this context means;

A body corporate with perpetual succession and a common seal capable of suing and being sued in its corporate name and with power, subject to this Act, to do all such this as a body corporate may by law do or perform.

The functions of the Commission are contained under section 6(2) which states that the function of the Commission shall be to promote the empowerment of citizens that are or have been marginalized or disadvantage and whose access to economic resources and development capacity has been constrained due to various factors. In addition, the Commission provides advice on the necessary changes to various types of legislation for the effective delivery of economic empowerment initiatives. The Commission seeks to promote gender-equality in accessing, owning, controlling, managing and exploiting economic resources, encourage effective and meaningful participation of targeted citizens in the economy in order to contribute to sustained economic growth, promote employment of both gender by recommending to appropriate authorities the removal of structural and discriminatory constraints, mobilize resources for economic empowerment programmes, review the framework for the provision of development services to micro and small businesses in response to changing circumstances.

In addition, the Act empowers the Commission to conduct research for economic empowerment; develop and import business ideas from other countries and disseminate such ideas to targeted citizens in order to interest them in developing those ideas into business ventures, undertake information, education and communication activities for targeted citizens; promote a savings culture amongst citizens; propose changes to Zambia's education curricula in order to inculcate an entrepreneurial culture amongst citizens; promote or undertake a civic education and awareness programmes which will ensure an orientation of all institutions and persons to the maintenance of positive working culture; encourage the use of work places as an active learning environment; encourage public and private institutions to provide opportunities to targeted citizens to acquire necessary skills training and finally to monitor and evaluate economic empowerment initiatives.

In its quest to achieve these functions, the Act under section 6 (3) mandates the Commission to take into account and be consistent with any sectoral programmes developed by the Government in its national development plans, take into account any policies of Government relating to decentralization, gender, youth, technical education and vocational training, land, trade, commerce and investment and finally should take into account any initiatives of the Government for the enhancement of partnerships and joint ventures between local and foreign investors

**4.3 Composition of the Commission and scope of Economic Empowerment measures**

To carry out the above set tasks, the Commission which is appointed by the President is composed of a chairperson, Secretary to the Treasury, Permanent Secretary in the Ministry of Commence Trade and Industry, the labour Permanent Secretary, Attorney General or a representation of that office, one person representing the youth, two persons representing the private sector and civil society organization, three persons representing the University Community and one representative from the disabled fraternity. These have tenure of three years but are eligible for re-appointment once the tenure expires<sup>23</sup>.

Part 3 of the Act contains economic empowerment measures whose actions are designed to ensure broad based economic empowerment of targeted citizens alluded to above. The Act specifies that a state institution and a company shall implement economic empowerment measures which include the

- (1) identification and elimination of employment barriers in its employment policy
- (2) Measures designed to advance inclusiveness and diversity in work places based on dignity and respect of all people.
- (3) The state institution or company shall make reasonable adjustment for targeted citizens in order to ensure that the enjoy equal opportunities.

**4.4 Promotion of local and foreign investment**

In order to promote local and foreign investment, the Act mandates the Commission to champion growth of the local investment as well as through Foreign Direct Investment. To this end, the

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<sup>23</sup> Section 9 of the Act

Commission in liaison and close consultation with state institutions responsible for investment trade and developed, tariff imposition and rebates, pensions, securities and finance, promote and facilitate increased flow of local and foreign investment into the economy. Foreign investment means either through borrowing from multinational corporations or foreign Direct Investment by individuals and or corporates. In addition, the Act provides for the Ministry of Commerce, Trade and Industry to reserve, as prescribed by the President, specific areas of commerce, trade and Industry for targeted citizens and citizen empowered companies. The Act empowers the Commission to encourage state institutions responsible for sectors that impart on economic development to scale up investment in regional areas, develop a program to provide for the establishment of cooperatives and other community based projects in regional areas and also introduce incentives for financial and other institutions to operate in regional areas.

**4.5 Citizens Economic Empowerment Fund compared and contrasted with the Zambia Privatisation Trust Fund.**

Under the Zambia Privatisation Act, a trust fund was created in order to increase public participation of business ownership by Zambians. Establishment in 1994, the Trust Fund's function was to warehouse shares reserved for floatation to the general public in a manner that Thirty percent of the share capital was transferred to the Trust Fund and warehoused until such time that they would be sold to the public through the stock exchange as a way of facilitating for wider public ownership.

Similarly, section 29 (1) of the CEEA provides for the establishment of the Citizens Economic Empowerment Fund. The aim of this fund is to consist of such money as may be appropriated by Parliament for the purposes of the Fund. The fund also is to consist of moneys received by way of grants, fees, loans or donations for the purposes of the fund and interest accrued from any investment made by the Commission or raised through the local stock exchange.

In order to achieve this, the CEEC is empowered through the Act to facilitate the flow of financial assistance to programmes for the benefit of broad based economic empowerment by itself or in corroboration with other state institutions by identifying citizen owned companies, groups of citizens and citizen influenced companies.

The Act further mandates the CEEC to provide information on sources of finance and promote investment. The CEEC shall also render development services to specific companies. In conjunction with any financial institution financing micro and small enterprises, the Commission shall monitor, establish and design standards for Loan administration and effective use of loan funds.

The empowerment fund is expected either through its own initiative or in support with the government establish or source venture capital funds to promote investments in citizen identified and owned companies. The fund is also expected to secure incentives through relevant authorities for any financial institution which undertakes to finance or develop a company.

The Fund, though vested in the Commission, shall be managed and administered by various financial institutions and fund managers that meet its criteria prescribed by the President. In order to assess the Funds performance, Section 31 of the Act provides for the annual auditing of the fund by auditors appointed by the Commission with the approval of the Auditor-General.

#### **4.6 Conclusion**

In conclusion, the Act can be said to be a piece of legislation which spelt out the desires of Parliament in its bid to mitigate poverty through the granting of loans to targeted citizens as well as the creation of the Trust Fund. Just as President Levy Mwanawasa had stated, at the unveiling of CEE Advisory Committee, the Act was envisaged to be a vehicle to promote and stimulate more local participation in the economy.

But as it has turned out to be, very few citizens or citizen empowered companies have been able to access funding from the Commission as shown in the preceding chapter. The loan cap of K250m seems to have been overtaken by time as this amount is too small for a company seeking to invest heavily. As has been noted in Chapter three, the Commission has had challenges in having borrowed funds repaid. Repayment of loans drives further lending. But as has been noted, this has fallen short of the expected repayment levels. The Government has also not been very keen to fund the Commission to the levels expected. As the matter stand now, the government's priorities sectors of economic development are the promotion of tourism, agriculture and mining and mineral exploration.



Other than Agriculture which has been seen to perform (owing to other measures unrelated to the CEEC), other priority sectors have suffered, considering that the Commission is only empowered to lend up to a maximum of K250m. Such funds can only be utilized in the retail sector, which unfortunately are not priority sectors of the government at the present moment. Therefore, no incentives are in place to boost these sectors.

At this stage, it is safe enough to conclude that despite all the well intentioned provisions of the Act, its implementation have not been up to the expected standard. One part of the Act which has fully failed to be implemented is the aspect to do with the creation of the Trust Fund; five years after the enactment of the Act. However, this is not a strange phenomenon in Zambia as it is not uncommon for the government to come up with promising policies, backed by legislation, and yet fail to have its intentions realized fully.

## **Chapter Five**

### **Conclusion and Recommendations**

#### **5.0 Conclusion**

The Citizens Economic Empowerment Commission is a very important Institution in the government structure. It forms an integral part of the machinery through which poverty reduction can be achieved. This is owing to the role which this office performs. The Commission makes an effort to ensure that the government's policies are felt at the very grassroots level. This is done through the provision of credit to the targeted group of citizens whose success should ultimately have a multiplier effect on the economy as a whole.

It must be born in mind that the Commission is the only institution with the lowest credit interest rate among all the financial institutions such as Commercial Banks and other micro lending institutions. In addition, it is the only credit oriented institution with a presence in all the districts of Zambia; as applications can be channelled through District Commissioners who are found in all the seventy two districts. In fact, this makes it the biggest lending institutions in terms of coverage area.

Through the statistics the Commission avails to Government, the government is able to plan effectively and make budgetary allocations accordingly. As such, the establishment of this Commission, the first of its kind in the country, was well intentioned and is only comparable to the Black Economic Empowerment Commission (BEEC) of South Africa.

#### **5.1 Summary of Chapters**

This paper contains five chapters, each of which contains information supporting the title of this research.

Chapter one gave a general introduction and formed the foundation of the study. It also talked about the genesis of the Commission and what led to the enactment of the Citizens Economic Empowerment Act, thereby giving rise to the Empowerment Commission. Furthermore, the functions for which the Commission was established were also highlighted. It was shown and acknowledged in this chapter that Zambia is endowed with abundant natural resources yet its

people continue to live in abject poverty. In other words, the formation of the Commission was a self indictment on the part of government by acknowledging that all was not well among its people. Equally, those socialist policies as pursued under the one party participatory democracy had failed the nation.

Chapter two critically analysed the actual administrative structure of the Commission, as well as the key positions and powers vested in these officials. Interviews were carried out by interviewing key staff. It was shown in the chapter that the Commission is a well established institution and was conducting the functions for which it was set up for. All positions as per its organisation structure had office holders in place. It was also shown that the Commission was striving to live up to the people's and government expectations. Matters to do with loan eligibility were equally discussed in detail. The process of accessing empowerment fund was looked at as well. An analysis was given as to what the Commission's minimum documentation requirements were. The rate of interest charged and the preferred collateral type was noted. Finally, the process of credit evaluation was analysed.

Chapter three had focussed on the achievements and challenges which the Commission had scored and failed in respectively. Firstly, this was done by tracing the origin of the Commission through looking at what led to this Country to have such high levels of poverty. In addition, following the change of Government in 1991, the efficacy of privatisation and its aim was analysed in relation to what the general citizenry was expected to derive. This was done through discussing the Zambia Privatisation Trust Fund. The Commission's strengths were considered together with its challenges. This was in the context of factors contributing to the Commission's failure to perform effectively. These ranged from appointment of the Commissioners, availability of financial resources, easy accessibility to loan forms and the actual access to the institution. Other challenges looked at included office space and inadequate staffing levels in the outlying provinces.

The focus of chapter four was based on analysing the actual enabling Act which led to the creation of the Commission. Its inherent provisions and various sections were looked at as to how empowerment is hoped to be achieved. It was established that the Act was a well reasoned piece of legislation whose full observation would lead to government archiving its intended desires, in rectifying the mistakes of immediate post colonial government.

This chapter also looked at the actual composition of the Commission's board, its manner of appointment, tenure of office and the expected key result areas.

The formation of Citizens Economic Empowerment Commission was discussed as well as the specific targets which included among others promoting empowerment of citizens that are or have been marginalised. Its role to provide advice on necessary changes to various types of legislation for effective delivery of economic empowerment initiative were discussed. The desire to promote local and foreign investment in a bid to ultimately empower the locals was looked at.

Above all, this chapter looked at the establishment of the Economic Empowerment fund in its bid to support broad based programmes of empowerment. While the Act was well reasoned document, with its positive expectations, the implantation in most cases was seen as lacking due to numerous factors. Looking at the performance of the Commission so far, it remains to be seen how much value the Commission shall add in terms of poverty alleviation, if the millennium development goal number one is to be realised.

## **5.2 Recommendations**

In order to overcome many of the factors which are affecting the smooth performance of the Commission as indicated in chapter three, the following are the recommendations which must be put in place. This is as to greatly increase the effectiveness of the Commission. It must be stated from the onset that the Commission is a rare opportunity available to the citizens in terms of providing finance considering that it is a presence (at least in terms of personnel) in every district of this country.

In this regard, the following are the recommendations which should be put in place in order to overcome the factors identified in Chapter three if any enhanced performance is to be noted.

### **5.2.1 Provision of adequate financial resources**

One of the major challenges affecting the Commission is poor funding. It needs no emphasis that the sole purpose of this institution is the provision of funding to the targeted citizens. In other words, liquidity is the life blood for the effective operation of the Commission. It does not add any value in having applications yet remaining of the shelves waiting for funding from the treasury. Poor or low funding makes project implementation difficult to attain. Thus funding

must be increased as well as releasing it on time, if the Commission is to effectively carry out its mandate.

### **5.2.2 Employment of more staff of its own in unmanned districts**

Unlike the current scenario where the applications in the majority of districts (other than provincial centres, the Commission should employ qualified credit evaluation managers to be based at these districts, which are being manned by Districts Administrators. This will enable citizens to receive information promptly and also to have their applications for credit processed timely. By so doing, the District Administrators will be freed to do their roles. Zambia is not short of adequately trained and qualified accountants and other finance related fields to be able to fill positions at district level.

In fact, the Zambia Postal services are better conduit than these political appointees because the postal services have been known to be more business orientated, and they are equally widespread across the country.

One there is an increase in the staffing levels, this will also enhance the rate at which project monitoring is undertaken hence minimising the loan default rate which currently stood Forty percent.

### **5.2.3 Scaling down on the standard requirements before loans are advanced**

The majority of would be applicants for project financing from the Commission are based in rural areas where land ownership (which is one of the requirements as collateral) is communally held for which most falls under customary ownership.

Other security such as Landed property, plant and machinery, directors guarantees, group security with signed guarantees and community group referencing can only not be provided can may not be understood as well. In addition, other requirements that may hinder loan accessibility include the requirement to provide all the items as outlined in the application forms which range from Company registration, stating the major activities of the enterprise in detail, stating the major products, suppliers, customers, competitors, management and employee information, detailed financial analysis which should a five year projection of sales, gross profits and the cash flow analysis are in some instances more academic than practical requirements. In addition, the

requirement to provide a balance sheet may be difficult to attain as well. These must be dropped from the list of requirements as they are not only costly to obtain but unnecessary for start up businesses. The requirement of a detailed business plan calls for one to seek the services of a financial analysis.

The Commission stands at a disadvantage when its standard requirements for loan application are compared against its competitors; the Commercial Banks. A search at three high street Bank namely Stanbic Bank, Barclays Bank and Access Bank revealed that an applicant for an amount of K250m simply needed to show his ability to repay the capital amount, purpose for which the loan was being obtained and security was simply a fall back measure in an event that one did not honour his obligations. Moreover, the High street Banks were moving towards unsecured group scheme loans having realised that providing security was not an easy requirement. It is therefore recommended that the Commission revisits its minimum loan application requirements in order to make loans accessible. If not, the already well to do citizens shall continue to access these funds.

#### **5.2.4 Increase public awareness**

In order to solve the problem of lack of public awareness, the Commission should design programmes to increase awareness about its existence and the services it provides. This can be done by translating the single page brochures which the Commission has into local languages, placing adverts in the electronic and print media, posters, introduce radio awareness programmes among others. The Commission can also increase awareness through publication of newsletters. In this manner, there will be an increase of general participation and awareness from members of the public. In addition, interviews can be conducted with existing beneficiaries who have so far been able to access empowerment funds. Members of Parliament can equally be used as a conduit for information dissemination especially in an election year like this one. The Commission's offices should freely be accessed by members of the public.

#### **5.2.5 Embark on Exchange programmes with other similar institutions in other jurisdictions.**

In order for the Commission to operate effectively, there is need to embark on exchange programmes with similar institutions in other countries such as the Black Economic

Empowerment of South Africa. This can take the form of exchange programmes such as staff attachments to each other's institution in order to share ideas. This will also facilitate the sharing of ideas, knowledge and experiences in the manner the two institutions were being run. This exchange programme is crucial because both countries have similar challenges.

### **5.2.6 Build Capacity in Research and Development**

It was gratifying to note during this research that the Commission had a unit which is specifically dedicated to research and development. The challenge is that this unit is manned by one person, yet expected to cover the whole country and outside to collect data for the improvement of the Commission's performance. Capacity needs to be built by employing more research and development personnel so that research and development is enhanced through development plans and providing working guidelines for the Commission. In addition, this will help in developing policy frameworks and thereby direct the Commission accordingly. Moreover, data obtained through research and development can be tabled before Parliament so that the legislators can be motivated to allocate enough resources to the Commission.

The importance on research and development in any institution should be an ongoing activity as many multinational corporate have been known to spend huge sums of money in order to continuously understand that ever changing dynamics of their market. Research is particularly import in the case of the Citizens Economic Empowerment Commission in order to ensure that the very needy in society are targeted. Credible data ought to be obtained through research so that correct decisions are tailor made, that would benefit the people for which the Commission was established. At the moment, the Commission has no capacity to tell who the neediest groups were serve for stating that their target are the vulnerable citizens. This can therefore not be achieved by one individual as the case was at the moment.

### **5.2.7 Appointment of Commissioners**

In order to enhance the independence and autonomy of the Commissioners, Parliament should be vested with the role of ratifying Commissioners. It is therefore recommended that the enabling Act be amended in order to provide that Parliament be responsible in ratifying the appointment of Commissioners to ensure the latter's independence. This will erase the prevailing suspicion that there were more MMD sympathisers accessing funding as opposed to other Citizens.

### **5.2.8 Use of Information Technology**

There is need for the Commission to make use of modern technology in its credit appraisal system. This will facilitate speed processing of applications. This will imply that the current Provincial Empowerment Co-ordinators based at provincial centres should have their capacity belt in order to be able to carry out credit appraisals at that level as opposed to sending all applications to Lusaka for approvals. Equally receipt of loan disbursement should be done at the same level instead of having citizens travel to Lusaka.

As I conclude, the question to ask however is why Zambia has remained a poor country despite its rich resources. In my reflections, the response is that there are has been a web of causes ranging from

- a) over dependence on copper and unfair agreements governing the extractive industries.
- b) Urban focused and based policies at the neglect of the rural areas.
- c) Lopsided support between the productive and service sectors
- d) Unjust terms of trade,
- e) Vulnerability to international trends such floods, earthquakes, wars and rumors of war in key world regions
- f) Subordination of social sector development, breakdown in trust and confidence in society to due
- g) Delayed or non-existent prosecution of national treasuries defaulters

Therefore, the Citizens Economic Empowerment Commission has a mammoth task if it has to achieve its intended goals. To achieve, Central government should greatly come in. The space to increase spending to cover for poverty reduction should contribute toward improving productive capacity of rural areas which are mostly agricultural based. The challenges faced by rural areas are well articulated. They include rundown/obsolete infrastructure (roads, bridges, storage facilities, communication, etc), lack of access to farming inputs, difficulties to access credit facilities (despite the establishment of the Citizens Economic Empowerment Commission) and often failure to service loans (as shown by the forty percent default rate of the Commissions loan book), difficulties to access markets and lack of extension services to name but a few. Therefore, as long as empowerment is left to the Commission, no meaningful gains shall be recorded.



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