

Job creation and MSME development through business linkages



“The Business Linkages component of the Zambia Green Jobs Programme (ZGJP) aims to increase access to markets for local MSMEs through linkages with large companies along the green housing construction value chain. The main objective is therefore to enhance the productive capacity, efficiency and competitiveness of the domestic private sector within this framework, by promoting durable and mutually beneficial business partnerships between affiliates of Transnational Corporations (TNCs) or large local companies and Micro, Small and Medium-sized Enterprises (MSMEs).”

Access to markets for MSMEs

Guaranteeing product or service markets for any enterprise of any particular size is one of the major challenges when starting up, consolidating and growing a business. Financial institutions, for instance, are hesitant to provide financial services to MSMEs whose product or service market is not sufficiently robust. Government and large companies are reluctant to subcontract MSMEs with no or modest previous business success. The ZGJP Business Linkages Component provides those MSMEs with the opportunity to access valuable, sustainable and decent markets through a value chain approach.

The promotion of a dynamic operating environment for MSMEs is increasingly seen as a priority in Zambia's economic development agenda. Many development agendas, such as the Zambia Private Sector Development Programme and the National Development Plan, acknowledge MSMEs as the primary driver for job creation and gross domestic product (GDP) growth, and believe that these businesses can contribute to the economic diversification and social stability of the country.

Challenges of linking MSMEs in the green housing construction sector

MSMEs, however, need to develop capacity and operate in a wider institutional context which strengthens and supports enterprise development and growth, before being able to access new markets through business linkages.

In general, MSMEs face financial as well as non-financial challenges that inhibit them from entering a business relationship with TNCs.

Securing internal commitment from large firms

Creating business linkages with large companies is not always easy – and even more challenging in the green housing construction sector, which is often not perceived to be as profitable as construction using traditional processes and materials. While several studies provide evidence for a business case in the green housing construction industry, the time needed to convince large firms of the potential benefits of participating in a business linkage programme, becomes a valuable commodity.

Enhancing MSME skills and capacity

MSMEs, especially those in developing countries, face a number of challenges, including a lack of market information, management skills, and access to technology. This makes it difficult for these MSMEs to meet safety and quality requirements, to change their product or service mix or to rapidly scale up when a TNC demands it. Targeted assistance, both in terms of training and non-training interventions, is necessary to upgrade MSMEs so they become ‘partnership-ready’.

Improving access to finance

Financing has been identified in many business surveys as one of the most important factors determining the survival and growth of MSMEs in both developing and developed countries. MSMEs need resources to scale up production, upgrade technology, and change or improve products or services. Facilitating access to finance for MSMEs is therefore critical for the ZGJP business linkages component.

Strengthening the policy and regulation environment

Local and national public policy environments may present challenges for linkage programmes. Property rights regimes, business licensing fees and procedures, tax structures, regulatory compliance requirements and outdated structural codes can all impose disproportionately high costs on MSMEs and, in so doing, limit their growth and capacity to partner with large firms. These barriers may even keep MSMEs in the informal sector, which would limit their capacity as recognised contractors in public and private procurement processes. Similarly, they may not be able to seek legal recourse in cases where contracts are breached.

The business linkages component

As part of the Zambia Green Jobs Programme, the business linkages component will create and deepen sustainable business relationships between TNCs and local MSMEs, which are mutually beneficial and 'demand driven'. In particular, the initiative will:

- **Upgrade the capacity of MSMEs** to participate effectively in the green building value chain as raw material suppliers, service providers, and building subcontractors for both retrofitting and new building projects of large firms;
- **Promote green foreign direct investment** in Zambia's real estate sector, especially via joint ventures and public-private partnerships, including franchises and green building material dealerships;
- **Stimulate policy dialogue** with government and local authorities, based on UNCTAD's global influence in advising governments on investment and enterprise policy;
- **Encourage entrepreneurship**, based on UNCTAD's acclaimed Empretec methodology (www.empretec.net) through which more than 330,000 entrepreneurs in 36 countries have been trained;
- **Enable MSMEs to take part in green building trade fairs, expos and study tours** and targeted training sessions co-organised by leading national and international real estate firms.

Investment opportunities in the Zambian housing sector

The Zambian construction sector stands out as the country's largest industrial sector, with about 21.1% contribution to GDP (ILO). It is also noted as the fastest growing sector at +12% (Economist Intelligence Unit, 2012).

The Zambia Vision 2030 estimates a housing backlog of about 2.5 million houses, entailing that 150,000 houses need to be constructed annually over the next 16 years.

The Standard Bank Group ranks Zambia's middle class among the 11 sub-Saharan African middle classes expected to boom in the next 16 years – from today's 15 million to over 40 million by 2030. The middle class is further envisaged to be in pursuit of home ownership, because of their creditworthiness and quest for good living.

These and many other economic fundamentals present an open door for investors and MSMEs alike to reap growth and profit benefits.

In tandem with economic and business growth is the growing global and regional trend towards green inclusion. This, without a doubt, is presenting new developments and patterns in housing construction.

The ZGJP business linkages component presents the following benefits:

- Reduced building costs and energy bills;
- Enhanced national competitiveness and local value addition;
- Reduced environmental damage from deforestation, waste and inefficient energy use.



The Zambia Green Jobs Programme is a partnership between the Government of Zambia, the United Nations System in Zambia, and public and private stakeholders. The Programme aims to support the creation of green jobs among micro, small and medium enterprises (MSMEs) in the Zambian building construction industry, while at the same time generating systemic change and contributing to the broader discussion on inclusive green growth and job creation in Zambia. The Zambia Green Jobs Programme is supported by the Government of Finland.

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