

The background of the cover is a close-up photograph of a young person's face, looking directly at the camera. The image is partially obscured by a large, dark blue diagonal overlay that covers the left and center portions of the face. To the right, a portion of another person's face is visible, showing a smile. A bright green diagonal shape is also present on the right side of the cover.

YOUTHSTART GLOBAL

INCEPTION PHASE — YOUTH ECONOMIC OPPORTUNITY ECOSYSTEM ANALYSIS

ZAMBIA COUNTRY REPORT

DECEMBER 2015



YouthStart Global is a global programme funded by UN Capital Development Fund and the Swedish International Development Cooperation Agency (SIDA).

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DEFINITIONS, ABBREVIATIONS, AND ACRONYMS

The government of Zambia defines youth as persons aged 15 to 35 years old. However, the UNCDF YouthStart Global (YSG) program uses the UN definition of youth, which is persons aged 15 to 24 years old. Wherever possible, we use the UN definition. In some cases, information or data were only available for youth aged 15 to 35, and thus the government's definition was used.

As defined by the Small Enterprises Development Act of 1996, a small business enterprise in Zambia is any business enterprise 1) whose total investment in plant and machinery, excluding land and buildings, does not exceed fifty million kwacha (ZMW 50 million; USD 25,000) in the case of manufacturing and processing enterprises and ZMW 10 million (USD 5,000) in the case of trading and service providing enterprises; 2) whose annual turnover does not exceed ZMW 80 million (USD 40,000); and 3) that employs no more than 30 people.¹

While the Zambian government does not employ a standard classification of poverty, this report uses the common World Bank international poverty line of USD 1.25 per day at 2005 purchasing-power parity (PPP).

Throughout the report, we convert the Zambian kwacha to US dollars using the ratio of 7.0728 ZMW to 1 USD.²

BPC	Business plan competition
CEEC	Citizens Economic Empowerment Commission
DRC	Democratic Republic of the Congo
DfID	Department for International Development
EDPRS	Economic Development and Poverty Reduction Strategy
FSD	Financial sector deepening
FSP	Financial services provider
ICT	Information and communication technology
IFAD	International Fund for Agricultural Development
ILO	International Labor Organization
IWMI	International Water Management Institute
KO	Kiosk operator
MFI	Microfinance institution
MLSS	Ministry of Labor and Social Security
MSTVET	Ministry of Science, Technology, and Vocational Education and Training
M&E	Monitoring and evaluation
NYDC	National Youth Development Council

1 Under IFC guidelines, an MSME is any enterprise with fewer than 300 employees, and less than USD 15 million in total assets and total sales. See http://www.ifc.org/wps/wcm/connect/de7d92804a29ffe9ae04af8969adcc27/InterpretationNote_SME_2012.pdf?MOD=AJPERES.

2 Average exchange rate from 1/12/2014 to 31/8/2015. Data taken from oanda.com.

NGO	Non-governmental organization
OECD	Organization for Economic Cooperation and Development
PEP	Private Enterprise Program
R&D	Research and development
RSNDP	Revised Sixth National Development Plan
SME	Small and medium-sized enterprise
SAPP	Smallholder Agribusiness Promotion Project
SADC	Southern African Development Community
SIDA	Swedish International Development Authority
TVET	Technical and vocational education and training
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
USAID	United States Agency for International Development
YEO	Youth economic opportunities
YENZ	Youth Entrepreneurs Network of Zambia
YSG	YouthStart Global
ZIPAR	Zambia Institute for Policy Analysis and Research
ZMW	Zambian Kwacha
ZANACO	Zambian National Commercial Bank

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EXECUTIVE SUMMARY

Zambia's economy has averaged significant and sustained annual GDP growth of above 6% over the last two decades, though expansion has slowed slightly in recent years.³ Sustained GDP growth, however, has yet to translate into sufficient productive employment, particularly for the burgeoning youth cohort aged 14 – 35 years.⁴ With approximately 74% of Zambia's 14 million citizens under the age of 30, Zambia's population is strikingly young and growing, and increasingly in need of economic opportunity.⁵

Driven by 2.4% – 3% average annual population growth,⁶ the increase in the working-age population has outpaced job creation. Analysis shows that although roughly 1.3 million more jobs in formal employment and 2 million informal jobs will have been created by 2030, this additional employment will not be sufficient to close the jobs gap. With approximately 300,000 young people entering the labor market each year,⁷ the number of unemployed youth will increase by around 200,000 in the next 15 years.⁸

The government is utilizing policy instruments such as the newly launched National Youth Policy and the National Action Plan on Youth Empowerment and Employment to create jobs—demonstrating that the expansion of economic opportunities for youth remains an overarching priority for the Zambian government. However, emerging macroeconomic trends coupled with a lack of resources, have prompted the government to shift course away from job creation for youth and toward macroeconomic efforts to diversify the economy. **Therefore, while the government recognizes the growing urgency of addressing youth unemployment and underemployment, it is currently more concerned with addressing immediate macroeconomic issues**, particularly related to the diversification of an economy heavily reliant on copper as the primary source of foreign investment and foreign exchange.

There is a need for more interventions and rapid actions specifically focused on youth in order to limit the negative impact of disempowerment on the youth population, and the negative impacts of youth unemployment on Zambian society. Youth unemployment represents a sizeable economic loss stemming from unrealized human resources, foregone potential income tax revenues, and a loss of returns on government investment in education—all contributing to creating a heavy tax burden in future years. In addition, protracted joblessness increases youth disenfranchisement, which can lead to increased social unrest, political instability, and crime while increasing youth's vulnerability to poverty.

3 World Bank Development Indicators, World Bank; Dalberg analysis.

4 "Youth" refers to those 15 – 35 years old in this section per the definition used by the government of Zambia in the recently updated National Youth Policy and the Census 2010.

5 "YouthMap Zambia: A Cross-Sector Analysis of Youth in Zambia," International Youth Foundation, 2014.

6 Ibid.

7 Zambia Labor Market Profile, Ulandssekretariatet, 2012.

8 Dalberg analysis. Note: this assumes a constant rate of 8% unemployment. The 8% unemployment rate used in the projection scenario is lower than the actual rate forecasted by Trading Economics of 15% for 2015.

KEY FINDINGS

Finding 1: Zambia's labor market is severely demand-constrained; there is a broad consensus that self-employment and enterprise development will be the mechanisms through which more opportunities for youth are created.

- A substantial proportion of youth are employed in non-wage jobs; among those engaged in wage work, a large majority are employed in the private informal sector
- Unemployment is much higher among urban youth than rural youth, a trend that is especially acute among young women ⁹
- Underemployment is a key feature of the labor market, with rural youth facing substantially higher rates of underemployment due to the seasonality of agricultural labor
- Government is the driver of employment through annual employment campaigns for civil servant positions; private sector and especially small and medium enterprises' capacity to absorb job-seekers is limited

Finding 2: Accessing capital is a major and consistent challenge limiting youth's ability to successfully start a business.

- Youth make up 58% of the financially excluded population and prefer to save and borrow informally
- Financial institutions' product offerings are not aligned with youth needs; high interest rates, collateral requirements, and short repayment periods are all significant barriers to the uptake of credit
- The low level of financial literacy among youth leads to a general perception among lenders that the demographic is high-risk
- With that in mind, financial education and literacy must play a key role in boosting access to finance
- On the supply side, proximity and eligibility are key constraints, but progress continues to be made in the digital payment space

Finding 3: Four sectors have emerged as offering the most promising economic opportunities for youth

- Opportunities in the **agriculture value chain**—particularly surrounding agro-processing, commercialization, and the diversification of farming away from the predominance of maize—are promising avenues for youth employment.
- Considering the sector's recent projected growth and the relatively low level of formal education required, the **building and construction** sector also offers economic opportunities for youth.
- **Retail and artisanal skills-based** jobs are emerging as a strong opportunity pathway for youth
- The **tourism and hospitality** sector, despite projected growth, is seen as a longer-term opportunity as it requires significant investment before the full benefits of the sector will be available to youth. Activities such as marketing Zambia as a tourist destination and attracting investment in infrastructure (such as lodges and new tourism circuits), especially in the Northern provinces will likely work best if leadership comes from the government. As such, while tourism and hospitality hold significant potential for youth, further preparation of the ecosystem is required.

Overall, **more comprehensive programs that support youth employment and youth entrepreneurship are needed** to increase economic opportunities for youth in Zambia.

⁹ Zambia country report, African Economic Outlook, 2012.

INTRODUCTION AND CONTEXT

The United Nations Capital Development Fund (UNCDF) has a unique financial mandate within the United Nations (UN) system, and a proven track record and expertise in inclusive finance and local development finance, with a primary focus on least-developed countries. **In 2010, UNCDF, in partnership with The MasterCard Foundation, launched the YouthStart Program**, Building Youth Inclusive Financial Sectors in Sub-Saharan Africa, as a regional pilot.

The YouthStart program worked with over ten financial services providers in eight countries to provide access to savings for over 514,000 youth, access to loans to 71,735 young entrepreneurs, and financial literacy and other non-financial services to 502,600 youth. UNCDF has learned from these different approaches that financial inclusion can help address the youth employment challenge through its regional pilot; however, UNCDF has also found that in order to have a greater and long-lasting impact on youth, the YouthStart program must go beyond financial inclusion. Indeed, while young people need access to relevant and affordable financial services, they also require access to entrepreneurship training, mentoring, apprenticeships, and other relevant non-financial services that can support their transition from school to work at the right time, and allow them to secure and sustain decent jobs and/or start and sustain successful enterprises.

UNCDF in partnership with the Swedish International Development Cooperation Agency (SIDA) is leveraging the lessons learned from the regional pilot for its new program, YouthStart Global (YSG). YSG will be implemented in three stages: 1) an inception phase that entails an analysis of youth economic opportunities in four of YSG's target countries—Rwanda, Benin, Mozambique, and Zambia; 2) a first phase that consists of selecting the right partners to work with in each country; and 3) a second phase that involves supporting selected partners in developing, testing, and scaling up relevant, accessible, and affordable services to youth.

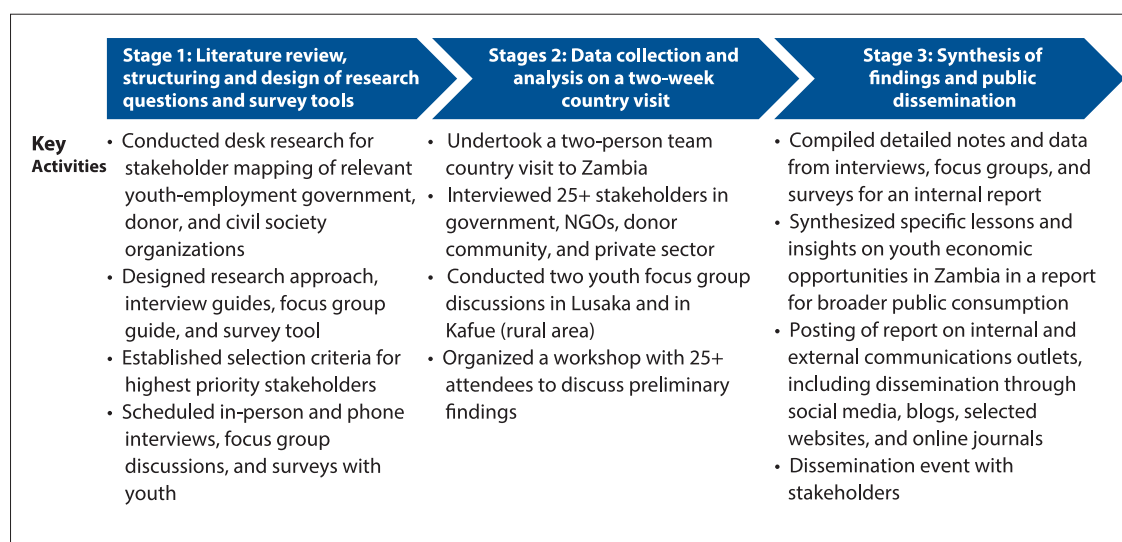
This report is the key output of an assessment implemented over nine weeks in four target countries, including Zambia, as part of YSG's inception phase. The assessment was conducted in three stages, as outlined in the Methodology section below: 1) literature review and structuring and design of research questions and tools, 2) data collection and analysis during a two-week visit in Zambia, and 3) final synthesis of findings for the report.

The report aims to capture a complete picture of youth economic opportunities in Zambia by 1) providing an economic overview of the employment challenge and demand for financial services, 2) presenting a comprehensive analysis of the demand for and the supply of labor, and 3) identifying high-potential opportunities for youth (Chapter 1). It also provides an overview and map of the current youth intervention landscape and the supply of financial services, as well as an assessment of key gaps for each of the high-potential opportunities for youth (Chapter 2).

METHODOLOGY

Figure 1 outlines the methodology for this assessment of youth economic opportunities in Zambia undertaken in three stages: 1) literature review and structuring and design of research questions and tools, 2) data collection and analysis during a two-week visit in Zambia, and 3) final synthesis of findings for the present report and public dissemination. This report is the product of a number of activities including desk research, stakeholder interviews (refer to the Annex for a comprehensive list), focus group discussions and surveys, and participative workshops with key stakeholders.

Figure 1
Study methodology

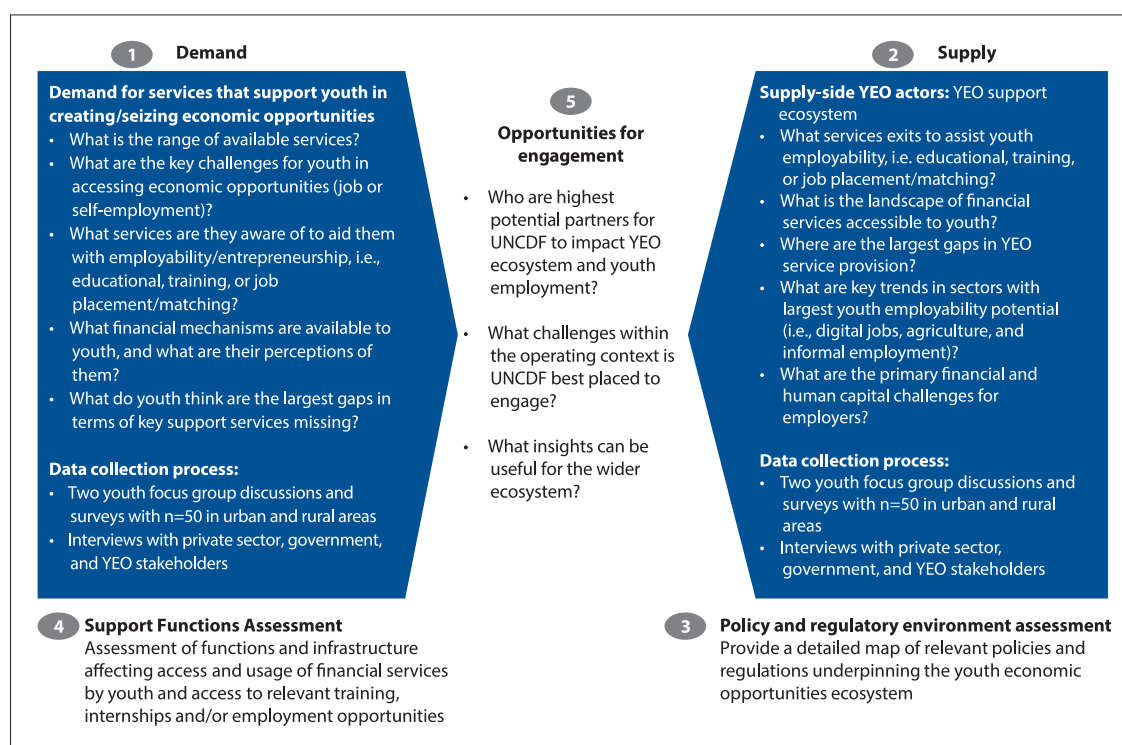


The research was structured across five principal elements (Figure 2):

- **Demand-side analysis** focused on how the economy is generating employment opportunities and how youth understand these opportunities. This approach consists of a macroeconomic analysis of highest-potential sectors. We used data on sector growth and employment to initially identify sectors that employ the greatest number of Zambians, are creating jobs at scale, and/or are employing large sections of the youth population. We used qualitative insights to identify particular opportunities within each sector that are attractive and accessible to youth;
- **Supply-side analysis** focused on the supply of support for youth to create economic opportunities (e.g., vocational and technical training, access to finance, etc.). This analysis includes:
 - A landscaping assessment composed of interviews with key stakeholders including government actors, training or employment matchmaker services, and youth organizations, as well as a gap analysis of programmatic opportunities based on the needs identified by youth and stakeholders;

- An analysis of the principal concerns, challenges, and aspirations with regard to securing a job in Zambia. The focus group discussions and surveys were the primary instrument for collecting data for this analysis, supplemented by secondary research and interviews with relevant stakeholders;
- **Policy and regulatory environment assessment** driven by desk research covering national policy documents and external policy analysis reports, as well as interviews with government agencies and external stakeholders;
- **Support functions assessment** focused on access to and usage of financial services and training, internships, and employment opportunities;
- **Opportunities for engagement** aiming to identify the set of partners and opportunity areas with which UNCDF YSG should engage in order to maximize impact.

Figure 2
Analytical framework



CHAPTER ONE

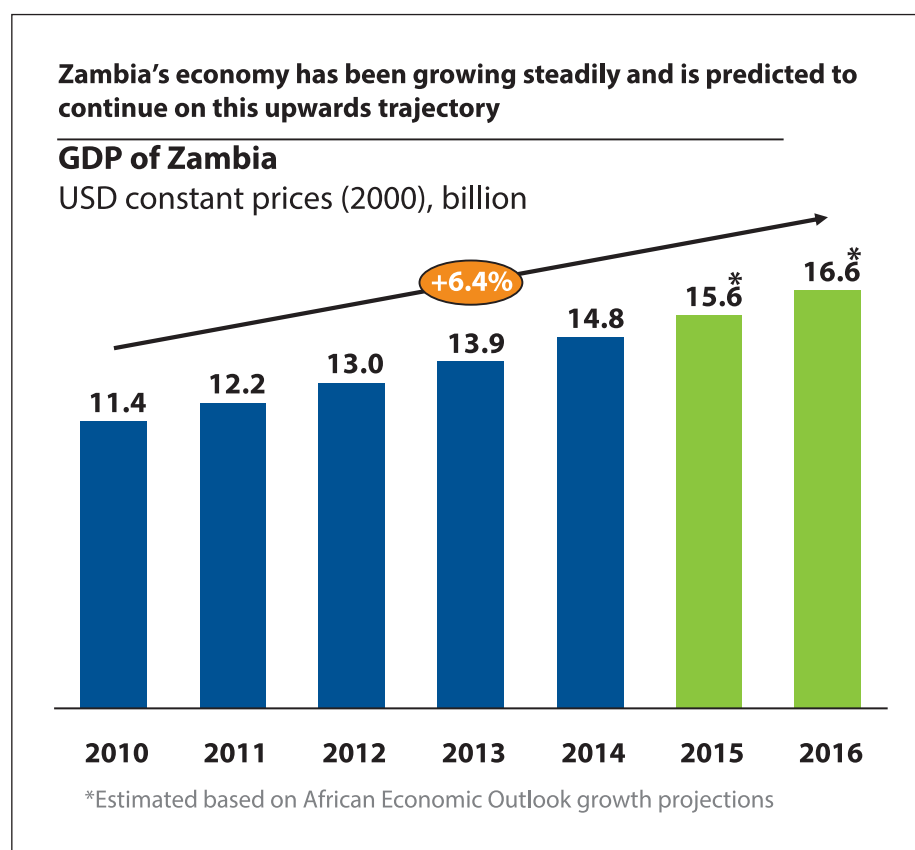
YOUTH ECONOMIC OPPORTUNITIES AND CHALLENGES



SECTION 1 – ECONOMIC OVERVIEW AND YOUTH UNEMPLOYMENT CHALLENGE

Zambia's economy has averaged significant and sustained annual GDP growth of greater than 6% over the last two decades, though growth has slowed slightly in recent years.¹⁰ Zambia experienced a drop in growth from 6.7% to 5.7% between 2013 and 2014, due predominantly to waning copper production and slower growth in manufacturing and public services, yet growth for 2015 – 2016 is expected to increase above 6% (Figure 3).¹¹ Despite the projected rebound, poverty levels remain relatively stagnant at 60%, particularly in rural areas,¹² with GDP per capita dropping from USD 1,845 to USD 1,802 from 2013 to 2014.¹³

Figure 3
GDP growth



Source: World Bank Development Indicators, African Economic Outlook, 2015; Dalberg analysis

10 World Bank Development Indicators, World Bank, 2015; Dalberg analysis.

11 Zambia country report, African Economic Outlook, 2015.

12 Ibid.

13 World Bank Development Indicators, World Bank, 2015.

Despite the government's focus on diversification of the economy, development still largely follows colonial rail lines established to transport copper from the Copperbelt in the north to the south. Rural poverty reflects this asymmetry, with populations that are far from main transport corridors exhibiting lower levels of development despite the efforts of successive governments to provide basic infrastructure and connectivity.

The agriculture sector has experienced strong growth in recent times, particularly due to a 30% increase in maize production in 2014, facilitated by an expansion of planting areas and a 22.3% increase in productivity. Preliminary estimates of other sectors also show substantial growth: **construction grew by 8.5%** while both the **financial sector and the transport and communications sector grew by 13.2%**. **The wholesale and retail sector, the largest sector in Zambia, grew by 6.2%**, with growth predominantly attributable to greater aggregate demand and consumer spending.¹⁴

Zambia has been able to significantly expand trade in recent years. Membership in the Southern African Development Community (SADC) has provided Zambia duty-free access to regional markets. Even so, exports and imports to and from broader markets continue to be hampered by non-tariff barriers (such as the high costs of obtaining trade permits and meeting certification requirements), unpredictable trade policy, and market-distorting subsidies.¹⁵

Zambian trade remains heavily dependent on the export of copper. Although mining accounts for just 7% of GDP,¹⁶ copper—both raw and refined—represents nearly three-quarters of exports (Figure 4), which poses considerable risk considering fluctuations in global commodity prices and currency.¹⁷ Maize, or corn, constitutes the second largest export, contributing 5.5% to total exports, while raw tobacco and raw cotton represent 4.9% and 2.5% of exports respectively. Machinery—excavation, construction, and stone processing machines, among others—constitutes the largest share of imports along with vehicles such as trucks and cars. Zambia's reliance on China as its largest export partner (48%) and on South Africa for the majority of its imports (57%) also poses significant risk.

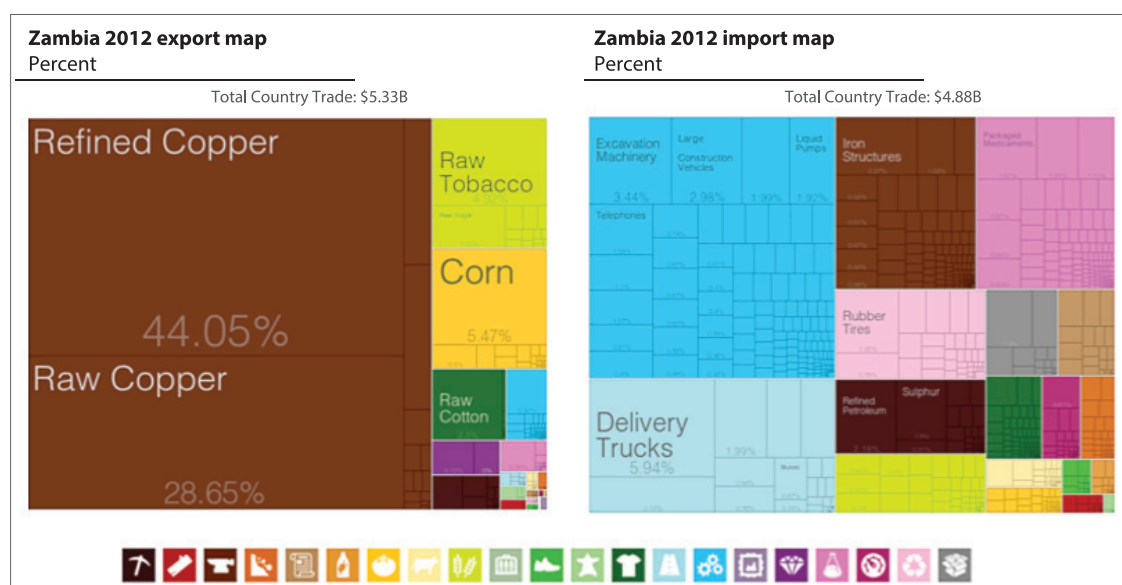
14 Zambia country report, African Economic Outlook, 2015.

15 Zambia country report, African Economic Outlook, 2015.

16 Zambia country report, African Economic Outlook, 2015.

17 Article IV Consultation, International Monetary Fund (IMF), 2015.

Figure 4
Export and import maps



Source: MIT Atlas of Economic Complexity Zambia, 2013

Zambia's significant economic progress and strong growth have not yet translated into sufficient productive employment, particularly for the expanding youth cohort aged 15 – 35 years.¹⁸ With approximately 74% of Zambia's 14 million population under the age of 30, the country's population is strikingly young and growing.

Driven by 2.4 – 3% average annual population growth,¹⁹ **the increase in the working age population has continually outpaced job creation.** Although youth unemployment decreased from 26.4% in 2010 to 24.6% in 2013,²⁰ there are not enough formal jobs being created to meet youth needs; Zambia's youth unemployment rate remains one of the highest on the continent.²¹ Many youth are underemployed or unemployed, with around 85% of youth working in the informal sector. Analysis shows that although approximately 1.3 million more formal jobs and roughly 2 million informal jobs are expected to be created by 2030, this increase will not be sufficient to close the jobs gap. With approximately 300,000 young people entering the labor market each year,²² the number of unemployed youth is expected to increase by around 200,000 in the next 15 years.²³

18 'Youth' refers to those 15 – 35 years old in this section per the definition used by the government of Zambia in the recently updated National Youth Policy and the Census 2010.

19 "YouthMap Zambia: A Cross-Sector Analysis of Youth in Zambia," International Youth Foundation, 2014.

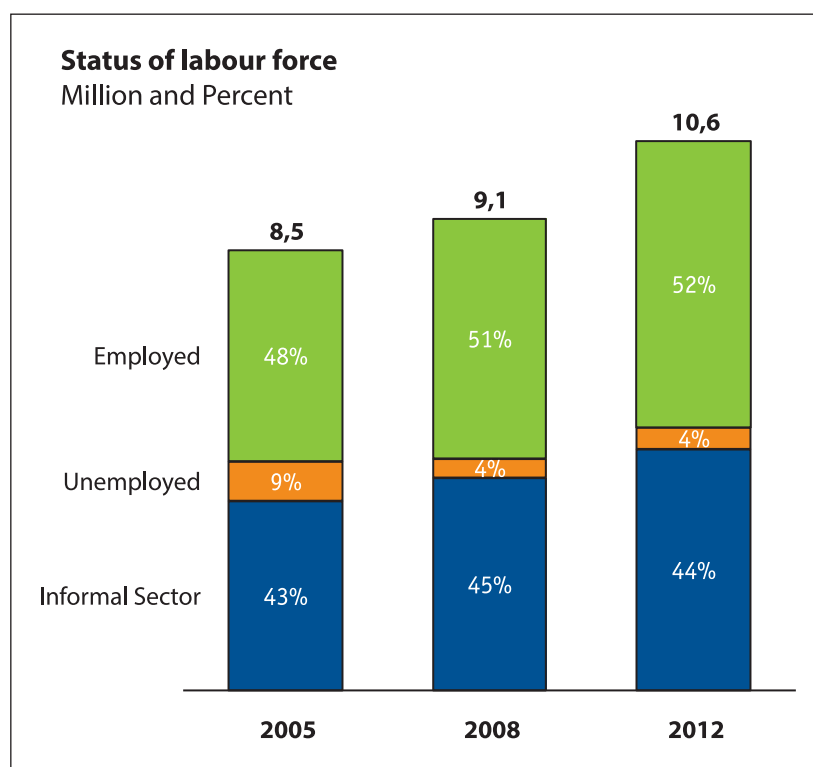
20 World Bank, unemployment, youth total (% of total labor force ages 15-24), 2015. Note: Youth unemployment refers to the share of the labor force ages 15 – 24 without work but available for and seeking employment.

21 "Key indicators in the labor market (KILM)," International Labor Organization (ILO), 2015 (latest data available is from 2000 – 2010).

22 Zambia Labor Market Profile, Ulandssekretariatet, 2012.

23 Dalberg analysis. Note: this assumes a constant rate of 8% unemployment. The 8% unemployment rate used in the projection scenario is lower than the actual rate forecasted by Trading Economics of 15% for 2015.

Figure 5
Labor force by employment status



Source: Central Statistics of Zambia, 2015

Unemployment is much higher among urban youth than rural youth, a trend that is especially acute among young women.²⁴ Government research conducted in 2010 observed that unemployment was around 5% for rural youth (6% for men, 4% for women) ages 20 to 24 compared to 45% for urban youth (42% for men, 47% for women).²⁵ Although rural unemployment numbers may seem relatively low, they do not account for the significant proportion of underemployed²⁶ youth: approximately 70% of youth are considered underemployed, with rural youth facing substantially higher rates of underemployment due to the seasonality of agricultural labor (approximately 83% compared to 36% of urban youth).²⁷ Migration flows have not fluctuated substantially: the percentage of youth in urban areas increased from 41.4% in 2000 to 41.9% in 2010, while the percentage of youth in rural areas decreased from 34.5% to 33.3% over the same period.²⁸

24 Zambia country report, African Economic Outlook, 2012.

25 Living Conditions Monitoring Survey, Republic of Zambia Central Statistics Office, 2010.

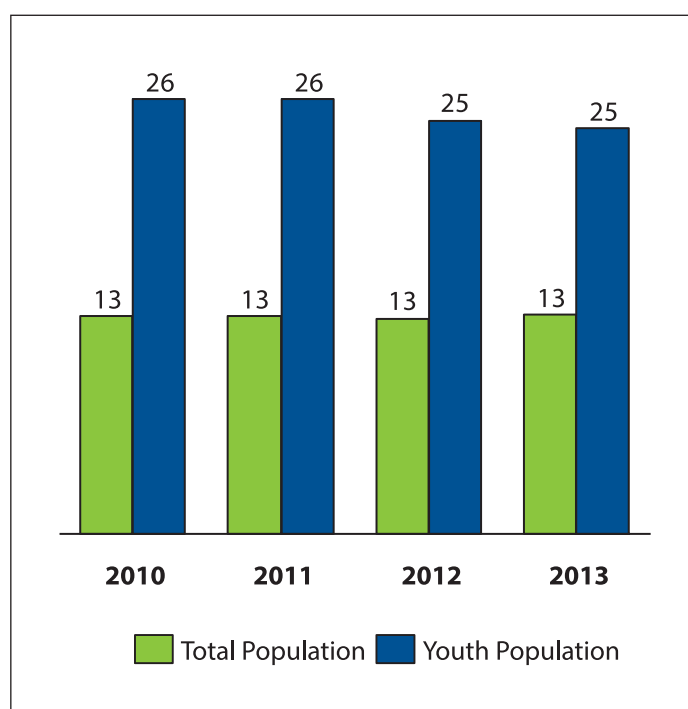
26 Note: youth are considered "underemployed" if they involuntarily work less than 40 hours per week.

27 Zambia Labor Market Profile, Ulandssekretariatet, 2012.

28 2010 Census Report.

Approximately 74% of the population of Zambia is under the age of 30.²⁹ Zambian youth face a number of challenges including high unemployment rates and limited access to employment opportunities.³⁰ GDP in Zambia has experienced consistent growth of over 6% annually in recent years. However, between 1990 and 2010, the labor force experienced approximately 54% growth, which has in turn exerted increased pressure on the labor market to provide jobs.³¹ As a result of the large and growing youth cohort, the labor market in Zambia is severely demand-constrained. Zambians between the ages of 15 – 34 comprise 65% of the working age population but youth unemployment for this cohort is estimated at twice the rate as that for other population segments (Figure 6). The high youth unemployment figures can be attributed to unmet educational needs of the labor market, lack of working experience, nepotism in recruitment, corruption, and lack of skills relevant training.³² Given this reality, entrepreneurship has emerged as a high-potential alternative for youth.

Figure 6
Unemployment rates - total vs. youth



Source: World Bank Indicators; "Flagship Project: More and Better Jobs," Zambia Institute for Policy Analysis and Research, June 2015

²⁹ Trading Economies, Zambia, 2015.

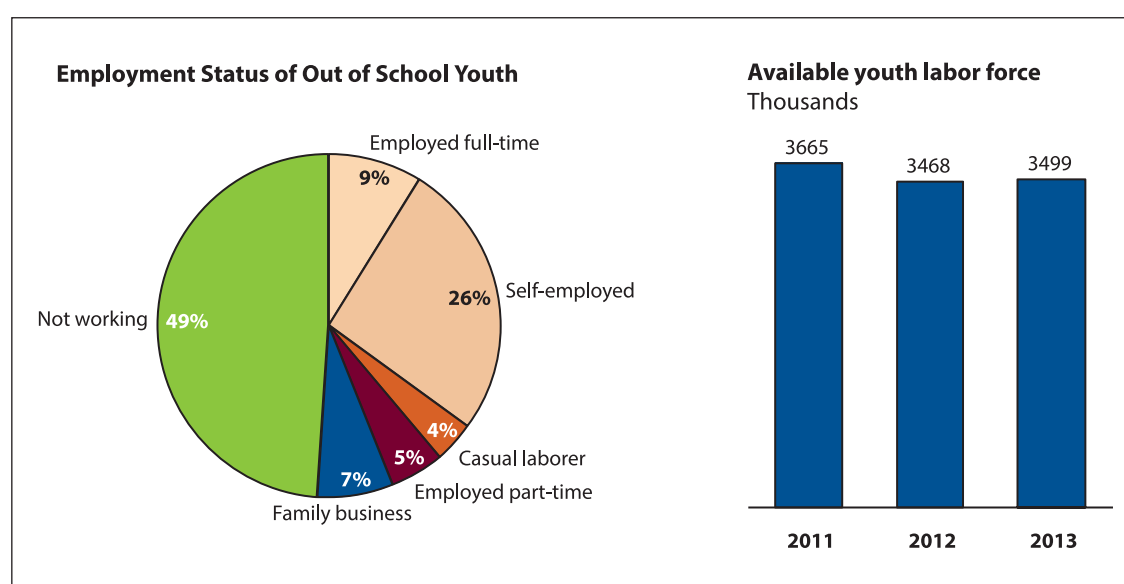
³⁰ "YouthMap Zambia: A Cross-Sector Analysis of Youth in Zambia," International Youth Foundation, May 2014.

³¹ Zambia – Labor Market Profile, Ulandssekretariatet, 2012.

³² "Flagship Project: More and Better Jobs," Zambia Institute for Policy Analysis and Research (ZIPAR), 2015.

Widespread underemployment in rural areas drives rural youth to engage in manual / farm labor to supplement their income. The average number of hours worked per week is 28 – 31 hours in rural areas and 40 in urban areas.³³ The compensation for this type of labor varies; in some instances the labor is unpaid.³⁴ Increased mechanization in the extractives and mining sectors means that fewer jobs are available for youth. Emergent high-potential sectors such as construction are yet to be fully explored partly due to the limited availability of skilled labor. Zambian youth expressed frustration that inhibiting factors for employment stemmed from a lack of knowledge of where or how to search for employment, a lack of available training, and a lack of networks and professional communities to draw on. Platforms do not exist in Zambia that facilitate the sharing and exchange of knowledge where both experts and job seekers can interact to bridge the knowledge gap.³⁵

Figure 7
Youth labor force Employment and Availability in numbers



Source: Youth Start, Zambia, USAID, 2015, World Bank Indicators; "Flagship Project: More and Better Jobs," Zambia Institute for Policy Analysis and Research, June 2015; Dalberg analysis

While the government recognizes the growing urgency of addressing youth unemployment and underemployment, leadership is currently more concerned with addressing immediate macroeconomic matters. The creation of decent jobs remains an overarching priority for the Zambian government. As an illustration of its strong commitment, the government recently (August, 2015) launched the National Youth Policy and the National Action Plan on Youth Empowerment and Employment. Despite this, a recent drop in the price of copper and copper output—Zambia's main export and driver of foreign investment—coupled with currency fluctuations have forced

33 Youth focus group conducted by Dalberg, 2015.

34 Youth focus group conducted by Dalberg, 2015.

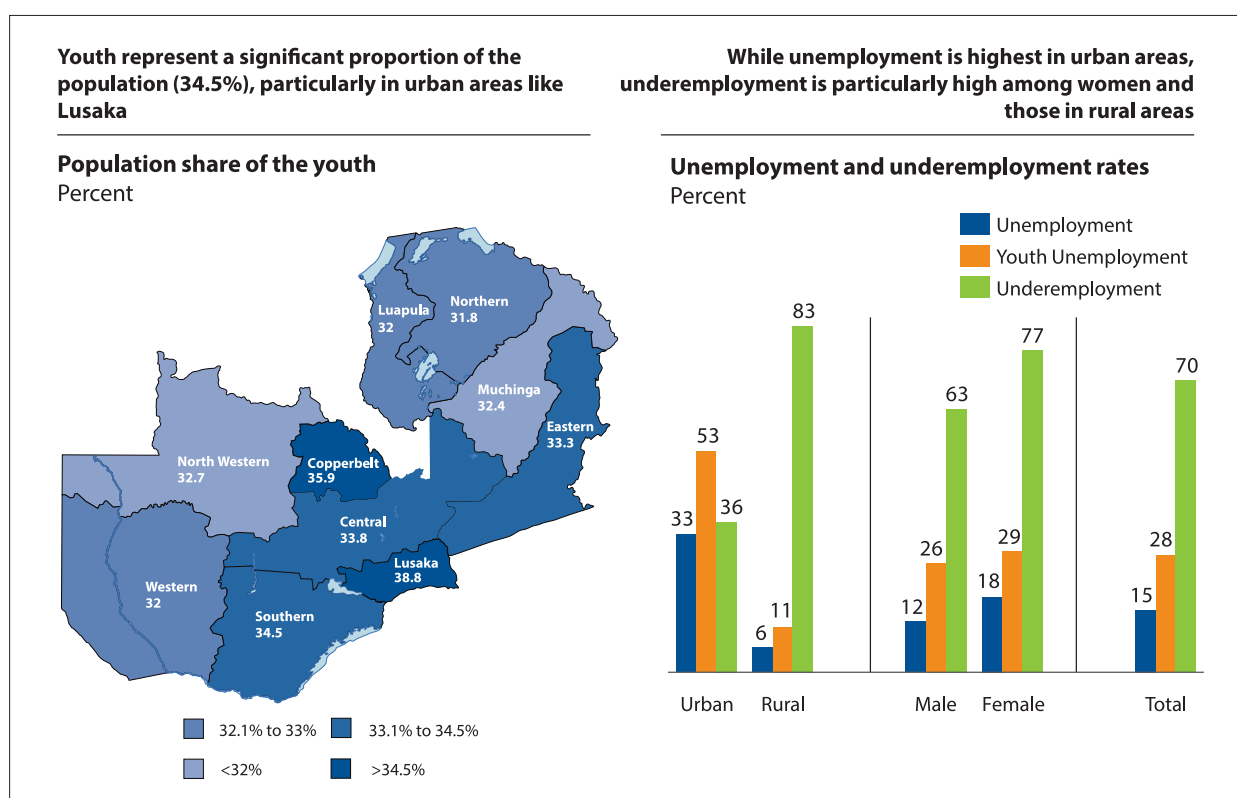
35 Zambia country report, African Economic Outlook, 2015.

the government to refocus priorities.³⁶ Diversification of exports away from copper has thus taken precedence over issues such as youth employment,³⁷ and the implementation of the National Youth Policy (2006) has been further hindered by a lack of resources.³⁸

“ There is a lack of policy coherence. The Youth Agenda for example, is no longer top on the list for government—two years ago it was the big thing; now it is fiscal deficit.

– Stakeholder interview, Lusaka

Figure 8
Mapping of youth population and unemployment



The designations employed and the presentation of material on this map do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations or UNCDF concerning the legal status of any country, territory, city or area or its authorities, or concerning the delimitation of its frontiers or boundaries

36 Stakeholder interviews, 2015.

37 “YouthMap Zambia: A Cross-Sector Analysis of Youth in Zambia,” International Youth Foundation, 2014.

38 “Youth employment in sub-Saharan Africa,” World Bank, 2014.

Source: Republic of Zambia Open Data Portal, 2015; Dalberg analysis

While recognizing that certain macroeconomic forces require urgent attention, it is important to note that there are large opportunity costs to inaction where youth employment is concerned.

At an individual level, failing to empower youth to become more engaged in the economy and to pursue decent livelihoods increases their vulnerability to poverty. Moreover, facing unemployment in the early years of entry into the job market can have scarring effects on a youth's lifetime earnings and productive potential. At the societal level, protracted joblessness increases youth disenfranchisement, which can lead to increased social unrest, political instability, and crime.³⁹

// The job search process has made a lot of youth become demoralized, but they need to build their courage and can benefit from support and encouragement.

//
- Youth focus group discussion, Kafue

Youth unemployment represents a sizeable economic loss across the board—from unrealized human resources to lost potential income tax revenues to a lack of returns on government investment in education—all of which will contribute to a heavy social and economic burden in future years. If youth unemployment is addressed in a cohesive and integrated way, the fact that Zambia counts as one of the youngest populations in the world could become an impressive asset rather than a liability.

SECTION 2 – OVERVIEW OF YOUTH POLICY LANDSCAPE

The government of Zambia has been proactive in developing numerous policies intended to guide or support the creation of employment and entrepreneurship opportunities. Below is a brief overview of seven of the key policies in this sector, one of which targets youth specifically.

Revised National Youth Policy and first National Action Plan on Youth Empowerment and Employment (2015-2020): Launched at the occasion of International Youth Day in August 2015, the revised National Youth Policy and the National Action Plan on Youth Empowerment and Employment aim to create more than 500,000 jobs for the youth by the end of 2016. Building on the 1994 and 2006 National Youth Policies, this revised edition squarely places youth at the center of national economic development as it recognizes that “there can be no meaningful development without the involvement of the youth”.⁴⁰

The policy covers a wide range of topics, from employment to health, education and the creative industry. As significant importance and focus are given to youth economic opportunities in the revised National Youth Policy, one can see that it aptly responds to widespread criticism regarding the Government’s lack of focus on youth employment since its election in 2011. The policy meticulously outlines all aspects of the youth employment and entrepreneurship policies needed in order to make significant strides in this sector. For example, it calls for a “review of labour market policies, legal regulatory framework to make them more responsive to current socio-economic trends to capture youth as a priority”, as well as the facilitation of “the certification of skills gained outside the formal skills training sector” and the “establishment of national apprenticeship and internship programs to prepare youth for employment”.⁴¹ In addition, it advocates for the “development of a comprehensive Labour Market Information System”, the promotion of “entrepreneurial education and skills training at all levels of education” and “financial literacy programs targeting the youth” as well as the establishment of “youth affirmative action on public procurement”.⁴² Of particular interest, the policy also aims to “facilitate youth access to land for enterprise development”.⁴³

40 “National Youth Policy,” Republic of Zambia, 2015.

41 “National Youth Policy,” Republic of Zambia, 2015.

42 “National Youth Policy,” Republic of Zambia, 2015.

43 “Action Plan for Youth Empowerment and Employment,” Republic of Zambia, 2015.

Overall, with regards to youth employment and entrepreneurship, this revised policy touches on all crucial elements and does so using an “ecosystem approach”. Based on these priorities, the National Action Plan on Youth Empowerment and Employment identifies, among many, the following needs: a) mainstreaming youth employment in all sectors (beyond the priorities identified by the Industrialization and Job Creation Strategy – see below); b) developing sustainable and innovative financial products and services targeting the needs of young women and men; and c) offering innovative and integrated business development services aligned with youth-centred employment and gender sensitive job creation strategies.⁴⁴ The National Action Plan also offers sector-specific interventions to “promote and expand sub-sectors that have relatively high employment multipliers.”⁴⁵ Notably, the National Action Plan also calls for a “National Skills Development Plan on which the development and review of the curriculum that provides demand driven skills including skills that are responsive to the needs of MSMEs in growth sectors should be anchored.”⁴⁶ Lastly, the document states that the creation of a Steering Committee is needed to ensure proper coordination of the action plan’s implementation.⁴⁷

Technical, Educational, Vocational and Entrepreneurship Training (TEVET) Policy: Launched in 1996 by the Ministry of Science, Technology and Vocational Training (MSTVT), Zambia’s TEVET policy “recognizes the need for gearing TVET towards a changing economy which, compared with the preceding years, is increasingly based on the informal sector”.⁴⁸ The TEVET policy underlines “the need to focus on certain groups in society which have the greatest potential of contributing to productivity, economic growth and development. The groups include school leavers; employees in the formal sector; entrepreneurs, both in the formal and informal sector; the unemployed and underemployed; and women.”⁴⁹

This very comprehensive and forward-looking policy also strives to establish a TVET system capable of balancing the supply of skilled labor at all levels with the demands of the economy; acting as a vehicle for improved productivity and income generation; and being an instrument for the minimization of inequalities among people. In addition, it aims to improve the productivity of the labor force in both the formal and informal sectors; promote entrepreneurship and economic participation in both the formal and informal sectors with the aim of increasing the efficiency of the national economy; develop a Zambian society with people that will be versatile, creative, employable, entrepreneurial and productive; provide qualitative training for imparting appropriate vocational skills relevant to the socio-economic development needs of Zambia; promote a rational use of local resources in training and post-training activities of entrepreneurs; and promote the economic empowerment of the women in our society.

44 “Action Plan for Youth Empowerment and Employment,” Republic of Zambia, 2015.

45 “Action Plan for Youth Empowerment and Employment,” Republic of Zambia, 2015.

46 “Action Plan for Youth Empowerment and Employment,” Republic of Zambia, 2015.

47 “World TVET Database – Zambia” UNESCO-UNEVOC International Centre for Technical and Vocational Education and Training, 2010.

48 “World TVET Database – Zambia” UNESCO-UNEVOC International Centre for Technical and Vocational Education and Training, 2010.

49 “Zambia Labour Market Profile,” Danish Trade Union, Council for International Development Cooperation, 2014.

The Government's Vision 2030 (published in 2006) also positions TEVET as a key source of increased skill training and improved access to education, especially among youth (school leavers). While data about enrolment in TEVET is not abundant, one source states that "in 2012, 848,371 pupils were enrolled into vocational training institutes, which are 33% to a population of 15-24 year olds, which is extremely high in comparison with the average for Sub-Saharan Africa".⁵⁰

Zambia National Service (ZNS) policy: Re-introduced in 2012 in a modified version which aims to equip youth with skills for employment and entrepreneurship as well as answer the needs of "poor youth", Zambia's voluntary national youth service lasts for a period of 12 to 24 months. This policy was introduced in part to address the fact that the current number of colleges and universities in the country cannot absorb all school leavers. The ZNS is managed by the Ministry of Defense in close collaboration with the Ministry of Youth and Sports.⁵¹ The annual operating budget for the ZNS is close to USD 10 million and has generated a very strong increase in awareness of TEVET skills across the country. However, data regarding number of participants show disappointing results so far.⁵²

Private Sector Development and Competitiveness (PSDC) Strategy and the Industrialization and Job Creation Strategy (IJCS): These two strategies developed by the Private Sector Development, Industrialization and Job Creation (PSDIJC) of the Ministry of Commerce, Trade and Industry, aim to "contribute to the promotion of inclusive growth, industrialization, and job and wealth creation through Private Sector Development and industrialization."⁵³ The PSDIJC was established based on the recognition that the private sector is the "engine of growth and therefore must be facilitated to contribute more to economic growth and job creation"⁵⁴. Launched in 2012, the IJCS states that the Government of Zambia aims to create "1,000,000 new formal sector jobs over the next five years".⁵⁵ This strategy paper identifies four priority sectors for job creation (tourism, construction, agriculture and manufacturing) and indicates that the selection of these sectors included their ability of absorb youth⁵⁶. No other youth-specific mentions were found. The PSDC which ended in 2014, is now being revised by the Government and the revised version is expected to cover the 2015-2019 period.

50 "National Youth Service, Employability, Entrepreneurship and Sustainable Livelihoods Overview of the National Youth Service Landscape in Sub-Saharan Africa," Innovations in Civic Participation, 2013.

51 "National Youth Service, Employability, Entrepreneurship and Sustainable Livelihoods Overview of the National Youth Service Landscape in Sub-Saharan Africa," Innovations in Civic Participation, 2013.

52 "National Youth Service, Employability, Entrepreneurship and Sustainable Livelihoods Overview of the National Youth Service Landscape in Sub-Saharan Africa," Innovations in Civic Participation, 2013.

53 See: <http://www.psdzambia.org/index.html>

54 See: <http://www.psdzambia.org/index.html>

55 "Strategy paper on Industrialisation and Job Creation," Republic of Zambia, 2012.

56 "Strategy paper on Industrialisation and Job Creation," Republic of Zambia, 2012.

The Micro, Small and Medium Enterprises (MSME) Development Policy: Developed by the Ministry of Trade, Commerce and Industry in 2008, this policy recognizes that while the “MSME sector in Zambia has such great potential for economic development, equitable wealth redistribution and poverty alleviation, it faces many business constraints and challenges which hinder growth and limit its ability to contribute effectively to national economic development.”⁵⁷ Among these challenges and constraints are inadequate regulatory systems, limited access to suitable business financing solutions, inadequate and unsuitable operating premises that can facilitate enterprise growth, limited technical and management skills and excessive competition from unregulated importation of cheap products. The SME Division of the Zambia Development Agency (ZDA) is now responsible for improving the functioning of the sector in a way that is aligned with the policy. This Division manages Local Economic Development programs and conducts advocacy for the MSME interests. No youth-specific programs were identified.

National Policy on Financial Education: Developed by the Bank of Zambia, this policy calls for the financial education of youth to be done via two channels: a) colleges, universities and other educational institutions; and b) youth development centers and other agencies such as NGOs, cultural events and MFIs.

The Banking and Financial Services (Microfinance) Regulations: Developed in 2006 by the Bank of Zambia, this set of regulations aim to address the many legislative shortcomings which contributed to economic and financial problems Zambia experienced in the last few decades. Among other things, these regulations set the legal and supervisory framework for the MFI sector and aim to protect customers and investors.

57 “Zambia Micro, Small and Medium Enterprises Development Policy,” Zambia Ministry of Trade, Commerce and Industry, 2008.

SECTION 3 – OVERVIEW OF THE DEMAND FOR FINANCIAL SERVICES

The financial services sector in Zambia is still characterized by minimal financial intermediation, restricted money and capital markets, and low access to and uptake of financial services—especially on the part of low- to middle-income and rural population groups.⁵⁸ Financial inclusion remains a problem in Zambia with over 60% of the population lacking access to formal financial services. Financial institutions tend to target corporate markets. Interest rates are very high, averaging 16 – 28% for banks and as high as 40% for microfinance institutions (MFIs). In 2012, policy mechanisms were introduced to control the high lending rates in the Zambian credit market, which has had a detrimental effect on lending to small and medium-sized enterprises (SMEs), especially for unsecured loans. Improvement of financial infrastructure, particularly with regard to credit and collateral, could assist in lowering interest rates and the associated risk for banks, thus allowing financial services providers (FSPs) to expand into underserved regions.

Youth make up 58% of the financially excluded population and prefer to save and borrow informally.⁵⁹ Financial services (savings and/or credit mechanisms) in Zambia are predominantly informal. Formal financial institutions are not easily accessible in all provinces and are heavily centered in Lusaka.⁶⁰ The digital financial space is similarly under-developed. Financial institutions are perceived as being out of touch with the average Zambian's needs and particularly inaccessible to youth (Figure 9) who are deemed 'high risk' due to a lack of a regular source of income (salary) or the collateral (usually title deeds) banks require for access to credit. These constraints of access and cost continue to limit the viability of entrepreneurship as an employment alternative for Zambian youth.⁶¹

// The current focus of most commercial banks, insurance organizations, and microfinance institutions is corporate clients or banking for middle- and high-income populations. Unfortunately, this covers only about 20% of Zambia's population.

- Stakeholder interview, Lusaka //

58 "YouthMap Zambia: A Cross-Sector Analysis of Youth in Zambia," International Youth Foundation, 2014.

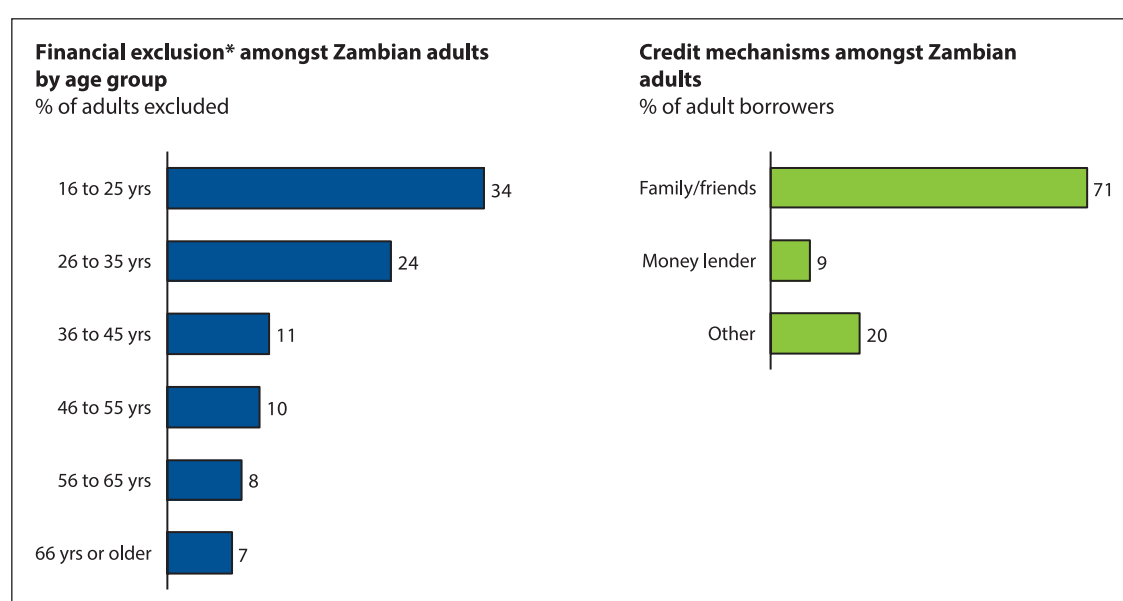
59 Finscope Zambia, 2015.

60 Stakeholder interviews, 2015; Dalberg analysis, 2015.

61 FinScope Zambia, 2015.

Financial institutions are beginning to see the opportunity in bridging the need for capital among financially excluded sectors; however, growth and development remains slow and it is unclear which products will best assist youth. Zambia is not a mature market for financial inclusion in many aspects, so the sequence of interventions by various players may be similar.⁶² There is a lack of transparency regarding the interest rates charged by MFIs, compounded by the low level of financial literacy among potential customers. New regulation aimed at streamlining lending has forced MFIs to reduce their interest rates and may continue to push some rural MFIs out of business.⁶³ Both new MFIs and privately owned MFIs run the risk of foreclosure in the current Zambian financial services climate.

Figure 9
Financial inclusion overview, Zambia



*Exclusion means not using commercial banks, non-bank formal products, or informal financial mechanisms.

Source: FinScope survey 2015; Dalberg analysis

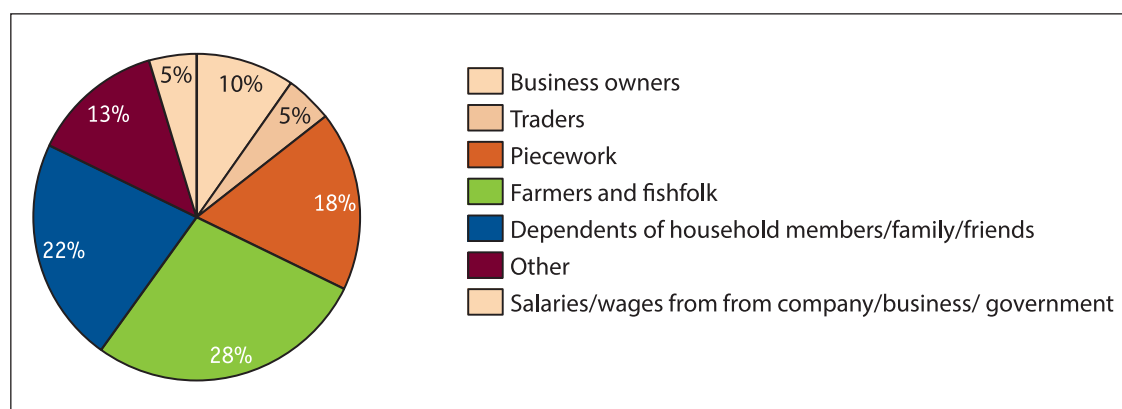
Overall, this evidence suggests that macro level policy efforts, in combination with financial education and literacy, have key roles to play in boosting access to finance. Recent studies (see Figure 10) indicate that dependents, farmers, traders, and individuals engaging in piecework make up 73% of the financially excluded population. These sectors also happen to be the most attractive for youth. Interviewees cite as the core reasons for financial exclusion a mix of unavailability and inaccessibility of the financial products as well as lack of awareness of their existence.⁶⁴ As such, efforts to increase awareness and literacy while also engaging in policy interventions could have strong positive outcomes in decreasing financial exclusion in Zambia.

62 Zambia country report, African Economic Outlook, 2015.

63 "YouthMap Zambia: A Cross-Sector Analysis of Youth in Zambia," International Youth Foundation, May 2014.

64 Stakeholder interviews, 2015.

Figure 10
Demographic profile of financially excluded sectors



Source: FinScope survey, 2015

SECTION 4 – ASSESSMENT OF THE DEMAND FOR AND SUPPLY OF LABOR

This section will discuss the demand and supply for labor and derive key gaps and implications for youth.

DEMAND FOR LABOR

A number of industries are emerging in Zambia—including building and construction, tourism, and agriculture—that, if properly leveraged, have high potential for increasing youth employment.⁶⁵ The largest employer is the government through government ministries and annual public service recruitment drives. Access to these jobs, however, is perceived to be difficult—largely due to a strong culture of nepotism.⁶⁶ The government recruitment drives focusing on ministry jobs, the police force, the health industry (nurses), the education sector (teachers), etc., are not on a scale capable of absorbing the large population of youth seeking employment. The private sector, in comparison, even with its growth specifically in the extractives, construction and agriculture sectors doesn't currently require enough labor to help significantly mitigate unemployment. Agriculture as a sector presents the easiest transition for job creation opportunities, as farming is widely practiced and is the main occupation of Zambians, accounting for 68% of the population's works activity.⁶⁷ Furthermore, opportunities exist for youth to explore value addition as an opportunity to grow their skills and earn an income within the sector; however, youth perception of the industry would need to be altered to make it more attractive.⁶⁸

65 "YouthMap Zambia: A Cross-Sector Analysis of Youth in Zambia," International Youth Foundation, May 2014.

66 Zambia – Labor Market Profile, Ulandssekretariatet, 2012.

67 Zambia – The World Factbook, CIA, 2015; stakeholder interviews, 2015.

68 Youth focus group conducted by Dalberg, 2015.

// It's difficult to get a job unless you know someone. In Zambia, relationships bear more weight than papers.

//
- Youth focus group discussion, Kafue

Entrepreneurship is emerging as a viable alternative as youth begin to consider enterprise as a feasible avenue of employment.⁶⁹ Given limited access to existing jobs, self-employment options are slowly emerging as a viable alternative for youth.⁷⁰ Despite coming from a relatively non-entrepreneurial culture, Zambian youth are slowly realizing that self-employment may be able to provide a sustainable livelihood. Approximately a quarter of the youth population are operating businesses in various sectors, most commonly wholesale and retail trade, agriculture, livestock, and fishing.

// The biggest employer is the government, mainly through recruitment of police, nurses, teachers, and government extension officers—but even this is not enough to meet demand. Stronger private sector linkages are needed to expand the employment pool and encourage entrepreneurship.

//
- Stakeholder interview, Lusaka

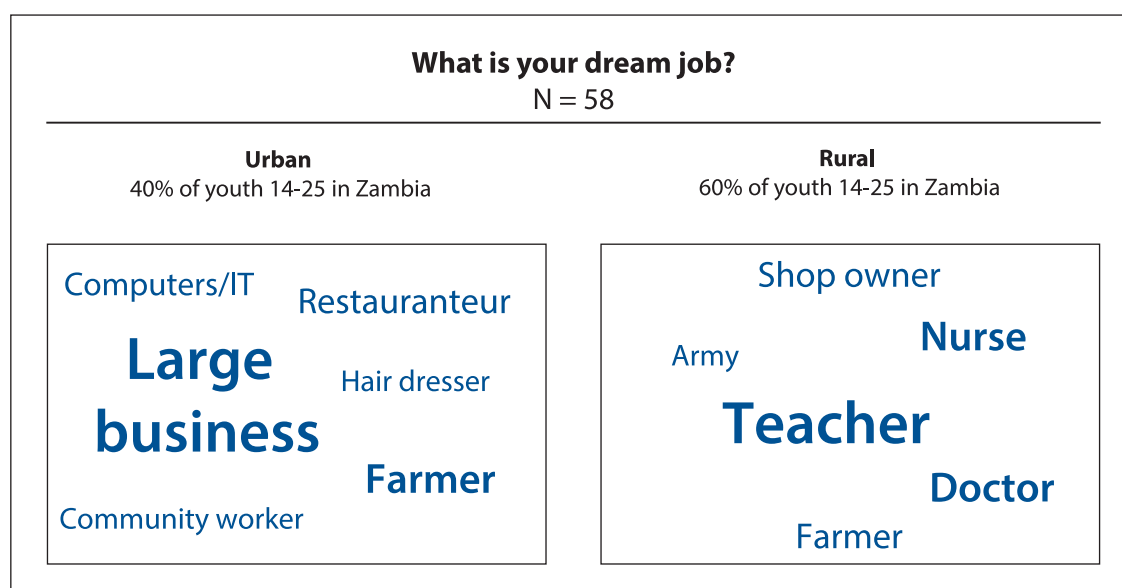
The USAID-funded YouthMap Assessment, 2014 indicates that youth who categorize themselves as self-employed enjoy their work more than youth in any other employment category. The report reveals that a majority of rural youth wish to start their own businesses but feel they lack the necessary capital and skill.⁷¹ While a cultural shift toward interest in self-employment seems to be underway, more needs to be done to validate youth and create in them the confidence to pursue opportunities in entrepreneurship.

69 Stakeholder interviews, 2015.

70 Youth focus group conducted by Dalberg, 2015.

71 "YouthMap Zambia: A Cross-Sector Analysis of Youth in Zambia," International Youth Foundation, 2014.

Figure 11
Youth responses to the question, “What is your dream job?”



Source: Youth Group Survey, Zambia, 2015

SUPPLY OF LABOR

The supply of youth is not in line with the demands of the job market, particularly when looking at the technical and soft skills required to perform entry-level jobs in Zambia. Employers cited high turnover in their companies as the single highest barrier to employing youth (33%).⁷² Since high turnover has negative effects on the health of an enterprise, addressing the issue would be beneficial both to employers and young jobseekers. The high rates of turnover may be attributable to the lack of career focus and direction of Zambian youth. Very limited career guidance is available within the schooling system; as a result, youth tend to accept jobs irrespective of interest or ability to fulfill the requirements—which ultimately leads to job dissatisfaction and high turnover.

The education youth receive in institutions and educational facilities does not currently align well with the skills and knowledge required by employers.⁷³ Outdated curricula and a lack of access to the latest technology in the educational system lead to a situation in which Zambian youth are not exposed to the latest skills demanded in the market. Many educational institutes conduct training with severely outmoded technology.⁷⁴ As a result, few Zambian youth possess the specialized skills that sectors such as construction and mining require.⁷⁵ Overall, the education and training systems in Zambia have room for improvement.

72 “YouthMap Zambia: A Cross-Sector Analysis of Youth in Zambia,” International Youth Foundation, 2014.

73 “YouthMap Zambia: A Cross-Sector Analysis of Youth in Zambia,” International Youth Foundation, 2014.

74 Stakeholder interviews, Zambia Federation of Employers, 2015.

75 Stakeholder interviews, 2015.

Youth have limited access to training in life skills and business support. Training that does exist is limited in reach and impact. Although some youth employment initiatives have yielded positive results, the benefits of such programs have been limited predominantly due to the poor links with educational institutions and a general lack of interest from the private sector.

// **TechnoServe aims to support small retailers. This new project is expected to start later in the year (2015) and will target 40% women and 50% youth and aims to provide small retailers with vital business skills to create resilient businesses.**

- Interview with TechnoServe staff, Lusaka //

Youth employment initiatives are seen as an effective mechanism for transitioning young people to the workplace and assisting in skills development and growth. In some instances, however, youth respondents felt that internship programs exploited youth by inducing them to work long hours for little compensation and few future employment prospects. Organizations such as TechnoServe are working within specific sectors to bridge the skills gap and information asymmetry that currently exist in the market.⁷⁶

Prior work experience requirements remain a challenge for both youth and employers, particularly in formal employment. A report by African Economic Outlook Zambia indicated that 45% of employers did not require experience for entry-level positions, 45% required one to two years, and 10% demanded three or more years' work experience. More skilled formal labor prospects—such as accountants and technicians—necessitated prior experience. The soft skills most demanded by employers were communication, teamwork, and the ability to learn quickly.⁷⁷

Geographic location remains a key constraint on access to diversified employment for youth. Agriculture continues to employ a large majority of the labor force; among (primarily rural) youth, however, just 17% participate in the agricultural sector.⁷⁸

76 Stakeholder interviews, Technoserve, 2015.

77 "YouthMap Zambia: A Cross-Sector Analysis of Youth in Zambia," International Youth Foundation, 2014.

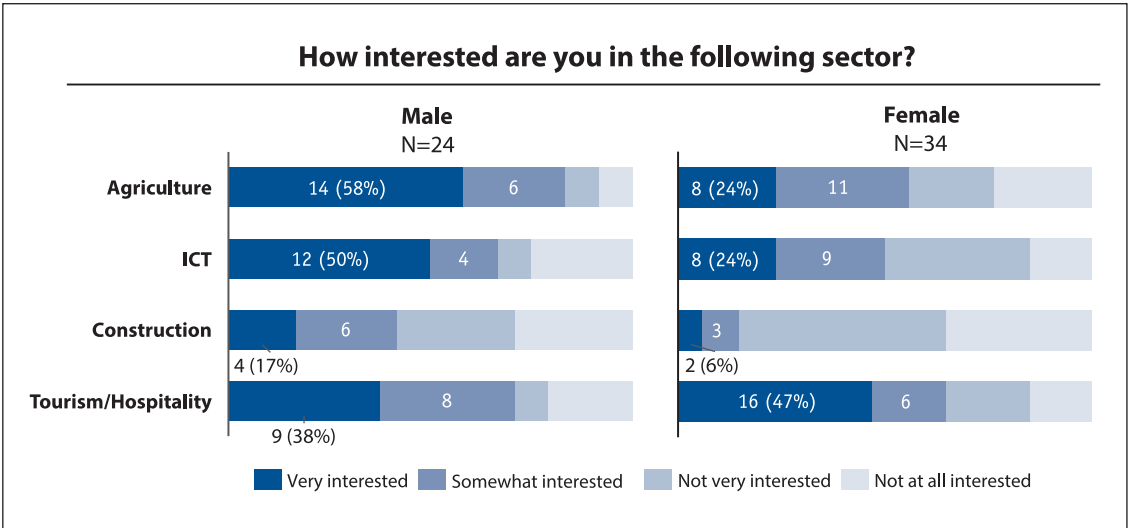
78 "YouthMap Zambia: A Cross-Sector Analysis of Youth in Zambia," International Youth Foundation, 2014.

“ Given that farms are mainly in the rural areas, I would be willing to move out of town and maybe try maize or fish-farming if funding was provided.

- Youth focus group discussion, Kafue

Findings from focus group discussions indicate that young people recognize the potential for growth within this sector. Despite some negative associations with agriculture—such as strenuous labor and the seasonality of income—most youth were willing to engage in farm-based employment if sufficient support was provided.

Figure 12
Preferred sectors by youth



Source: Youth focus group discussions and survey; Dalberg analysis

Youth unemployment tends to affect certain demographic populations more severely than others. With the exception of the tourism sector, women and girls tend to have a harder time finding employment and tend to be less qualified than men.⁷⁹ Employers remarked that people with disabilities may also find it challenging to find employment as a result of the labor-intensive job market but also stated that they attempted to provide disabled youth with jobs, where possible.

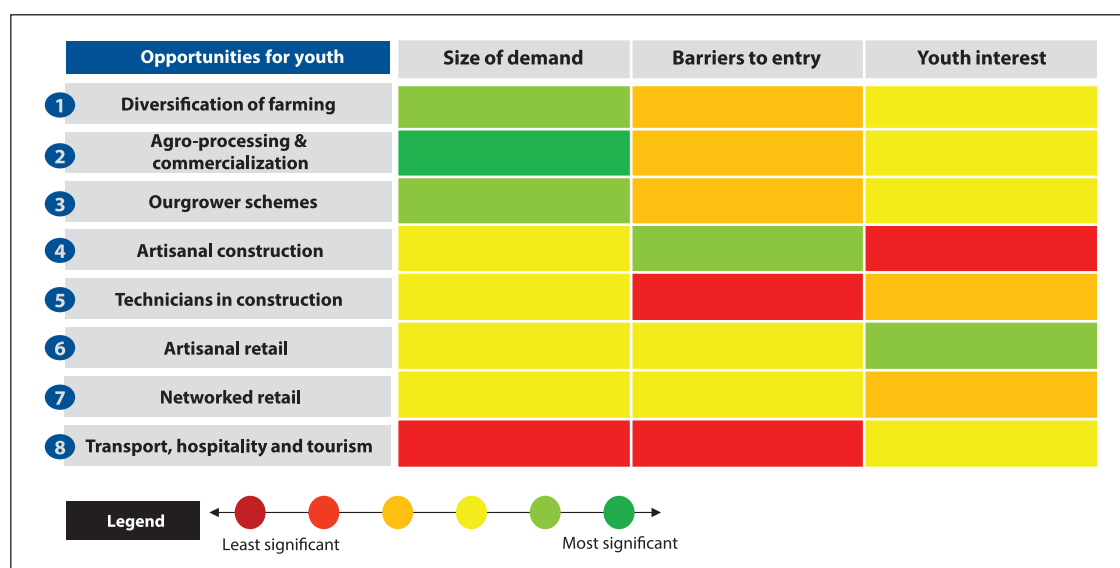
79 “YouthMap Zambia: A Cross-Sector Analysis of Youth in Zambia,” International Youth Foundation, 2014.

SECTION 5 – HIGH-POTENTIAL OPPORTUNITIES FOR YOUTH

Opportunities in the **agriculture value chain and building and construction** offer opportunities for youth given their recent projected growth and the relatively low level of formal education they require. In addition, **retail and artisanal skills-based** jobs, as well as the growing tourism and hospitality sector, could serve as potential pathways for greater youth employment.

Figure 13 summarizes high-potential opportunities for youth discussed in the sub-sections that follow.

Figure 13
High-potential opportunities for youth



Source: Desk research; stakeholder interviews; Dalberg analysis

I. OPPORTUNITIES IN AGRICULTURE VALUE CHAINS

Farming is the main occupation of Zambians, accounting for 68% of the population's work activity⁸⁰ and 9.5% of GDP in 2013.⁸¹ Farming is crucial to Zambia's socioeconomic development, providing employment opportunities to 60% of the informally employed population and 8% of the formally employed population.⁸² Despite its diminishing relative contribution to GDP, agriculture is still crucial to the livelihoods of millions of Zambians, and has of late shown strong economic performance. Nevertheless, the sector remains vulnerable: production levels among the majority of Zambia's farmers vary widely depending on policy interventions and weather patterns.⁸³ In the Central Province, commercial agriculture has begun to take off partially due to the region's proximity to the southern corridor, facilitating access to markets in Zimbabwe, Tanzania, and the Democratic Republic of the Congo (DRC).

⁸⁰ "Zambia Economic Brief: Zambia's Jobs Challenge: Realities on the Ground," World Bank, 2013.

⁸¹ Zambia country report, African Economic Outlook, 2015.

⁸² Zambia country report, African Economic Outlook, 2014.

⁸³ "Property Rights and Resource Governance Country Profile: Zambia," USAID, 2010.

Diversification of farming away from a heavy reliance on maize and toward a broad range of new value chains has the potential to expand economic opportunities for Zambian youth. To reduce dependence on staple maize, which constitutes the country's largest non-copper export (5.5% of total exports),⁸⁴ the Ministry of Agriculture is promoting the growing of other crops such as cassava, rice, and millet. The hope is to change the mindset of Zambians and lead them to consider eating other foods besides nshima (maize meal).

// In addition to basic production, there's quite a lot that young people can do within the farming value chain.

//
- Trade association member, Lusaka

Similarly, the government is promoting the cultivation of soy for use in animal feed for the poultry and piggery sectors. Through the Citizens Economic Empowerment Commission (CEEC), authorities have been promoting value addition in selected value chains by providing infrastructure support, business development services, and subsidized loans administered through commercial banks.⁸⁵ The International Labor Organization (ILO) is involved in a program to promote value chains for fish and soybeans among rural Zambians. There is also increasing awareness, especially among NGOs and aid agencies working in the agriculture sector, of the potential in underserved value chains such as poultry, fish, goats, and vegetables. The International Fund for Agricultural Development (IFAD), for example, has recognized the potential of Zambian livestock farmers to fetch upwards of five times greater prices for goats in neighboring DRC than they do in domestic markets, and has thus begun to facilitate the trade of small livestock through its Smallholder Agribusiness Promotion Project (SAPP).⁸⁶

84 MIT Atlas of Economic Complexity – Zambia, 2012.

85 Zambia country report, African Economic Outlook, 2015.

86 "Market Links Key to Livestock Trading," Times of Zambia, 2014.

Case Study: ILO Yapasa (Youth in Agribusiness) Program

The project is part of the “making markets work for the poor” (Making Markets Work for the Poor) initiative and focuses on assessing how the market is organized, where the opportunities and market failures lie, and, with this knowledge, demonstrating to government and other key players the role of youth.

ILO is taking agribusiness as an entry point and in its pilot phase is supporting soybean and aquaculture farming with a focus on rural youth groups. Each youth group is given access to one hectare for soybeans and at least one fishpond and is provided with support throughout the farming process.

ILO also involves various stakeholders such as the Ministers of Labor and Youth, private sector players including various workers and employers organizations, the Food and Agriculture Organization.

Youth employment could also be catalyzed through agro-processing and the commercialization of agriculture—specifically for nuts, tomatoes, fruit, and vegetables. Despite two-thirds of the Zambian population engaging in farm-based activity, agricultural production has remained predominantly subsistence-based.

Case study: Agribusiness Incubation Trust (AgBit) – Business Incubation in Horticulture

AgBit’s focus is on working with smallholder farmers, particularly women, already actively involved in fruit and vegetable supply chains in order to create high impact on rural incomes by reducing post-harvest losses and improving supply chains.

The organization’s primary clients are agribusiness enterprises, SMEs/startups, farmers, women, and youth (ages 20 – 33). The main criteria when selecting potential business to support are a) the target market needs to be scalable and b) the business idea needs to be financially viable.

AgBit provides opportunities for entry by entrepreneurs at various levels of the supply chain: input supply, production, bulking, grading, handling, transportation/logistics, cold storage, processing, packaging, and marketing.

AgBit’s approach to incubation is structured around three stages: i) the start-up or seed stage (60% of current portfolio), ii) the growth stage (30% of current portfolio), and iii) the high growth stage - post incubation (10% of current portfolio).

“Mango and pineapple crops in Western Zambia are naturally abundant and rot on the ground—yet we buy imported jam from Shoprite.”

– Government worker, Lusaka

The nuts value chains (ground-nuts for peanut butter, oils, etc.) as well as chilli and tomato processing (into pastes), fruit drying / jam production (for pineapples, mangos, etc.), and vegetable drying are beginning to serve as nascent sub-sectors undergoing greater levels of agro-processing. The Zambian Development Agency, a government-run development institution, has supported this process through the provision of enterprise development, investment support, market linkages, and branding, but large chain stores have been reluctant to stock local products over the consumer-preferred imports.⁸⁷ The limited entry barriers for certain value chains strengthen the case for small-scale agro-processing and commercialization: groundnut processing, for example, only requires a hand operated processor at minimum, and some fruits such as mangos and tomatoes may be sun-dried. Barriers steadily increase as produce moves up the value chain.

The outgrower model can also be adopted as a means to allow youth to tap into high-value crop production while incurring minimal start-up costs.⁸⁸ Outgrower schemes, also known as contract farming, are roughly defined as binding arrangements through which a company ensures its supply of agricultural products by individual or groups of farmers.⁸⁹ While the model is still in its infancy in Zambia, it would help mobilize idle assets such as land, family labor, and water—which smallholders have in abundance—and combine them with scarce assets such as finance, technical expertise, and entrepreneurship that are usually the province of the outgrower promoters.⁹⁰ The model can be exploited for high-value crops such as coffee, groundnuts, and sorghum. Sorghum, for example, is currently being sourced from Zambian smallholder cooperatives by SABMiller to make Eagle Beer. Firms get high-quality, locally-sourced inputs at a standard rate, while farmers are provided a link to a commercial market, a secure income, and the financial stability to buy the necessary inputs.⁹¹

87 Stakeholder interviews, 2015.

88 Stakeholder interviews, 2015.

89 “Outgrower Schemes: Why big multinationals link up with African smallholders,” Organization for Economic Cooperation and Development (OECD), 2008.

90 “AgWater Solutions Project Case Study: Smallholder outgrowers in irrigated agriculture in Zambia,” International Water Management Institute (IWMI)-South Africa, 2012.

91 See: <http://www.agriculturesnetwork.org/magazines/global/money-for-farming/ensuring-finance-with-a-contract>.

Table 1
Opportunities in agriculture value chains

Employment activities	Description	Why is it an opportunity for youth?	
Opportunity 1: Diversification of farming	There is an opportunity to diversify production away from maize to other crops and/or livestock such as: <ul style="list-style-type: none"> - Cassava - Rice - Millet - Soy - Goats - Poultry - Fish 	<ul style="list-style-type: none"> • High demand: Strong reliance on maize, significant government backing for diversification, and high-value export markets reflect high demand for development of agricultural sub-sectors. 	Green
		<ul style="list-style-type: none"> • Medium to low entry barriers: Access to knowledge and training on cultivation of new crops, access to capital, proximity to markets, and favorable trade regulation. 	Maroon
		<ul style="list-style-type: none"> • Medium to high youth interest: Youth focus groups and data indicated significant overall youth interest in agricultural-based employment. 	Orange
Opportunity 2: Agro-processing and commercialization	Opportunities exist for high-value, relatively abundant crops grown for export, including: <ul style="list-style-type: none"> - Groundnuts - Tomatoes - Fruits (mangos, pineapples) 	<ul style="list-style-type: none"> • Very high demand: Most agricultural produce is sold as is, with little to no value addition and further income to the farmer. 	Green
		<ul style="list-style-type: none"> • Medium to high entry barriers: Depending on level of sophistication required for processing in sub-sector, youth require access to markets, startup capital, requisite skills, and/or partnerships with vendors. 	Maroon
		<ul style="list-style-type: none"> • Medium to high youth interest: Youth focus groups and data indicated significant overall youth interest in agricultural-based employment. 	Orange
Opportunity 3: Exploring outgrower schemes	Opportunities exist for youth to find employment with outgrower schemes, mainly for high-value export products such as: <ul style="list-style-type: none"> - Coffee - Cashews - Soya 	<ul style="list-style-type: none"> • High demand: Outgrower schemes would provide farmers with market linkages, secure income, and stability to invest in inputs. 	Green
		<ul style="list-style-type: none"> • Medium to high entry barriers: Access to knowledge and training, access to capital, proximity to markets, proximity to outgrower schemes, and partnerships with firms. 	Maroon
		<ul style="list-style-type: none"> • Medium to high youth interest: Youth focus groups and data indicated significant youth interest in agricultural-based employment overall, supplemented with other agricultural-based income-generating activities. 	Orange

II. OPPORTUNITIES IN BUILDING AND CONSTRUCTION

Zambia's construction sector is a dynamic industry that contributed 15.1% to GDP in 2014 and is expected to keep growing.⁹² The sector has grown predominantly due to the spillover effect of large-scale investment in the mining sector. Building and construction have been identified as a priorities in the Industrialization and Job Creation Strategy of 2012; the government is seeking to focus efforts on large-scale infrastructure initiatives such as roads and bridges, multi-facility economic zones, rail lines, airports, and provincial and district infrastructure, all expected to generate 85,000 new jobs by 2016.⁹³

The sector has the potential to generate employment for both skilled and unskilled Zambian youth. According to government regulation, 20% of contracts under the Road Development Agency are reserved for Zambians—mostly for young people; in addition, any contract below ZMW 10,000 (approximately USD 1,413) in the Ministry of Works is earmarked for young people.

// The housing sector is growing exponentially; however, consumers are demanding a high level of craftsmanship skills that are currently unavailable and are being imported.

- Government agency worker, Lusaka

Greater demand for housing will provide youth with opportunities in the construction and building sector. Zambia has an annual housing deficit of 110,000 units, indicating that job creation opportunities exist for the unskilled rural population as well as the skilled and semi-skilled youth with tertiary education.⁹⁴ This need is particularly acute in the Copperbelt mining area and in Lusaka. As an indication of demand in the housing market, the mortgage portfolio of commercial banks has grown over 250% between 2008 and 2012, from ZMW 698 million, (USD 139.6 million), to ZMW 1.208 billion, (USD 241.6 million), a figure that does not include the lending activities of many other supply-side actors providing non-conventional financing for aspiring homeowners with limited access to finance.⁹⁵

92 Zambia country report, African Economic Outlook, 2015.

93 "Strategy Paper on Industrialization and Job Creation," Government of the Republic of Zambia, 2012.

94 Stakeholder interviews, 2015.

95 "Scoping study: Overview of the housing finance sector in Zambia," Finmark Trust, 2013.

The range and level of skills demanded for certain construction jobs requires greater capacity in the labor force. As the industry has grown over recent years, employers have been in need of laborers at both ends of the skill spectrum—i.e., unskilled youth could find opportunities as brick layers and molders while highly skilled youth could find opportunities as architects.⁹⁶ Key informant interviews revealed a need for greater synergy between the supply and demand of skills provided by training institutions, and a higher overall level of skills in the workforce, if young Zambians are to compete with better trained foreign labor.⁹⁷

Despite significant employment opportunities, youth do not seem highly enthusiastic about employment in the construction and building sector. Data collected from youth participants indicated that enthusiasm for employment in this sector was lower than for the other sectors assessed. Key informant interviews validated these findings. Interest among women was substantially lower than among men, possibly due to the physically demanding nature of the work.⁹⁸

// The main challenge with construction is the perception by youth that it is a career path for those unable to move ahead with their education.

- Youth NGO employee, Lusaka //

Table 2
Opportunities in building and construction

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: Artisanal construction	Growing construction sector brought on through spillover effects from mining investments presents opportunities for low-skilled work, particularly in artisanal construction. Potential opportunities include: - Brick layers - Molders - Block making - Metal fabrication - Carpentry - General hardware	• Medium to high demand: Significant demand based on the need for construction surrounding investments in the extractives industry, coupled with strong government backing; dependent on industry growth.
		• Low entry barriers: Knowledge and skills, knowledge of opportunities, access to capital, guidance, and access to markets and customers.
		• Low youth interest: Key informants and data collected from youth revealed a lack of interest in building and construction-based employment, considered suitable only for those with low education levels and less desirable than salaried positions.

96 "YouthMap Zambia: A Cross-Sector Analysis of Youth in Zambia," International Youth Foundation, 2014.

97 Stakeholder interviews, 2015.

98 Youth focus group conducted by Dalberg, 2015.

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 2: Technicians in construction	Opportunities exist for skilled youth to provide specialized skills in the building and construction space. Skills demanded include: <ul style="list-style-type: none"> - Architects - Electricians - Engineers 	<ul style="list-style-type: none"> • Medium to high demand: Mining-based construction projects, widespread government-funded infrastructure projects, and high demand for housing require skilled construction workers.
		<ul style="list-style-type: none"> • High entry barriers: Youth must obtain education and/or training specifically suited to the demands of the labor market.
		<ul style="list-style-type: none"> • Medium to low youth interest: Although youth indicated a general lack of interest in construction-based employment, higher-skilled positions may garner more interest if the income generating opportunities were higher.

III. OPPORTUNITIES IN RETAIL

Zambia's retail sector has exhibited incremental but steady GDP growth, projected to rise from 3.8% to 5% between 2013 and 2015. Non-farm employment in the form of home businesses is an important source of employment and accounts for 17% of total employment, concentrated in urban areas. Retail opportunities in the growing telecommunications sector include internet cafes; sales of mobile telephones, airtime, and SIM cards; charging booths; and repair shops.⁹⁹

// The main challenge with construction is the perception by youth that it is a career path for those unable to move ahead with their education.

//
- Youth NGO employee, Lusaka

99 Stakeholder interviews, 2015.

Case study: Zoona – mobile money platform

Zoona means “Real” and is a mobile money platform that was launched in 2009 with the aim of helping people send and receive money when they need to most so that communities can thrive.

As part of its business model, Zoona offers emerging entrepreneurs an opportunity to provide money transfer and other payment services to low-income consumers, while earning commissions.

Zoona provides a mobile money platform, working capital financing, business management tools and entrepreneurial support focused on helping businesses grow and increasing financial inclusion in Zambia.

Zambia has a fairly well educated youth population with a literacy rate of 74.5%¹⁰⁰ compared to the average literacy rate across sub-Saharan Africa of 73%.¹⁰¹ This relatively high literacy level combined with the high number of young graduates with a quality education suggests that Zambian youth are capable of engaging in and successfully managing retail businesses. The wholesale and retail sector accounts for 21% of youth self-employment and still has considerable potential for growth.

Similarly, the growth of the middle class, an increase in urban migration, and the expansion of the housing market have led to a rise in demand for artisanal work. Zambia has an annual housing deficit of 110,000 units, indicating that job creation opportunities exist for the unskilled rural population as well as skilled and semi-skilled youth with tertiary education.¹⁰²

// The housing sector is growing exponentially; however, consumers are demanding a high level of craftsmanship skills that are currently unavailable and are being imported.

- Government agency worker, Lusaka

Services such as carpentry, hairdressing, metal fabrication, and tailoring provide high-potential opportunities for youth job seekers. As a sign of growing interest in expanding markets, last mile distribution (networked retail) is also on the rise, mainly for agro-products (e.g., inputs such as fertilizer and seeds), as are agency banking, information and communication technology (ICT) products, typical groceries (especially for peri-urban areas), and home improvement items such as solar lamps. Other sectors that hold interest for youth within the retail sector include tailoring, hairdressing, carpentry, and mechanical/repair work.

100 United Nations Development Report, 2010.

101 World Bank Indicators, 2009.

102 Zambia country report, African Economic Outlook, 2015.

// Exceptional artisanal skills always generate high demand—for example, hairdressers with unique skills can command significantly higher prices.

//
- NGO worker, Lusaka

External support for the retail sector is available both to encourage the participation of underrepresented demographics and foster entrepreneurial learning. Various organizations are working to provide small retailers with vital business skills to create resilient businesses. This is a critical function and is a progressive step considering that microenterprises employ approximately 25% of wage workers.¹⁰³

Table 3
Opportunities in retail and artisanal work

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: Artisanal construction	Growing retail sector brought from urbanization, increased demand for housing, and rising population; potential opportunities include: - Carpentry - Hair dressing - Metal fabrication - Tailoring	• Medium to high demand: Significant demand based on the need for retail services as a result of socioeconomic factors (i.e., population growth, growing middle-class).
		• Medium entry barriers: Access to capital is one of the primary barriers that youth face; lack of access to professional training also acts as a barrier to entry for youth.
		• Medium to high youth interest: Key informants and data collected from youth revealed a substantial interest in retail-based employment, considered suitable only for those with the skill set to enter these professions.

103

"Zambia Economic Brief: Zambia's Jobs Challenge – Realities on the Ground," World Bank, October 2013.

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 2: Networked retail	Opportunities exist for semi-skilled youth to provide work in the networked retail space for various products including: <ul style="list-style-type: none"> - Agro-products: e.g. fertilizer, seeds, etc. - Agency banking - ICT products (e.g., airtime) - Typical groceries (especially for peri-urban areas) - Home improvement items (e.g., solar lamps) 	<ul style="list-style-type: none"> • Medium to high demand: Zambia is a large country with low population density, meaning many suppliers find it difficult to access certain rural parts of the country; the good road network does not always extend to the remotest parts of the country.
		<ul style="list-style-type: none"> • Medium entry barriers: Youth must obtain education and/or training specifically suited to the demands of the labor market.
		<ul style="list-style-type: none"> • Medium to low youth interest: lack of awareness may be the cause of lack of interest for retail-based employment. Higher-skilled positions may garner more interest if the income generating.

IV. OPPORTUNITIES IN TOURISM

The tourism sector in Zambia in the short to medium term has less potential to provide wide-scale youth employment.¹⁰⁴ Between 2012 and 2015, the contribution of tourism to the overall GDP declined from 12% to 10%, demonstrating the need for interventions to encourage growth in the sector.¹⁰⁵

// The government is emphasizing a lot on growing the tourism sector.

- Government agency representative

Tourism is one of Zambia's biggest foreign exchange earners; with government intervention, the sector is projected to grow by 10% in 2015.¹⁰⁶ However, the capital intensive nature of the sector means tourism will require a strong push from the government to attract investors, build new tourism circuits, draw more visitors, and create job opportunities for young Zambians.

¹⁰⁴ Stakeholder interviews, 2015.

¹⁰⁵ Dalberg analysis.

¹⁰⁶ "YouthMap Zambia: A Cross-Sector Analysis of Youth in Zambia," International Youth Foundation, 2014.

The tourism sector has long-term potential to provide job opportunities to the youth, but for this to happen there will need to be investment in ICT and marketing to increase potential tourists' awareness of what Zambia has to offer. As the supply of copper is depleted, the government has emphasized tourism investment as a high-priority long-term strategy.

// A lot of benefits can accrue from this Tourism Fund.

- Government agency representative

The northern circuit is being explored as a potential tourist attraction. The government's Tourism Fund—created to promote both the environment and tourism sectors¹⁰⁷—enables Zambians to access loans in order to construct lodges, offer transportation for hire, and engage in activities that generate income from a healthy environment—e.g., beekeeping.

Table 4
Opportunities in tourism

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: Transport, hospitality and tourism	Growth of the tourism sector will result in increased demand for transport and tour guide services to handle the increased tourist base; potential opportunities that suit youth include: <ul style="list-style-type: none"> - Drivers - Guides - Hotel staff - Restaurant staff 	<ul style="list-style-type: none"> • Low demand: The available jobs in tourism in Zambia are few given that the sector may already be saturated. This will only change if government moves ahead to spearhead investment in the industry.
		<ul style="list-style-type: none"> • High entry barriers: Youth are restricted in their engagement with the tourism sector; strong government engagement (marketing Zambia as a destination, recruiting investors, creating new circuits, etc.) is a prerequisite to growth and is therefore a longer-term opportunity for youth.
		<ul style="list-style-type: none"> • Medium youth interest: data collected from youth revealed a substantial interest in hospitality -based employment, but opportunities were only considered suitable for those with the skill set to enter these professions.

107 Stakeholder interviews, National Youth Development Council, 2015.

CHAPTER TWO

CURRENT INTERVENTION LANDSCAPE AND KEY GAPS



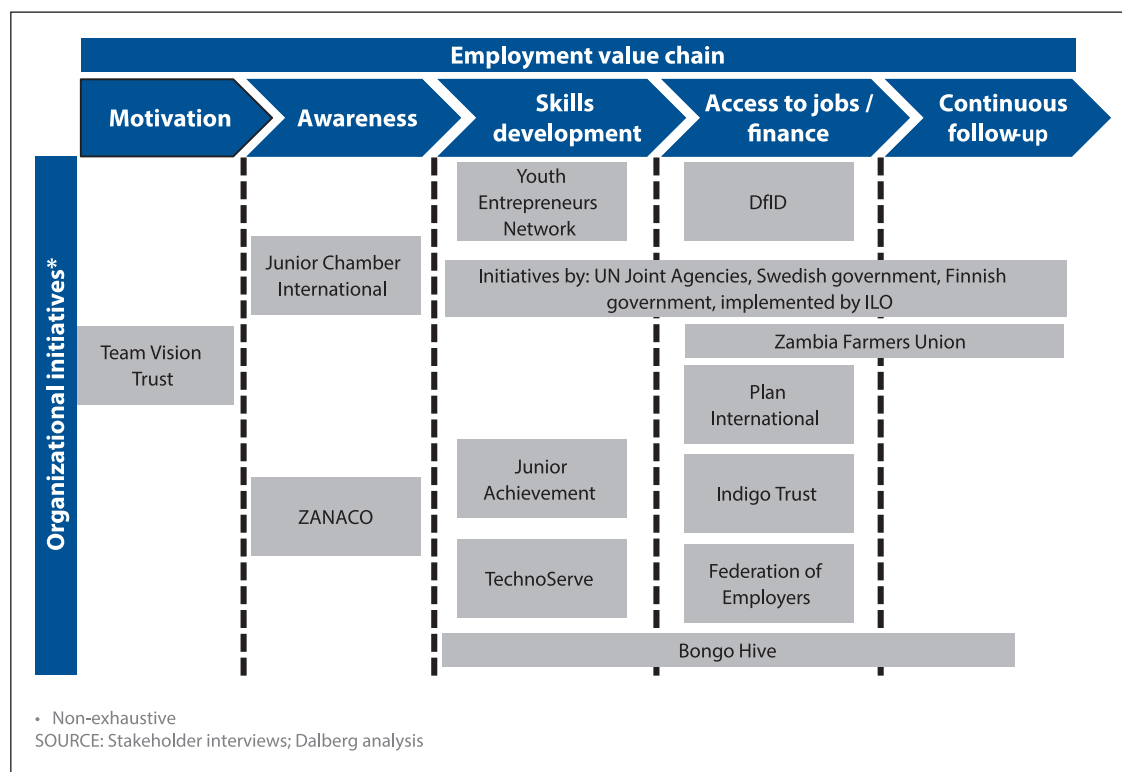
SECTION 1 – OVERVIEW OF YOUTH EMPLOYMENT INITIATIVES AND KEY GAPS

The Zambian government has developed a robust youth and youth employment policy framework; however, the path to implementation has generally been slow. While training and coaching are being incorporated, government programs predominantly focused on providing seed capital, with NGOs and other donors providing a host of other services. Overall, greater focus on training programs should be combined with pre- and post-support services for youth.


Interventions are operated in silos, with little crosscutting information exchange. While a National Youth Policy exists at the federal level, there is little coordination between government stakeholders and ministries. Although the Youth Development Fund is operational, many potential partners seem unaware of what the fund is doing and whether or not they can apply for support.

The following figure maps certain youth-based interventions in Zambia across the employment value chain.

Figure 14
Youth employment initiatives in Zambia across the value chain



Source: Stakeholder interviews; Dalberg analysis



Among interventions, there is a strong emphasis on providing funding as a way to encourage entrepreneurship. The main sources of funding for youth-based programming are government institutions, while a nascent group is slowly emerging of angel investors targeting youth with demonstrable and scalable business ideas. Few NGO-type initiatives exist for funding, aside from the Department for International Development (DfID)-funded Private Enterprise Program (PEP) that runs business plan competitions and funds the most promising ones. Various non-governmental programs exist, but few operate along multiple segments of the value chain. The financing options mentioned above, while beneficial, do not cater to the most vulnerable youth. Most of these youth run small, informal enterprises and are unable to meet the basic criteria—such as presentation of a business plan—required in order to access existing financing.

Government support is strong, particularly for the provision of seed funding, yet more support must be given to training. Public funds such as the Youth Development Fund, the Women Empowerment Program, and the Citizens Economic Empowerment Fund provide much-needed start-up capital for budding Zambian entrepreneurs. Of these, only the Youth Development Fund is earmarked specifically for youth, with a funding base of approximately USD 4 million. Disbursements are made at an interest rate of 4% over 36 months, with a six-month grace period before first repayment. Similarly, 40% of the Citizens Economic Empowerment Commission funds are reserved for youth while the Women Empowerment Program targets vulnerable women—including youth—with short-term loans at an interest rate of 5% over a cycle of 24 to 48 weeks. While the Women Empowerment Program and the Citizens Economic Empowerment Commission have incorporated skills training and capacity building elements into their programming, the government should place a greater emphasis on matching the supply and demand in the labor market through skills-based programming.

Few pre- and post-support services are offered. On the pre-support side, greater emphasis should be placed on programs that provide training, management skills, soft skills, and other entrepreneurial skills. On the post-support side, programs should be developed that provide mentorship, guidance on hiring, and advice on the scaling of operations. Stakeholder interviews revealed that many promising businesses are short-lived due to entrepreneurs lacking the skills to sustain operations. Supporting such programs would not only increase the overall skill level of youth participants and prepare them for traditional employment, but also help spur entrepreneurship in the face of slow formal labor market expansion.

A multitude of interventions exist within the youth empowerment space in Zambia. In order to comprehensively analyze the scopes of various activities and programs, the Youth Employment Framework (YEF) has been adopted for this study.¹⁰⁸ YEF provides a conceptual framework that uses a labor market-based approach to classify existing interventions. The framework categorizes interventions based on whether they fill the gap of demand for talent and/or supply of labor. Demand-side interventions are those that expand employment opportunities by creating demand for labor, whereas supply-side interventions are those that focus on improving the employability of the labor supply. Comprehensive interventions are those that focus on the entire labor market and incorporate activities from the supply side as well as the demand side. The diagram below maps in-country initiatives by type as per these three categories.

Figure 15
Youth employment initiatives in Zambia by type*

	Demand-side solutions	Comprehensive solutions	Supply-side solutions
Target segment			
Urban	<ul style="list-style-type: none"> • Zambia Federation of Employers 	<ul style="list-style-type: none"> • BongoHive 	<ul style="list-style-type: none"> • BaseInnovations • ZANACO Financial Education • AgBitGraduate Internship Program • CavmontFinancial Literacy Education
Both	<ul style="list-style-type: none"> • AgBitEntrepreneurs Mentorship Program • BarefeetTheatre 	<ul style="list-style-type: none"> • Green Jobs– ILO, FAO, UNEP, UNCTD, ITC, Govt of Finland • Citizens Economic Empowerment Commission 	<ul style="list-style-type: none"> • National Youth Development Council of Zambia • AgBitBusiness Incubation Program • FSD Financial literacy education • MSTVET • Non-formal Education and Skills Training • BoZFinancial Education Coordination
Rural	<ul style="list-style-type: none"> • EU Delegation Agriculture Support • TechnoServeAgroprocessing Program • Embassy of Sweden: MUSIKA 	<ul style="list-style-type: none"> • Decent Work and Food Security – ILO, Govt of Sweden • Zambia National Farmer's Union • Ministry of Community Development's Women Empowerment Program 	<ul style="list-style-type: none"> • Youth Entrepreneurs Network Zambia • TechnoServeAgroprocessing Program • Junior Achievement Zambia
	<p>Key:</p> <ul style="list-style-type: none"> • Private • Non-profit • Public 		
	• Non-exhaustive		

Source: desk research; stakeholder interviews; Dalberg analysis

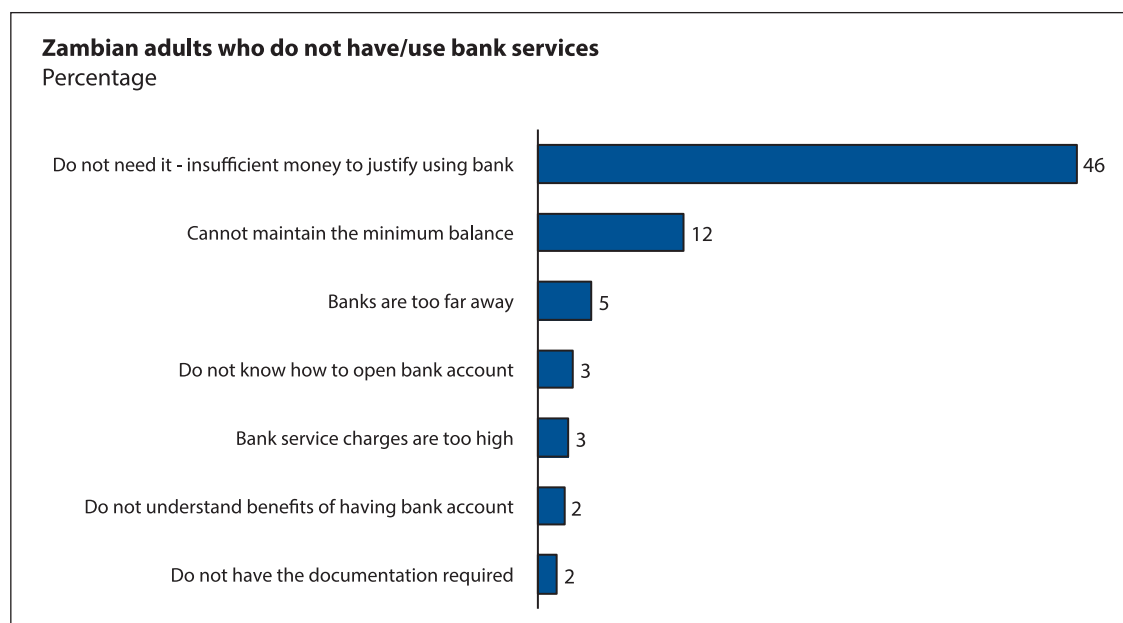
108 The YEF framework is based on the original work of the Federal Ministry of Economic Cooperation and Development (BMZ) of Germany in "Cornerstones of youth employment promotion in development cooperation," published in May 2006.

SECTION 2 – OVERVIEW OF THE SUPPLY OF FINANCIAL SERVICES AND KEY GAPS

Zambia has made significant progress in increasing the levels of financial inclusion in recent years—the portion of individuals with access to formal financial services grew from 37.3% in 2009 to 59.3% in 2015. The Zambian government (in collaboration with various financial service providers) has played a significant role in bringing about this result. Government agencies including the Bank of Zambia, the Pensions and Insurance Authority, and the Securities and Exchange Commission have been spearheading the National Strategy on Financial Education. With funding from various partners, these agencies have collaborated with local financial service providers and a variety of NGOs to enhance the levels of financial education in Zambia. Despite these efforts, more needs to be done to increase youth access to financial services.

Figure 16 indicates that the two key barriers to adoption of formal financial products/services are high minimum balances and the widespread belief that maintaining a formal account requires one to belong to a certain income bracket. Progress in Zambia will therefore involve sensitizing the populace on the benefits of formalized financial inclusion as well as ensuring that the products in the market suit the needs of the population.

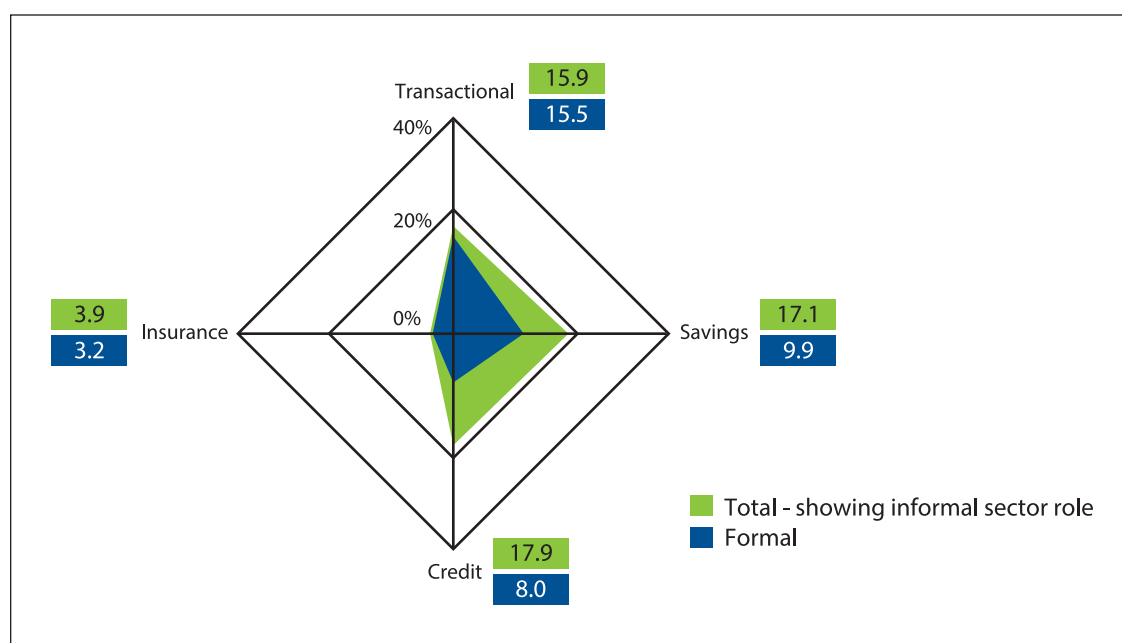
Figure 16
Barriers to adoption of formal financial products/services



Source: FinScope survey, 2015

Access to electronic money / transfer services has experienced the most significant uptake by the Zambian population, growing from 15.5% in 2009 (Figure XVII) to 36.8% in 2015. Access to savings services also increased by 15.4% between 2009 and 2015. Both saving and borrowing have become more prevalent. In recent times however, the government's demand for funds to finance infrastructure initiatives and a growing wage bill have resulted in heavy borrowing from the local market, thereby reducing financial service providers' appetite and incentive to lend to the general public. These recent shifts in the financial environment are likely to have a negative effect, particularly on the ability of youth to access capital from financial institutions.¹⁰⁹

Figure 17
Financial access landscape



Source: Bank of Zambia, 2010

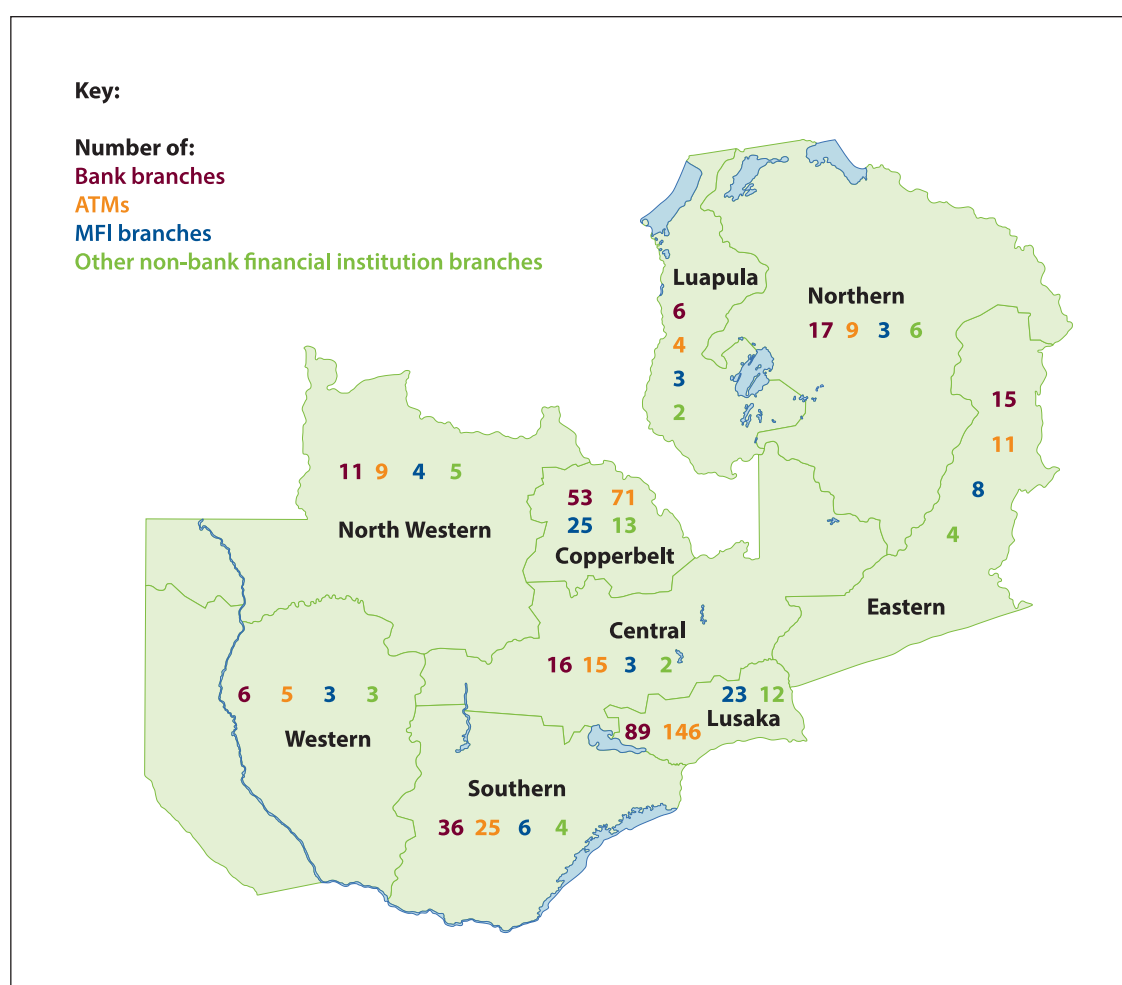
Since 2012, the Bank of Zambia has revised the minimum capital requirements for banks offering credit services, instituted interest rate caps on loans, and introduced statutory limits on the use of foreign currency for domestic transactions.¹¹⁰ The presence of the interest rate caps intended to control domestic credit markets subsequently led to reduced lending to SMEs and entrepreneurs (specifically without collateral). The long-term implications of the policy are not yet clear, but further inability to access capital is projected to have a detrimental effect on entrepreneurship and SME growth in Zambia.

109 Zambia country report, African Economic Outlook, 2015.

110 "Zambia economic brief: Zambia's jobs challenge," World Bank, 2013.

Unsurprisingly, financial institutions are seen to be especially inaccessible to youth who are deemed ‘high risk’ for lack of a regular source of income (salary) and/or an inability to provide collateral for credit. Rural youth are further disadvantaged, as urban populations tend to have greater access to formal institutions (Figure 18 below). While financial inclusion in Zambia is on the rise, the incorporation of marginalized and rural demographics into formal financial infrastructure will require significant time, effort, and resources on the part of both the financial sector and the government. Incentivizing formal and informal financial institutions to serve the last mile and the youth population could assist in the creation of new employment opportunities.¹¹¹

Figure 18
Provincial distribution of financial services infrastructure



The designations employed and the presentation of material on this map do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations or UNCDF concerning the legal status of any country, territory, city or area or its authorities, or concerning the delimitation of its frontiers or boundaries

Source: Bank of Zambia, 2010

SECTION 3 – KEY GAPS FROM CURRENT INTERVENTIONS WITHIN HIGH-POTENTIAL OPPORTUNITIES

Existing programs do not fully meet the various employment needs of youth in Zambia. More needs to be done in order to empower youth to succeed in a challenging job market for which many of them are currently ill prepared. Some of the enabling actions that youth require in order to access high-potential opportunities include expanding skills training, alleviating constraints on start-up capital, and increasing the provision of business support coaching.

Table 5
Opportunities, challenges, and interventions

Opportunities for youth		Skills training	Start up capital	Business support/coaching	Policy	Rural gap	Gender gap
1	Agricultural diversification						
2	Agro-processing						
3	Construction–artisanal work						
4	Construction–technician work						
5	Retail–micro-distribution						
6	Artisanal retail opportunities						
7	Tourism (hospitality & food)						

Legend

Most significant Least significant

Source: Dalberg focus group interviews; Dalberg stakeholder interviews; Dalberg analysis

Skill building

- Youth lack adequate soft skills, technical knowledge, and business expertise; they face significant barriers to skills development across opportunities.
- The challenges youth face in skill building include:
 - Lack of information or knowledge about skills needed or their potential benefits.
 - Lack of access to facilities due to cost, poor geographic spread, or the absence of training facilities altogether.
 - Poor quality of the training on offer.
 - Mismatch between training and labor market needs.
 - Poor awareness or recognition of qualifications acquired, e.g., technical and vocational education and training (TVET).
- Program coverage is limited for all activities but particularly so in agriculture and construction relative to the size of the opportunities in these sectors.

Start-up capital:

- Access to start-up capital is a major and consistent challenge that limits youth's ability to successfully start businesses. High job search costs (e.g., opportunity cost, hiring facilitators) often force youth to accept positions that do not match their qualifications or to abandon their search altogether.
- Financial services in Zambia are primarily informal, with self-help youth group arrangements being a predominant means to access finance. Formal financial institutions have very low penetration rates.
- Youth face significant capital constraints including:
 - Financial illiteracy and lack of information about financial systems and benefits.
 - Lack of access to financial service providers due to poor geographic spread.
 - High costs of borrowing, e.g., high interest rates or fixed cost of opening an account.
 - Lack of collateral or guarantee.
 - Short repayment schedules.

Business support/coaching and matching:

- A large number of interventions in the youth opportunities ecosystem provide skills, offer finance, or place youth in jobs without mentoring, coaching, or business support.
- In addition, there are no systems in place in Zambia to facilitate matching between employers and potential employees, or ease market linkages—for example, by connecting entrepreneurs to suppliers or distributors.

Policy:

- Lack of coordination among the different actors developing and implementing policies is undermining efforts on most fronts.
- Satellite policies can sometimes work at cross purposes and create additional roadblocks for youth seeking funds or training.

Geography and gender:

- Organizations struggle to address gender disparities in their programs, and rural areas tend to receive insufficient coverage.
- Women traditionally do not engage substantially in the construction and, to a lesser extent, the agribusiness sectors.

Table 6 highlights specific gaps within high-potential opportunities.

Table 6
Gaps within high-potential opportunities

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Agriculture value chains			
1. Diversification of farming (to include poultry, goats, fish, and vegetables)	Skills	<ul style="list-style-type: none"> Limited exposure to ideas and information on how to successfully engage in farming of new products (aside from the traditional maize). Little training on good agricultural practices. 	<ul style="list-style-type: none"> Collaborate with learning institutions, NGOs, and other partners who are already engaging in training on good farming practices. Develop a data sharing platform that captures information on type of product demanded, quantity demanded, and location of demand in order to align production to market needs. Partner with organizations that conduct agri-business training especially on managing supply and demand forces. Lobby government to improve the current model for creating awareness and disbursing government funds targeting youth enterprises. Partner with FSPs to develop, test, and scale up youth-friendly financial products. Encourage the formation of cooperatives so youth can pool know-how and savings as well as explore potential access to group credit. Increase level of awareness and improve linkages between youth and other sources of funds (e.g., angel investors, private challenge funds, out-grower credit guarantees, etc.). Partner with training institutions to provide youth with training in financial literacy, financial management, and business implementation skills/sustainability in order to make them a more attractive target segment for financial service providers. Encourage youth focusing on a particular product type to organize themselves into groups in order to aggregate supply and ease the organization of transport, etc.
	Capital	<ul style="list-style-type: none"> Youth lack access to initial start-up capital and thus cannot engage in farming. Youth are perceived to have poor financial management practices and are therefore regarded as high-risk entities by financial service providers who demand collateral and apply harsh repayment terms to them. Youth lack information on alternative sources of capital (e.g., government funds, angel investors, credit guarantees when engaged as part of out-grower schemes, etc.). 	
	Business support / matching	<ul style="list-style-type: none"> Lack of access to information on market needs, little backward linkage to the farmer, and minimal forward linkage to the market all result in production at levels that are misaligned to market demand. Lack of knowledge on how much output can be sold on the market and where it can be sold. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Agriculture value chains			
	Policy	<ul style="list-style-type: none"> • Zambia, as part of SADC, imports food products that can be grown locally, thereby dis-incentivizing local production. • Access to land in Zambia is increasingly becoming reserved for urban dwellers, many of whom acquire land that was previously under customary rule, mainly for speculative reasons rather than productive farming. • Lack of information on opportunities to be found in farming of alternative products—maize is Zambia's most common farm crop and there has been a lack of government support to encourage alternative farming options that youth can venture into; a lot of cross-border trade takes place (e.g., high demand for poultry and goats in DRC); however, most of this trade is highly informal. 	<ul style="list-style-type: none"> • Facilitate the signing of contractual agreements between youth groups and various off-takers (e.g., supermarkets) as a way of securing long-term markets. • Advocate for a 'Made in Zambia' campaign and encourage increased consumption of local produce. • Advocate for an improved land rights and titling system that streamlines the Lands Act to ensure that young smallholder farmers have access to productive farmland. • Engage in a campaign to raise awareness of alternative farming options for youth, focusing on the benefits of different crops over traditional maize farming. • Support efforts to formalize cross-border trade in a way that protects traders' rights while still encouraging trade. • Support studies that illustrate the potential (size of demand, financial returns, etc.) of various unexplored value chains in Zambia and disseminate findings to encourage increased interest and participation of youth in these sectors. • Support and advocate for demonstration plots that allow youth to learn by doing.

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Agriculture value chains			
2. Agro-processing of major produced commodities (including groundnuts, mangoes, pineapples, and tomatoes)	Skills	<ul style="list-style-type: none"> Youth lack the technical and entrepreneurship skills that would allow them to shift to successful agribusiness. Few training centers offer relevant agribusiness and entrepreneurship skills leading to an agriculture sector that is characterized by low value-addition and innovation. 	<ul style="list-style-type: none"> Work with institutions that are already providing the relevant entrepreneurship and agribusiness skills training to help them scale up and increase reach. Provide access to platforms that would allow youth to share experiences, encouragement, lessons learned, best practices, etc. Lobby government to improve the current model for creating awareness of and disbursing government funds targeting youth enterprises. Partner with FSPs to develop, test, and, scale up youth-friendly financial products. Encourage the formation of cooperatives so youth can pool know-how and savings as well as explore potential access to group credit. Increase level of awareness and improve linkages between youth and other sources of funds (e.g. angel investors, private challenge funds, outgrower credit guarantees, etc.) Collaborate with providers of short-term technical assistance in business management (including financial management, record keeping, etc.) in order to enhance the marketability of the youth segment to financial providers. Facilitate the signing of contractual agreements between youth groups and various off-takers (e.g., supermarkets) as a way of securing long-term markets. Support the creation of platforms that share information on markets such as quantity demanded, pricing, location, etc. Commission studies on the potential of these agro-processing value chains and the types of linkages that would be most suitable for youth.
	Capital	<ul style="list-style-type: none"> Lack of capital to fund technical training and to purchase processing machinery. Access to capital is difficult and expensive and is a major hindrance, especially considering the high initial capital outlay required to purchase processing equipment. 	
	Business support/matching	<ul style="list-style-type: none"> The pathway to access markets is weak; there are few backward linkages to the farmer and forward linkage to the market exist. Limited knowledge of market demand results in unreliable supply patterns, which eventually discourage off-takers from relying on local producers. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Agriculture value chains			
	Policy	<ul style="list-style-type: none"> Many of the potential agro-processing markets have not been strongly commercialized (e.g., in Western Zambia, mangoes routinely rot on the ground). Zambia, as part of SADC, imports some locally producible processed food products (e.g., fruit jam from South Africa), thereby dis-incentivizing local production. 	<ul style="list-style-type: none"> Strategically disseminate the findings of these studies in a form that specifically targets the role youth can play. Lobby the government to incentivize players engaging in these value chains as a way to generate awareness, interest, and investment in the existing opportunities. Advocate for consumption of locally produced foods with a “Made in Zambia” campaign.
Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Building and Construction			
3. Construction artisans (including masons, painters, carpenters, and plumbers)	Skills	<ul style="list-style-type: none"> Zambia generally has a weak apprenticeship culture and most learning happens in an ad-hoc uncoordinated manner. Compared to demand, few formal institutions exist and most construction artisans learn ‘on the job’ with no guarantee of quality. TVET is usually outdated and skills taught do not always match the demands of the market. 	<ul style="list-style-type: none"> Link youth with artisans in less practiced but needed trades; provide incentives to create longer-term apprenticeships. Support organizations offering skills training in this area and help them to scale up and increase reach. Support the review of TVET curriculum to ensure that it aligns with skills that the market demands and rewards (e.g., new roofing and tiling skills are highly valued in the home construction sector). Strengthen youth credit-worthiness by collaborating with providers of short-term technical assistance in financial literacy (including financial management, record keeping, etc.) in order to enhance the marketability of the youth segment to financial providers. Partner with financial institutions to develop, test and scale up youth-friendly products. Disseminate information to youth on other sources of funds (e.g., government funds, etc.).
	Capital	<ul style="list-style-type: none"> Artisans lack access to capital to start their own enterprises. Credit from financial service providers is too restrictive and expensive, often requiring collateral or harsh repayment terms. Youth are unaware of alternative funding options. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Building and Construction			
	Business support/matching	<ul style="list-style-type: none"> Construction work is precarious as there is little information on the size of demand, the type of skills needed, where the next job will be, etc. The negative perception of blue collar jobs as less than ideal leads many artisans to engage in this work as a temporary stepping stone to something else, not to build a career, leading to a mismatch in aspirations where qualified youth lack the interest to build a long career in the sector. 	<ul style="list-style-type: none"> Support the creation of platforms that share information on job opportunities, skills in high demand, etc. Advocate for attitude change by demonstrating the growth potential of the construction industry and the livelihoods available to youth who engage in the sector. Lobby the government to come up with a policy for certification of construction workers who have learned their trade on the job.; this will enable them to access better jobs and improved pay. Advocate for policy formalizing the industry, e.g., set salary guidelines, monitor hiring practices, maintain minimum quality standards, etc.
	Policy	<ul style="list-style-type: none"> Zambia does not currently have a system of recognizing qualifications attained from on-the-job training, meaning many qualified youth are locked out of potential jobs as employers cannot gauge workers' skills. The construction industry is still highly informal leading to low pay, bad working conditions, low job security, and, in some cases, poor construction works. 	
Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Building and Construction			
4. Construction technicians (including engineers, electricians, architects)	Skills	<ul style="list-style-type: none"> Curriculum in formal sector is not up-to-date with latest techniques. Formal training does not build in an internship or apprenticeship aspect, meaning many youth do not have market experience. Without a focus on entrepreneurship studies, many graduates wait for employment as they do not feel empowered to start their own enterprises. 	<ul style="list-style-type: none"> Advocate for regular review of training materials (e.g., through facilitating a workshop with ministry, the private sector, and educational institutions). Link experienced construction technicians to the formal education system to offer practical teaching stints, or 'train the trainer' sessions. Encourage the formation of cooperatives so youth can pool know-how and savings as well as explore potential access to group credit.

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Building and Construction			
	Capital	<ul style="list-style-type: none"> • Technicians lack access to capital to start their own enterprises • Credit from financial service providers is too restrictive and expensive, often requiring collateral or harsh repayment terms • Youth are unaware of alternative funding options 	<ul style="list-style-type: none"> • Develop and incorporate internships and apprenticeships into the formal job programs through partnerships between educational institutions and the private sector that enhance youth's work experience and lead to concrete job outcomes. • Incorporate entrepreneurship studies into the curriculum to empower youth to start their own enterprises after graduation. • Strengthen youth credit-worthiness by collaborating with providers of short-term technical assistance in financial literacy (including financial management, record keeping, etc.) in order to enhance the marketability of the youth segment to financial providers. • Partner with financial institutions to develop, test and scale up youth-friendly products. • Disseminate information to youth on other sources of funds (e.g., government funds, etc.). • Organize regular workshops to connect private sector players to education institutions and ministry officials in order to assess the relevance of youth skills to private sector. • Explore potential for public-private partnership (PPP) arrangements in youth training to better fit market needs. • Lobby and advocate for implementation of preferential government procurement contracts earmarked for youth. • Train youth/cooperatives to apply for local construction contracts. • Disseminate information to youth on upcoming tenders.
	Business support/matching	<ul style="list-style-type: none"> • No coordination between education providers and market players in the construction field, leading to a mismatch in qualifications and skills being taught 	
	Policy	<ul style="list-style-type: none"> • Certification in most government institutions is outdated in terms of technical skills taught and equipment used for practical demonstrations • Low levels of enforcement of the policy of awarding to youth a certain percentage of government tenders in the construction sector 	

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Retail and Artisanal Work			
5. Artisanal opportunities (including carpentry, hair dressing, tailoring, metal fabrication)	Skills	<ul style="list-style-type: none"> • Training is usually informal and standards of training vary greatly. • Demand for training outstrips the capacity of existing training centers. • Few training centers incorporate entrepreneurship and financial management training into their programs. 	<ul style="list-style-type: none"> • Support organizations offering skills training in this area and help them to scale up and increase reach. • Link youth with artisans in less practiced but needed trades; provide incentives to create longer-term apprenticeships. • Collaborate with providers of short-term technical assistance in entrepreneurship and financial literacy (including financial management, record keeping, etc.) in order to enhance the skillset of youth in this sector.
	Capital	<ul style="list-style-type: none"> • Startup financing in Zambia is expensive and difficult for youth to access (due to high interest rates and collateral requirements). • Lack of information on alternative sources of funds. 	<ul style="list-style-type: none"> • Partner with financial institutions to develop, test, and scale up youth-friendly products. • Disseminate information to youth on other sources of funds (e.g. government funds, etc.). • Commission studies on the potential of these value chains and the type of linkages that would be most suitable for youth. • Strategically disseminate the findings of these studies with a specific emphasis on the role youth can play. • Facilitate the signing of contractual agreements between youth groups and various off-takers (e.g., supermarkets) as a way of securing long-term markets. • Advocate for formation of policy to formalize the industry, e.g., set salary guidelines, monitor hiring practices, maintain minimum quality standards, etc.
	Business support/matching	<ul style="list-style-type: none"> • Lack of information among youth on size and potential of opportunities in this sector. • Poor market linkages to off-takers such as large retail outlets or construction firms (for carpentry and metal fabrication work). 	
	Policy	<ul style="list-style-type: none"> • The sector is highly informal, and is therefore characterized by low pay, poor working conditions, low job security, and low quality control. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Retail and Artisanal Work			
6. Micro-distribution, including agro-products (e.g., farm inputs) and social products (e.g., solar lanterns, efficient cook-stoves, etc.)	Skills	<ul style="list-style-type: none"> Lack of training facilities offering short-term, low-cost, basic business skills courses, e.g., accounting, marketing skills, customer service, etc. Restricted exposure and/or access to ideas and information on opportunities that exist in retail due to lack of hard skills and innovative ideas. 	<ul style="list-style-type: none"> Partner with experienced training providers to develop short-term, low-cost soft skills course on essential aspects of managing a business, targeted toward small-scale retailers. Build reach of training initiatives by exploring potential to incorporate a 'trainer of trainers' aspect. Strengthen youth credit-worthiness by collaborating with providers of short-term technical assistance in financial literacy (including financial management, record keeping, etc.) in order to enhance the marketability of the youth segment to financial providers. Partner with financial institutions to develop, test, and scale up youth-friendly products.
	Capital	<ul style="list-style-type: none"> Lack of access to financing to purchase initial inventory for start-up enterprise. Lack of information on available resources for funding. 	
	Business support / matching	<ul style="list-style-type: none"> Low levels of information on linkage opportunities between potential suppliers and youth. 	<ul style="list-style-type: none"> Disseminate information to youth on other sources of funds (e.g., government funds, etc.). Commission studies to examine the potential size of and opportunity in this sector as well as identify successful innovative retail models. Disseminate the findings of the study to encourage interest and investment in this sector. Create awareness of distribution models between youth and potential off-takers; facilitate the signing of contractual agreements between youth groups and various off-takers as a way of strengthening the networked retail model. Consider creating incentives to spur investment into the sector and encourage growth.
	Policy	<ul style="list-style-type: none"> Low awareness of networked retail as an opportunity for youth. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for UNCDF and like-minded organizations
Tourism and hospitality			
7. Tourism and hospitality (including tours and travel, food service industry, etc.)	Skills	<ul style="list-style-type: none"> Scarcity of hospitality courses, especially those focusing on building of soft skills. 	<ul style="list-style-type: none"> Strengthen existing hospitality management courses to ensure that they also focus on building soft skills. Strengthen youth credit-worthiness by collaborating with providers of short-term technical assistance in financial literacy (including financial management, record keeping, etc.) in order to enhance the marketability of the youth segment to financial providers. Partner with financial institutions to develop, test, and scale up youth-friendly products. Commission a study to identify the specific gaps and/or niche areas within the tourism sector that youth can plug into. Disseminate the findings from the study, focusing on areas that hold highest potential for youth to engage. Lobby the government to implement the policy on the tourism and hospitality sector in order to unlock demand and activate job opportunities for youth.
	Capital	<ul style="list-style-type: none"> Lack of access to financing for start-up enterprises. Lack of information on available resources for funding. 	
	Business support / matching	<ul style="list-style-type: none"> Lack of alignment between services available and market demand; gaps exist in certain sub-sectors—e.g., ecotourism is a high-potential sector that remains unexplored while information on current tourism activities remains poorly disseminated. 	
	Policy	<ul style="list-style-type: none"> Slow implementation of government plan for tourism that will require government-led marketing, identification of new circuits, wooing of large investors, etc., before the sector can open up. 	

Source: Youth focus group discussions and survey; Dalberg analysis

CONCLUSION

MOVING FORWARD



This report is a key input in YSG's inception phase in Zambia and has generated a number of key findings.


Overall, Zambia's labor market is severely demand-constrained; there is a broad consensus that self-employment and enterprise development will be crucial mechanisms in creating more opportunities for youth.

- A substantial proportion of youth are employed in non-wage jobs; among those engaged in wage work, a large majority are employed in the private informal sector.
- Unemployment is much higher among urban youth than rural youth, a trend that is especially acute among young women.¹¹²
- Underemployment is a key feature of the labor market; rural youth face substantially higher rates of underemployment due to the seasonality of agricultural labor.
- Government is the driver of employment through annual recruitment campaigns for civil servant positions; private sector and especially small and medium enterprises' capacity to absorb job-seekers is limited.

Accessing capital is a major and consistent barrier that limits youths' ability to successfully start a business:

- Youth make up 58% of the financially excluded population and prefer to save and borrow informally.
- Financial institutions' product offerings are not aligned to youth needs; high interest rates, collateral requirements, and short repayment periods are all significant barriers to the uptake of credit.
- The low level of financial literacy among youth leads to a general perception among lenders that the demographic is high-risk.
- With that in mind, financial education and literacy must play a key role in boosting access to finance.
- On the supply side, proximity and eligibility are key constraints, but progress continues to be made in the digital payment space.

112 Zambia country report, African Economic Outlook, 2012.



Opportunities in the agriculture value chain—particularly surrounding the diversification of farming away from maize, and the promotion of agro-processing and commercialization—are promising avenues for youth employment. Considering the sector’s recent projected growth and the relatively low level of formal education required, the building and construction sector also offers economic opportunities for youth. In addition, retail and artisanal skills-based jobs could be a strong opportunity pathway. The tourism and hospitality sector, despite projected growth, is seen as a longer-term opportunity as it requires significant investment before the full benefits to youth can be realized. Activities such as marketing Zambia as a tourist destination and attracting investment in infrastructure (e.g., lodges and new tourism circuits, especially in the northern provinces) will likely work best if leadership comes from the government. As such, while tourism and hospitality hold significant potential for youth, further preparation of the ecosystem is required.

The findings documented in this report as part of the inception stage are expected to be incorporated into the next—and first—phase of YSG, which consists of convening the necessary partnerships between actors in the youth economic opportunities ecosystem for the opportunity areas identified. Specifically, the first phase will involve building the capacity of partners to develop high quality proposals, conducting required due diligence, convening another stakeholder meeting in September, and finally, securing the government’s endorsement.

Once the first phase is complete, the second phase will involve awarding grants to intervention consortia, supporting and monitoring selected partners in implementation, and capturing and disseminating knowledge acquired in this process.

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