Social Enterprise Ecosystem Country Profile
ZAMBIA

WORLD BANK GROUP

Acknowledgments

This report was prepared by Cristina Navarrete Moreno (Private Sector Development Specialist) and Natalia Agapitova (Senior Economist). However, without the contribution of several colleagues the report would have not reached its final form. Therefore, we are grateful for the help of Elaine Tinsley, Belen Sanchez, Marta Milkowska, Ergun Ertekin, Juan Carlos Guzman Hidalgo, Branislav Kralik, Niharika Hanglem, and Pallavi Shrivastava.

The report uses data and information gathered by Endeva and BoP Learning Lab. We wish to acknowledge the great inputs received and the particular effort of Sara Balan (project manager, BoP Learning Lab) and Christina Tewes-Gradl (project director, Endeva). Sharon Fisher provided editing and design support.

Overview

In Sub-Saharan Africa, with 388 million people living on less than the poverty line of USD 1.90 per day and rapid population growth, the challenge for the public sector to deliver services will only grow in the coming years.[1] So far, traditional actors, including governments, civil society, and the private sector have been unable to solve the problem of providing essential, quality services, such as access to water, energy, sanitation, education, and health care.

In this context, social enterprises (SEs) have emerged as a new type of development actor with the potential to help solve the service delivery gap. During the last decade, SEs in Africa increasingly address service delivery gaps for the poor in novel ways, with Kenya and South Africa among the leading countries in the SE sector.

SEs are privately owned organizations—either for-profit, non-profit, or a hybrid of the two—that use business methods to advance their social objectives. They focus on maximizing the social and environmental impact for their target beneficiaries in contract of maximizing the short-term profits for their shareholders and private owners. Due to their strong presence and understanding of local communities, SEs are often able to reach underserved populations through flexible and innovative business models.

Although positive examples abound, SEs have not yet fully realized their potential in Africa. With variations across sectors, many SEs struggle to scale-up and develop sustainable models. SEs face high barriers that are often aggravated by the difficult markets they serve. Common challenges include unconducive regulation and policy, lack of financing solutions, weak infrastructure and human capital, and a lack of information and networks. In addition, SEs are not organized as a sector and fall between traditionally recognized public and private organizations. The public sector often does not play a catalytic role.

The SE ecosystem is comprised of actors, institutions, and network that support SEs in contributing to development goals. In many developing countries, the SE sector still lacks a supportive ecosystem, or enabling environment, which would allow these organizations to thrive and grow. Four ecosystem dimensions capture the enabling environment for SEs: policy and regulation, financing solutions, infrastructure and human capital, and information and networks. Where these dimensions are improved, SEs can significantly contribute to a service delivery challenge.

In developing countries and in particular in Africa, there is limited data collected and analyzed on existing supporting factors, challenges, and opportunities for the SE sector. This report profiles how SEs across seven African countries—Kenya, Malawi, Rwanda, South Africa, Tanzania, Uganda, and Zambia—address service delivery gaps for poor populations and assesses the status of their SE ecosystems. The report targets development practitioners involved in policy design and implementation who are interested in new ways to address service delivery challenges. These specific examples of challenges and opportunities for SEs in Africa can highlight ways to increase the sustainability and scale of current and future SE business models.

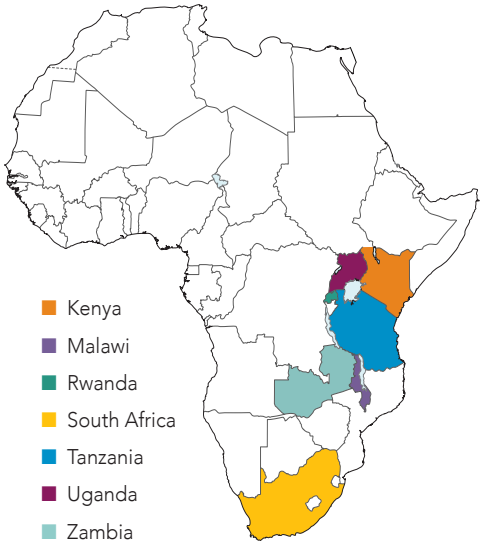
[1] Beegle, Kathleen; Christiaensen, Luc; Dabalen, Andrew; Gaddis, Isis. 2016. Poverty in a Rising Africa. Washington, DC: World Bank. https://openknowledge.worldbank.org/handle/10986/22575.

Geographic

The report focuses on seven African countries: Kenya, Malawi, Rwanda, South Africa, Tanzania, Uganda, and Zambia (Figure 1). These countries represent:

- Different levels of socio-economic development.
- Different stages of SE development and ecosystem support.
- Two regional clusters to test for regional patterns and potentially allow regional knowledge sharing and learning.

Figure 1. Focus countries in this report



Service Sectors

The report covers four basic service areas: education, energy, health, and water and sanitation. These basic services lay the foundation for alleviating poverty, reducing income inequalities, and ultimately contributing to each country's socio-economic development.

Beneficiaries

The report considers target beneficiaries for SE activities as underserved, low-income populations representing the Base of the economic Pyramid (BoP), living on less than USD 1.90 per day in 2015 (the World Bank Group's poverty line at the time of starting the research).

Analytical Framework

In this report, the ecosystem framework consists of four parts: demand, supply, SE situation, and ecosystem dimensions. SEs are at the heart of the model (Figure 2).

SE opportunities for providing services depend on the *demand* by the BoP and the existing *supply situation*. The four ecosystem dimensions influence the ability of SEs to operate effectively and scale up. The ecosystem framework guides the analysis at all levels: country, service sector, and service sub-sector. Table 1 describes each element in more detail.

Figure 2. Ecosystem framework

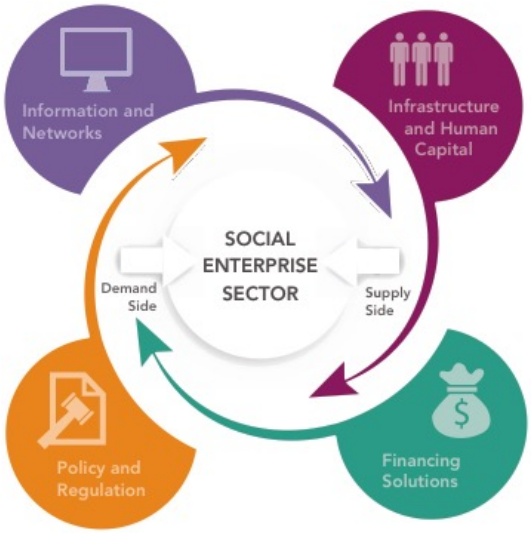


Table 1. Four parts of the ecosystem framework

Demand	• **BoP needs:** What are the development challenges and unmet needs for the BoP? • **BoP market:** What are the volume and dynamics of the current BoP market? What are the main challenges related to the 4 A's: awareness, accessibility, affordability, and acceptance?
Supply	• **Public supply:** What is the structure and level of current public supply for the BoP? What are supply gaps and challenges? • **Non-public supply:** What is the structure and level of current non-public supply for the BoP? For example, from NGOs or the private sector. • **Donors:** What role do donors play in the sector?
SE situation	• **SE understanding and presence:** How many SEs are there? How are they perceived? • **Type:** How big are they? How are they organized? What is their level of maturity? • **Value chain:** What are typical activities in the value chain? In which service sectors and service sub-sectors are SEs active?
Ecosystem dimensions	Ecosystem dimensions capture the enabling environment for SEs. This includes dimensions that are specific to SEs and dimensions that determine the viability of market-based approaches more broadly. • **Policy and regulation:** What are the main policy drivers or barriers for SEs? Including policy strategy, regulation, and level of public-private collaboration. • **Financing solutions:** What are the sources of funding for SEs as well as for their clients? Including commercial funding, consumer finance, and grant funding. • **Infrastructure and human capital:** What are important infrastructure issues that affect the operations of SEs? What is the skill level available for SEs? Is the sector able to attract relevant talent? • **Information and networks:** What organizations, incubators, networks, training, etc. are available to build awareness, knowledge, and capacity among SEs, or advocate for SEs?

Data Collection

Endeva and BoP learning labs conducted desk and field research to map the SEs and ecosystem dimensions. They based the SE mapping on publicly available resources and desk research, which was supplemented with semi-structured interviews with SEs and local stakeholders representing different parts of the ecosystem. Accordingly, the sample size for each country varies in the report.

The information is based on:

- 59 interviews with SEs
- 140 interviews with stakeholders
- Interviews with BoP service users
- A database with 271 SE examples

Social Enterprise Ecosystem Country Profile

ZAMBIA

The potential for social enterprises (SEs) is high in Zambia's energy sector and moderate in its healthcare sector. Some SEs, most of them small and international, are already providing services in both sectors. The main ecosystem challenges are limited financial and capacity support.

Regulation and Incentives

- The government does not have a clear position on private sector service delivery.
- SEs are not recognized as specific entities and must comply with the same regulatory framework as other businesses and NGOs, though limited incentives do exist in the energy sector.
- Official frameworks have recently been put in place to support and develop public-private partnerships in Zambia, but progress is not yet visible.

Infrastructure and Human Capital

- Infrastructure challenges include poor transport networks, limited or no information technology (IT) infrastructure in rural areas, and inadequate energy supply.
- SEs find it difficult to recruit and retain skilled talent.

Demand by the BoP

- Almost half of Zambians live on less than $2 a day. Service delivery gaps are evident in all sectors
- Market demand by the BoP is highest in the energy and healthcare sectors.

SE Situation

- There is no common definition of the concept of SE.
- Most SEs are small and young.
- SEs are limited, but recent activity, especially in the energy sector, is promising.

Supply to the BoP

- Public service delivery suffers from a chronic lack of capacity and resources.
- NGOs fill gaps in service delivery.
- Dependence on donor funding is high, particularly in the healthcare sector.

Finance

- SEs rely largely on international grants.
- Commercial interest rates are too high for SEs.
- Access to credit for the BOP is low.

Information and Networks

- Incubators, innovation hubs, and other capacity-building services are slowly emerging.
- Multinational research projects have shown interest in Zambian SEs
- SEs tap into global networks for support.

Study Background

This profile is part of the ecosystem mapping of SEs—nonpublic providers of services to low-income populations based on a sustainable revenue model and a social mission. It identifies key elements of the SE ecosystem in four sectors—education, energy, health, and water and sanitation—supplementing the individual sector profiles and a report with cross-cutting analysis.

The profile is based on desk research and interviews with local experts and SEs conducted in the summer of 2015. The list of people interviewed appears at the end of the profile.

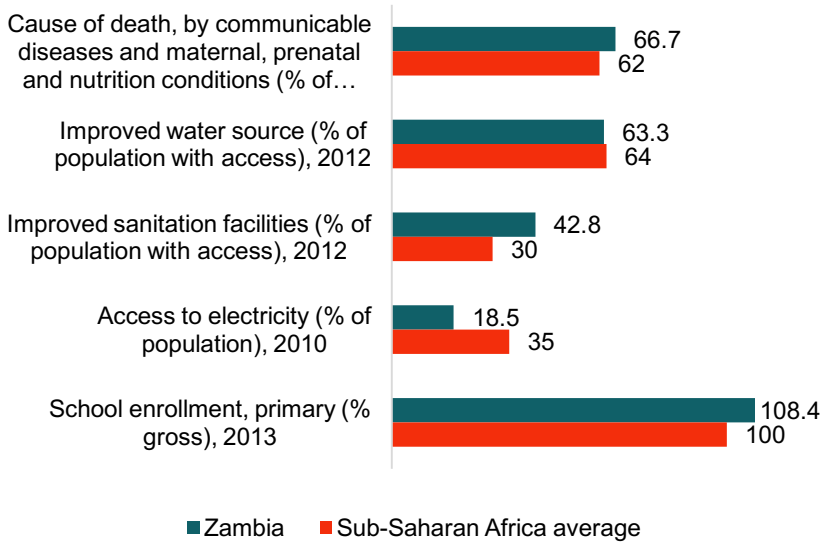
Country Facts

Population: 15.7 million (2014)
Number of people living on less than USD 1.25 a day: 5.5 million (2010)
GDP per capita (purchasing power parity): USD 3.904 (2014)
Average annual GDP growth, 2009–13: 7.2 percent
Maturity level of SEs: Nascent
Source: World Development Indicators

NEED AND DEMAND FOR SERVICES

Zambia enjoyed strong economic growth over the past decade, but that growth failed to benefit millions of its people, about half of whom live on less than USD 2 a day. Poverty is largely a rural phenomenon: In 2010 an estimated 78 percent of rural Zambians were poor, compared with just 9 percent in urban areas (World Bank 2014). More than 46 percent of the population is under the age of 15. Development will depend on the country's ability to translate strong economic growth into employment, opportunities, and higher income levels for the poorest segments of its population.

Figure 3. Key indicators of access to basic services in Zambia (Source: World Bank data)



Service delivery gaps are significant across sectors. The national electricity grid connects just 18 percent of the total population and only about 3 percent of the rural population (Hivos n.d.). Only 46 percent of Zambians live within 5 kilometers of a healthcare facility, and the doctor/patient ratio is roughly 1:14,000 (ACCA 2013). An estimated 39 percent of people 15–24 have not completed any form of schooling, and 28 percent of children of secondary school age are not currently attending school (EPDC 2014). Access to water and sanitation is limited: In the capital, Lusaka, by far the most developed city in Zambia, only 44 percent of the population have access to an adequate water supply, and 90 percent lack satisfactory sanitation services (WSUP n.d.). In rural areas, 63 percent of the population lacks access to safe water and 87 percent lacks basic sanitation (SNV n.d.).

Structural weaknesses, such as the lack of infrastructure, especially in rural areas, compound these challenges. Only 17 percent of Zambians live within 2 kilometers of an all-seasons road, and only 21 percent of rural networks are considered to be in good or fair condition (AICD 2010).

The energy sector offers significant demand for market-based approaches, because public service delivery is almost nonexistent, especially in rural areas. People at the bottom of the pyramid (BoP) are generally aware of the health benefits of clean energy solutions, as well as the economic benefits of efficient energy devices, and they are willing to pay for such products, especially domestic lighting solutions, off-grid appliances for productive and domestic use, and, to a lesser degree, efficient cookstoves.

The health sector also presents opportunities for market-based approaches. Awareness of some of the most prevalent diseases, such as HIV/AIDS, is high. There are potential markets for awareness-raising services, data collection, primary healthcare services, and high-quality medicines. However, willingness to pay is more limited than in the energy sector. The prevailing perception of both the government and the public is that access to healthcare should be free of charge at point of deliver for the poorest segments of the population. Given this perception, SE models in healthcare need to be particularly innovative in terms of their revenue models and focus on complementary services, such as data collection, primary and preventative care, as well as integrating their models in health sector public value chains.

The vast majority of Zambians lack basic sanitation and adequate water supply. In some urban areas, water kiosks, operated by microentrepreneurs contracted by municipalities, sell drinking water from communal taps (GTZ 2009). In most rural areas, people collect water from rivers or use water tanks to collect rainwater. Lack of access to water and poor sanitation may be linked to 80 percent of preventable diseases (ACCA 2013). Improvements in this area could therefore have major effects on health.

Education is still perceived to be a public good that should be provided free at point of delivery. Potential for SEs is therefore limited.

SUPPLY OF SERVICES

Supply by the Public Sector

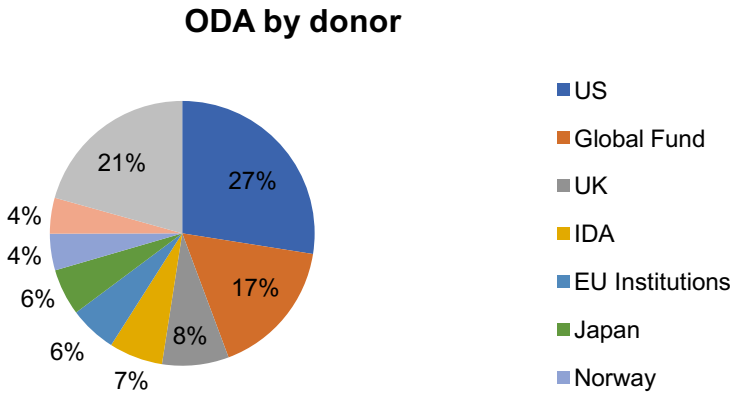
The public supply of services in Zambia is of poor quality, with the government unable to serve the needs of the population at the BoP. Delivery suffers from a chronic lack of human, technical, infrastructural, financial, and information capacity and resources. Education and healthcare services are officially provided free of charge, but they are generally of very poor quality and unreliable, even thought the sectors accounted for about 20 percent and 10 percent, respectively, of public expenditure in the 2015 budget (KPMG 2015). Service delivery in energy and water and sanitation is also poor.

Zambia is highly dependent on donor support (Box 11). In the healthcare sector, donors accounted for 42 percent of funding in 2012—far more than the government, which provided 25 percent of funding (ACCA 2013). The remaining 33 percent was funded directly by housheholds (27 percent), employers (5 percent), and others (1 percent).

Donor funding also plays a major role in the energy sector. Major donors include the Global Fund to Fight AIDS, Tuberculosis and Malaria; the World Bank; the U.S. Agency for International Development (USAID); the Department for International Development (DFID); and the Japan International Cooperation Agency (JICA).

Box 1. Donor involvement in Zambia
Zambia is a major recipient of official development assistance (ODA), receiving $1,142 million in ODA in 2013, the equivalent of 4 percent of its GDP. The largest bilateral donors are the United States ($330 million) and the United Kingdom ($95 million), followed by Japan, Norway, and Sweden ($50–$60 million each). The Global Fund to Fight AIDS, Tuberculosis and Malaria; the World Bank; and the European Union are the largest multilateral donors. Aid supports education, transport, water and sanitation, health, energy, governance, poverty relief, and general budget support.

Figure 4. Official development assistance to Zambia, by donor (2013 data)



Supply by NGOs and Other Actors
An active local and international NGO sector in Zambia tries to fill gaps in service delivery in a variety of areas. Officially, more than 400 NGOs are registered in the country, and the figure is almost certainly an underestimate, given that many NGOs reportedly refuse to register under the current legal framework (Zambia Daily Mail 2015).

For-profit businesses play a minor role in delivering services to the BoP, through corporate social responsibility (CSR) programs, including in the energy and health sectors, and a very limited number of inclusive business approaches, often in the agricultural sector. Examples include the South African retailer Shoprites, which sources fresh produce from local farmers, and the French oil company Total, which sells solar lights in rural communities through its network of filling stations. Mining companies active in the Copperbelt also health and education services to their employees and their dependants.

Supply by SEs
There is no common definition of the concept of SE in Zambia, where SEs are often conflated with charities or donor-funded NGOs. SEs tend to be associated with international actors rather than local home-grown actors.

A small number of enterprises fit the World Bank description of a social enteprise (an organization with its own revenues and an explicit social mission). Examples include SVA/Vitalite, SunnyMoney, and Rent to Own in the energy sector and Colalife in the health sector. SEs also operate in the education, water and sanitation sector, tourism, and agriculture sectors. Some of these entities, including SVA/Vitalite and Rent to Own, self-identify as SEs.

Most SEs in Zambia are small-size companies (10–50 employees), were established within the past two to five years, and are still in the roll-out or piloting phases. Most were founded and are managed by

international actors, although some local actors are active in the health sector. Nearly all SEs use hybrid revenue models, combining commercial revenue with donor funding. There are currently no fully self-sustaining SEs active in Zambia, although some SEs in the energy sector expect to be self-sustaining in the short to medium term.

The most active sector for SEs in Zambia is the energy sector, where at least three SEs have significant operations. SunnyMoney, SVA / Vitalite, and Rent to Own use hub and spoke models, focusing on a region or area and using local sales representatives and maintenance managers to reach the "last mile." To be financially sustainable, they rely primarily on upfront cash payments from end-users, rent-to-own models, and installments payment. The key success factor in the energy sector seems to be the combination of affordability, awareness, and acceptance: the willingness and ability of beneficiaries to pay for energy devices (affordability), coupled with rapidly increasing awareness and acceptance of the health and other benefits of solar energy devices (see the Zambia energy profile for details).

The health, education, and water and sanitation sectors all show potential, but they face bigger entry barriers than energy. There is a less willingness to pay in the health sector, for instance, and more complex skills requirements in education.

Table 2. SE activity level and examples in Zambia across the sectors

Sector	Level of activity[a]	Example
Education		iSchool is a comprehensive online multimedia eLearning package produced in Zambia designed to cover the entire Zambian school curriculum, including teacher plans and interactive learning for students. Content for early education is available in eight local languages. iSchool supplies schools with equipment and tools along with teacher training, Internet access, and technical support. Launched in schools in 2013, after a comprehensive test phase, the program has already increased numeracy, literacy, and critical thinking skills, as well as reduced absenteeism and increased student engagement.
Energy		SunnyMoney operates sales and distribution networks that deliver solar lights to Zambian schools and households. Operations in Zambia began in 2011. In 2013 the company sold almost 50,000 lights, most of which replaced traditional kerosene lamps. SunnyMoney is wholly owned by SolarAid, an international charity that combats poverty and climate change.
Health		CARE International is developing distribution channels to provide good-quality medicines to rural communities in Zambia. Its SE project, which plans to train 650 healthcare volunteers in Lusaka and Eastern Province, began in 2014.
Water and sanitation		The Water and Sanitation Program (WSUP) is a multisector partnership developing commercially viable models to help cities provide all residents with improved water and sanitation services. It provides ongoing support to Lusaka Water, a commercial water utility company that provides water and sanitation services to Lusaka province for equitable water services. WSUP claims to have improved water services for 420,000 people and improved sanitation for 68,400 people in Zambia since beginning operations in the country in 2011.

Social Enterprise Ecosystem

Zambia is in the nascent stages of developing an SE ecosystem. SEs in the country face limited access to finance available for startups, an ambiguous regulatory environment, and high bureaucratic hurdles. A small but promising number of options are emerging in terms of mentorship and capacity-building activities.

POLICY AND REGULATION

Policy strategy

The government does not have a clear position on private sector service delivery. The attitudes of the government and the public sector seems to be shifting toward a more nuanced understanding of the potential benefits of working with the for-profit sector for service delivery, but there is no official policy or even statement with regard to SEs.

In 2008 Zambia's Ministry of Commerce, Trade and Industry developed a targeted policy framework for micro, small, and medium-size enterprises (MSMEs), which sought to facilitate the creation and development of viable MSMEs. Local experts question Zambia's ability to effectively implement such policies, however, and service delivery to the poor, especially in the health sector, continues to be seen as off-limits to for-profit models. Political factors can also make market-based or market-friendly policies difficult to sell. With elections scheduled for 2016, Zambia's policy environment is relatively fluid: No major political party is willing to explicitly take a strong pro-business line.

Regulation

SEs are not currently recognized as specific entities; they must comply with the same regulatory framework as other businesses or NGOs, though limited incentives do exist in the energy sector. SEs register as NGOs or for-profits.

Some policies and regulations benefit SEs, espeically MSMEs. The Small Enterprise Development Act of 1996 provides the basic legal framework for small enterprises in Zambia. Parts of this framework have incentives that could benefit SEs. Section 20, for example, exempts MSMEs from paying income tax for the first three years of operation (in the case of urban enterprises) or five years (in the case of rural enterprises). Businesses registered under this act are also exempt from a number of legal and regulatory burdens. If an SE registers as an NGO, the main relevant legislation is the Non-Governmental Organization Act of 2009. Experts and some NGOs have questioned the act's constitutionality (Zambia Daily Mail 2015).

One incentive for SEs is the waiving of value added tax (VAT) for solar energy devices. Implementation of this measure remains erratic. Some SEs claim that officials apply the VAT exemption rules inconsistently or reluctantly and that certain entities abuse the rules by claiming exemption for products that do not use solar energy (such as car batteries).

Public-private collaboration

The Public Private Partnership Act of 2009 establishes an official framework for developing public-private partnerships (PPPs). Progress is not yet visible, however, and there is little evidence to suggest that the level of public-private collaboration has had any impact on SEs.

A handful of multistakeholder platforms seek to facilitate dialogue among private entities, NGOs, and government. One is the Zambia Business in Development Facility (Box 12). Other sector-specific PPP consortiums provide research, technology, and facilities to inclusive business efforts in the agricultural sector and could serve as a role model for initiatives in other sectors.

Box 2. The Zambia Business in Development Facility (ZBiDF)

Launched in 2014, the ZBiDF is a special purpose program managed by the African Management Services Company (AMSCO), an initiative of the United Nations Development Programme (UNDP), the International Finance Corporation (IFC), and the African Development Bank (AfDB) to provide critical management and technical skills to indigenous enterprises in Sub-Saharan Africa. ZBiDF program to "engage business, facilitate dialogue and innovation, and support public private partnership action on key business and development challenges."

The program's objective is to systematically support and catalyze cross-sector partnerships in order to combine business principles and social objectives, such as poverty reduction. Key focus sectors include the agricultural, manufacturing, and extractive sectors. ZBiDF seeks to provide one-stop shops to facilitate the engagement of businesses with donors and government programs, as well as with one another.

Source: www.amsco.org

FINANCING

Grant funding

The majority of grant funding in Zambia is provided by international donors, who play a key role in the health and energy sectors. In 2013 official development assistance (ODA) to Zambia reached USD 1.142 billion, about 30 percent of which came from the U.S. government, the largest bilateral donor in Zambia. Only a very small amount of that aid was channeled to SEs (a grant to SunnyMoney).

Corporates and foundations also provide grants. Some large companies operating in Zambia provide grant funding to SEs through their corporate social responsibility (CSR) budgets. Total, the French oil firm, runs an operation that sells and distributes solar lighting in rural Zambia. The Lundin Foundation has provided USD 14 million of impact funding to projects in 14 countries, including Zambia, where it has funded Rent-to-Own. It is currently investing in three other projects in Zambia, though no details have been provided. The Segal Family Foundation provides matching grant funding. It has supported SVA/Vitalite, an SE active in Zambia's energy sector.

Commercial funding

Interest rates for commercial credit are too high for SEs: Annual Lending rates averaged 18.4 percent in 2014, and they be as high as 25 percent for first-time borrowers (African Economic Outlook 2014). These rates effectively exclude SEs from local commercial funding options. Moreover, even businesses that try to obtain credit fail to do so: Half of small businesses in Zambia have reported having their loan applications rejected, and almost one-third cite access to finance as a major constraint on their business (World Bank 2013).

Most SEs therefore rely on other sources of commercial funding, including impact investors, crowdfunding, angel investors, and other forms of credit. Some international investors, public and private, provide loans or equity funding. They include the Energy Access Ventures Fund (EAVF) and Norway's Norfund, both of which invest in sustainable renewable energy projects in Zambia. Other investors include GroFin, which has invested more than USD 4 million in MSMEs in Zambia; AgDevCO, with a portfolio of USD 500,000 of small loans; and the Africa Enterprise Challenge Fund (Box 13), which provides support and interest-free loans to winners of its business idea competitions. Two projects in Zambia are being funded through its African agribusiness window. Total investment for the two projects is USD 2.1 million.

Box 3. The Africa Enterprise Challenge Fund

The Africa Enterprise Challenge Fund (AECF) is a $244 million impact fund, capitalized by bilateral and multilateral donors including, Australia, Denmark, Sweden, and the United Kingdom. It awards grants and loans to private sector companies to support innovative business ideas in agriculture, agribusiness, renewable energy, adaptation to climate change, and access to information and financial services. AECF grants and loans are awarded through competitions, with applicants judged on the commercial viability, innovativeness, and potential development impact of their projects. Such criteria fit well with the objectives and needs of SEs.

In Zambia AECF has provided S700,000 of funding to Rent-to-Own, an SE established in 2010 that sells agricultural and household equipment , including solar lights, to rural households. AECF funding is playing a key role in helping the company train distribution agents and micro-entrepreneurs to provide equipment and devices to farmers and their households.
Source: www.aecfafrica.org

Consumer finance

Access to credit for the BOP is low. Local sources of consumer finance—microfinance institutions, banks, and other institutions—are very limited and often prohibitively expensive. Microfinance institutions provide small loans, which can include consumer finance, but they reach only a tiny share of the population: According to one estimate, just 3.8 percent of Zambian adults have used microfinance services in 2015, up from 2.2 percent in 2009 (Finscope Zambia 2015).

Mobile banking and credit are nascent in Zambia. It is dominated by operators such as Zoona, which provides credit to micro and small entrepreneurs, and Airtel Money. Airtel's consumer base is reported to have grown to 3.1 million customers by 2014; no information is available on loan sizes or default rates.

Savings and credit cooperatives (SACCOs) operate in Zambia, though alleged mismanagement and heavy debt obligations during the 1990s resulted in a significant decline in their use (Mutti 2015). Poor households use *chilimbas*, the local version of informal rotating savings and credit associations (ROSCAs), to finance unforeseen or large purchases. It is not clear whether they are used to finance products or services offered by SEs.

INFRASTRUCTURE AND HUMAN CAPITAL

Infrastructure

Infrastructure challenges for SEs include poor transport networks, limited or no information technology infrastructure in rural areas, and inadequate energy supply. The lack of good transport links and lack of maintenance makes it difficult for SEs to expand. Only 17 percent of Zambia's rural population lives within 2 kilometers of an all-seasons road. The condition of rural road networks is exceptionally poor, with only 21 percent in good or fair condition.

The high cost of mobile connectivity, especially Internet connectivity, and the lack of proper coverage outside large urban centers, makes it difficult to reach poor communities in rural and remote areas and constitutes a barrier for people who cannot afford connectivity costs. The latest figure available from a 2011 World Bank report estimates that only 53 percent of Zambia's population lives within range of a GSM signal, compared with 67 percent among Africa's resource-rich states and 85 percent in middle-income countries.[2]

[2] http://siteresources.worldbank.org/INTAFRICA/Resources/Zambia-Country_Report_03.2011.pdf

Poor infrastructure makes operating in Zambia difficult, but it also strenghtens the business case for low-cost, efficient, and innovative solutions in energy, health, water and sanitation, and education. For instance, the fact that energy infrastructure is so poor and coverage so low (with only 18 percent of Zambians connected to the national electricity grid,[3] which is itself unreliable) is one of the key reasons why off-grid energy solutions, including solar lights, make sense.

Human capital

SEs find it difficult to recruit and retain skilled talent. Skill levels are low, and trained staff often seek higher salaries than SEs can afford to pay. Mr. Mike Murray, from BongoHive, a technology and innovation incubator based in Lusaka, cites a shortage of practical skills, such as critical thinking and financial literacy. However, he notes that the people associated with BongoHive are well-educated, urban members of the new middle class. According to Dr. Dirkpieter Indzenga, of ID Solar Solutions, turnover in SE positions is high. Many local employees seek higher-paying jobs in the public sector. In some cases, recruiting talent from abroad is more cost-effective for SEs.

Some organizations provide workshops and other educational programs with components that are relevant to SEs (in 2015 the Millennium Challenge Account-Zambia conducted workshops and innovator forums on pro-poor service delivery in the water and sanitation sector, for example). However, overall training that is relevant to SMEs in general is not available. A 2014 survey of MSME entrepreneurs found that only 49 percent had received any sort of business development training. Of those who were trained, 24 percent received training from the government, 29 percent from NGOs, and 6 percent from MSME development associations. Others received training through youth programs, banks, or other means. More than 75 percent of respondents were not aware of training opportunities.

INFORMATION AND NETWORKS

Capacity building

Incubators, innovation hubs, and other capacity-building services are slowly emerging in Zambia. The capacity-building network is still limited, but it appears to be growing in density and sophistication. Organizations such as PEP Zambia, the Zambia Development Agency, and Building Young Futures provide capacity building and skills development relevant to SEs. PEP Zambia was established in 2014 by the Department for International Development (DFID). The USD 21 million project aims to build Zambia's capacity for MSMEs through impact investment, training, and business development services. A small number of incubators and social innovation hubs that offer support and training to SEs has also emerged since 2010. They include Bongohive, an incubator based in Lusaka, and AgBit, which trains farmers. The degree to which SEs are aware of this growing capacity and able to use it is unclear.

The Citizens Economic Empowerment Commission (CEEC) aims to foster a business and entrepreneurial culture by empowering citizens through access to finance, skill development, and other resources. Questions have been raised, however, as to whether it has been effective in achieving its goal, with research revealing that only 4 percent of its members obtained funding for their enterprise.

[3] http://data.worldbank.org/indicator/EG.ELC.ACCS.ZS

Research and data

The Practitioner's Hub for Inclusive Business in Lusaka conducts research on inclusive business and SEs in Zambia. It is a useful platform for local inclusive business and SE actors, since its support ranges from assistance in developing business models, to identifying partners, to designing key performance indicators, or assessing the market for a BOP product or service.

Trickle Out Africa, an international organization, conducts research on SEs throughout Africa, in order to better understand their role and impact (Box 14). There are more than 200 Zambian members in the Trickle Out Africa Network, though most are nonprofit NGOs (very few are SEs).

Box 4. Trickle Out Africa

Trickle Out was established in 2011 as a UK-based research project examining SEs and environmental enterprises in Eastern and Southern Africa. It examines the potential role of these businesses in sustainable development and poverty alleviation. The project is led by researchers from the Business School the University of Essex and the Henley Business School the University of Reading. It has established an online directory of SEs, NGOs, and other social benefit organizations in 19 countries in Africa, including Zambia, and produced case studies documenting SEs and other social benefit organizations in these countries.

Coordination and advocacy

SEs tap into global networks for support. The Practitioner's Hub for Inclusive Business in Lusaka is arguably the most visible structure of advocacy for SEs, though its activities seem to be limited. Some international organizations play a coordinating and advocacy role, though not specifically focused on Zambia. Examples include the Schwab Foundation, which selects, highlights, and connects social entrepreneurs from various countries and creates a support structure for funding and innovation. Eight SEs in Zambia have been recognized by and included in the Schwab network, mainly in agriculture, education, and health. All of them are local branches of international organizations.

Ashoka provides support and networking to social entrepreneurs in Southern Africa. Entrepreneurs selected to become Ashoka Fellows receive funding and support from Ashoka's network of 130 entrepreneurs in Southern Africa and 3,000 entrepreneurs across Africa. Four Ashoka Fellows work in Zambia, in agriculture, the environment, and child justice.

CONCLUSIONS AND RECOMMENDATIONS

SEs play a limited role in service delivery to the BoP in Zambia. The supporting ecosystem is at the nascent stage. The energy sector is the most advanced, with a number of active SEs, some on the way to financial self-sustainability, as well as some conducive regulation through a VAT waiver program. In other sectors, consumer willingness to pay and public acceptance of paid services is much more limited.

Ecosystem interventions that could induce significant change for SEs in Zambia include the following:

- Raise awareness of the SE approach, by supporting the advocacy work of existing institutions such as the Practitioner's Hub, local incubators or innovation hubs. Awareness raising should target both entrepreneurs and policy makers.
- Promote specific models for SE service delivery in the health, education, and water and sanitation sectors, based on Zambia's needs. For example, SEs have developed innovative approaches to strengthen the public sector by supporting stock management of medicines and measuring schooling outcomes.

- Enhance access to (grant) finance for social entrepreneurs, by hosting competitions in specific sectors or on specific development challenges.

REFERENCES

ACCA (Association of Chartered Certified Accountants). 2013. *Key Health Challenges for Zambia*. http://www.accaglobal.com/content/dam/acca/global/PDF-technical/health-sector/tech-tp-khcz.pdf.

African Economic Outlook. 2014. Zambia. http://www.africaneconomicoutlook.org/en/country-notes/zambia

AICD (Africa Infrastructure Country Diagnostic). 2010. *Zambia Country Report*. https://www.google.be/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwiNhP-rwaPTAhVFalAKHSlbDdkQFggiMAA&url=http%3A%2F%2Fsiteresources.worldbank.org%2FINTAFRICA%2FResources%2FZambia-Country_Report_03.2011.pdf&usg=AFQjCNGDeWcY-JsQzJ6VtBMJRIHr8ViGuA&bvm=bv.152479541,d.ZWM

EPDC (Education and Policy Data Centre). 2014. *Zambia National Education Profile*. http://www.epdc.org/education-data-research/zambia-national-education-profile

Finscope Zambia. 2015. http://www.fsdzambia.org/finscope-2015/

GTZ (German Technical Cooperation Agency). 2009. *Case Study: Water Kiosks*. https://www.giz.de/fachexpertise/downloads/gtz2009-0193en-water-kiosks.pdf.

Hivos. n.d. Zambia: Energy Profile. https://hivos.org/sites/default/files/zambia_profile.pdf.

KPMG. 2015. *Zambia 2015 Budget Highlights*.

Mutti, Shadreck. 2015. "Linkages between SACCOS and Their National Associations: A Case of Zambia." Paper presented at the Sixth SACCO Leaders Forum, African Confederation of Cooperative Savings and Credit Associations, Harare, March 25–27.

SNV. n.d. Zambia. http://www.snv.org/country/zambia.

World Bank. 2013. *Enterprise Surveys*. Washington, DC.

———. 2014. Zambia Overview. Washington, DC. http://www.worldbank.org/en/country/zambia/overview.

WSUP (Water and Sanitation Program). n.d. Zambia. http://www.wsup.com/programme/where-we-work/zambia/.

Zambia Daily Mail. 2015. "400 NGOs Register with Ministry." June 24. https://www.daily-mail.co.zm/?p=34241.

INTERVIEWS

Jane Berry, Business R&D, ColaLife (June 10, 2015)
Alex Burrough, Director, Sunny Money Operational (June 29, 2015)
Sombo M. Chunda, Country Manager, Diakonia, (June 10, 2015)
John Fay, Founder, Shared Value Africa (SVA) (June 25, 2015)
Mark Hemsworth, Founder, Rent to Own (June 25, 2015)
Dirkpieter Inzenga, Managing Director, ID Solar Solutions, (July 1, 2015)
Andrew Kambobe, Team Member, Inclusive Business Hub Zambia (June 26, 2015)
Peter Legat, Managing Director, Solar Village (July 1, 2015)
Mike Murray, Business Incubation Director, Bongohive, (June 9, 2015)
Clare Simmons, PEP Zambia, (June 22, 2015)

Additional sector interviews have been completed and feed into the country profile.