LUSAKA:
A POLICY NARRATIVE

Patricia Jones
Katia del Frari
Lino Ferreira
University of Oxford

Miljan Sladoje
IGC, Zambia

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ABSTRACT:
In this policy narrative, we examine the urban development of Lusaka from its pre-colonial past to the present day. Our analysis covers both the spatial development of the city as well as its economic development. Special emphasis is given to the historical development of the city's structure of governance, land and housing markets, and transportation networks. To carry out this analysis, we use a wide range of sources including satellite data, historical maps, and geo-referenced economic data.

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1. Lusaka at a Glance

1.1. Pace and Magnitude of Urbanization

Lusaka is urbanizing fast. Between 1990 and 2010, its population more than doubled, growing from 757,000 million to 1.7 million inhabitants (UN Population Division, 2015). As its population has increased, so has its spatial footprint (Figure 1-1). Satellite imagery reveals that much of the city's recent growth has taken place in the southwestern parts of the city—near the city's industrial areas and major transport routes.

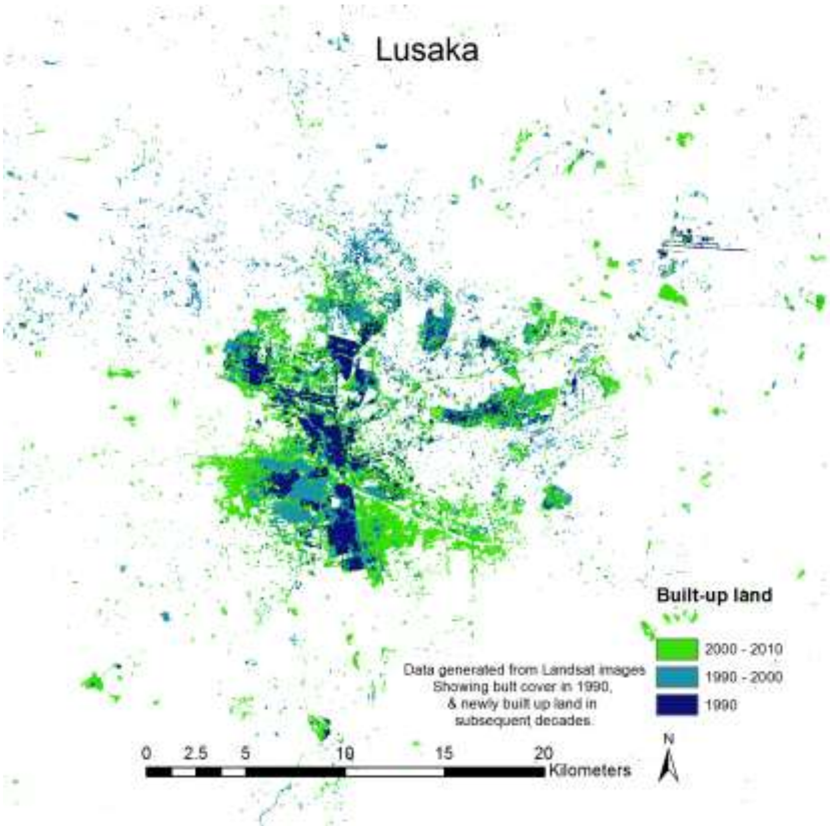


FIGURE 1-1: URBAN EXPANSION IN LUSAKA, 1990-2010
SOURCE: AUTHOR'S CALCULATIONS BASED ON LANDSAT SATELLITE IMAGERY.

Today the population of Lusaka is estimated at just over 2 million but it is expected to double again in the next fifteen years, reaching a population of 4.4 million by 2030. (UN Population Division, 2015). Fast population growth has placed increasing pressure on the city's basic services and infrastructure, resulting in an expansion of informal settlements and falling living standards along several metrics.

While Zambia is urbanizing fast, it is still only about one-third of the way through its urbanization process. This gives policy makers a window of opportunity to design new policies which avoid the mistakes of the past. From global experience, we know that urbanization can bring large benefits by enabling firms and workers to reap the productivity gains associated with agglomeration economics. To date, the evidence suggests that Zambia is not taking full advantage of its urbanization process.

In this policy narrative, we examine the major policies which have influenced the city's economic and spatial development from pre-colonial times to the present. Special emphasis is given to the historical development of the city's system of governance, land and housing markets, and transportation networks.

1.2. Brief History: Pre-colonial period to Independence

Lusaka is the capital of Zambia and its largest city. Located in the southern part of the country—about halfway between Livingstone and the Copperbelt region—it sits on a plateau at 4,150 feet altitude (Wilson, 1963). Initially founded as a railway siding[1] in the late nineteenth century, its first European settlers arrived in 1905. These settlers were mainly Afrikaner contractors who set-up farms in the area after their work on the railway had been completed. By 1913 the area contained several farms and a small market although the settlement still lacked any basic services. Flooding and outbreaks of malaria were common, especially during the rainy season, and health conditions were poor (Rakodi, 1986). In response, the residents established a Village Management Board for planning the future development of their township. An area of land—a rectangle that lie a half-mile on either side of the railway station—was gazetted for development. This area formed the original boundaries of Lusaka.

Between 1891 and 1924, Northern Rhodesia (which would be renamed Zambia after its independence in 1964) was administered by the British South Africa Company which had an interest in the region due its abundant zinc, lead, and copper deposits. While the company's 1889 Charter obligated it to promote "good government," its main allegiance was to its shareholders. In 1924, the British took over Northern Rhodesia as a protectorate. Not coincidently, this occurred after technological advances in ore processing and an increased demand for copper in global markets made copper mining a highly profitable endeavour. Following its establishment as a protectorate, "about 3 million hectares of land were alienated at derisory prices, mainly along the railway, to expatriate farmers, dispossessing the indigenous population, who were removed in 1928-29 into 'Native Reserves' (Rakodi, 1986, p. 194). To attract expatriate farmers, the British offered land along the railway at extremely low prices—and sometimes for free—although much of this land remained unused.

During colonial rule, rural areas were governed by a system of 'indirect rule' whereby local chiefs were appointed by the colonial government to administer traditional law in their respective tribal areas. This system, however, was unsuited for urban areas where Africans from many tribes lived side by side. In urban areas, Municipal Corporations were set up to provide local services. These corporations had elected councils but initially voting rights were extended only to property owners (i.e.., White Settlers). Local government was run as a corporation whereby an individual's share of votes in the local elections was linked to how much property he/she owned. This system of voting continued—even after African Urban Councils were established in the 1930s—in order

[1] Lusaka lies on the route from Bulawayo to the Copperbelt. "A siding had to be built every 20 miles for trains to pass on the single track railway" (Wilson, 1963, p. 411).

to ensure that the interests of white settlers would dominate on local boards and councils (ibid).

In 1931, the colonial Governor of Northern Rhodesia decided to move the protectorate's capital from Livingston to Lusaka. This decision was motivated partly due to health considerations—there was an extremely high mortality rate among the expat community in Livingstone—and partly due to convenience—Lusaka contained a large amount of "non-alienated Crown lands, meaning it was owned by the state and unoccupied" (Myers, 2003, p. 333). Construction of the Governor's Village began in 1932, only to be halted by the Depression. It resumed in 1934 and, by 1936, the capital was fully operational. Lusaka continued to grow through the colonial period, becoming a municipality in 1954 and a city in 1960 (Wilson, 1963).

From its establishment "cold winds, sparse vegetation, and dust storms made Lusaka a less than desirable location for Africans" (Myers, 2003). As a result, it was difficult for the expat community to attract African workers to the township and labor shortages were endemic. The constant labor problem meant that local authorities adopted a more relaxed attitude toward the enforcement of building regulations in African residential areas and, in most cases, turned a blind eye to squatters who settled on public land within the township. While residential areas remained segregated,[2] the city had a number of African compounds by 1935 in locations which had not been designated as "native" areas. Most of these compounds were located just outside of the city's administrative boundaries—near the railway station and industrial area—but some were located within the city as well. Between 1936 and 1963, local authorities established at least six planned or semi-planned African neighborhoods within the city. These neighborhoods—like the later site and service schemes—were provided with basic services and cheap plots of land (or unfinished homes) that Africans could improve.

Official colonial policy, however, discouraged permanent urban residence by the African population as it was feared that urbanization would lead to "detribalization"—that is, the erosion of local culture. Before the 1940s, only men who were employed in Lusaka could legally reside in the city. Women and children were expected to remain in tribal areas so that the men would have an incentive to return home. This policy was enforced by "requiring identification certificates, tax receipts and visitors' permits to provide a means of checking by the use of police raids, the right to urban residence" (Rakodi, 1986, p. 198). Illegal residents were supposed to be repatriated back to their tribal villages but, in reality, such raids were infrequent as the colonial administration did not have the funds to carry out the raids and the demand for African labor remained high throughout the period.

In 1948, the Urban African Housing Ordinance was passed which "imposed obligations on large employers (i.e., those employing more than 25 people) to house their employees in housing built on land owned by the employer, or to pay an (unsubsidized) rent on behalf of the employee for accommodation in local authority-administered housing"

[2] Except for the servant quarters on the property of white settlers.

(ibid, p. 200-201)[3]. Unlike in other colonial cities in East Africa, the local authority in Lusaka assumed the responsibility of providing housing to all its African residents, excluding those who had already acquired housing from their employer. To make this happen, a contractor, Costains, was hired to construct low-cost housing throughout Northern Rhodesia (ibid). "The Ordinance provided for the establishment of African housing areas, subject to a different set of housing regulations and funded separately from other housing areas in which non-Africans were not allowed to live" (ibid, p. 201). Costains began building in Lusaka in 1950, offering a wide range of public housing choices to African residents. For example, public housing in Matero contained one to four rooms (to suit those with different incomes) and included "a water supply and either pit latrines, aqua privies or a waterborne sewerage system from common ablution blocks to oxidation ponds north of the suburb" (ibid, p. 209). Despite this effort, approximately 20% of African residents were still living in unauthorized residents in 1957 (see Table 1-1).

TABLE 1-1: POPULATION AND RESIDENTIAL DEVELOPMENT, 1957

	Population		Dwelling units	
	No.	%	No.	%
Official low cost rented housing	32 011	39.7	7502	35.7
Plots	1382	1.8	240	1.1
Institutional housing	1327	1.7	346	1.7
Unauthorised housing areas	16 381	20.3	4821	23.0
High cost housing	10 727	13.3	3090	14.7
Other low cost housing	18 719	23.2	5008	23.8
	80 547	100.0	21 007	100.0

Source: Rakodi, 1986, p. 209.

In the immediate years prior to independence, new housing programmes were begun (e.g., New Kamwala) which offered higher standard accommodation including two to three bedroom homes complete with an indoor toilet, shower, hot water, and electricity. Most residents—both Africans and expats—continued to rent their accommodation rather than invest and build their own homes. Such housing schemes continued after independence although, as the city's population grew, it was becoming harder for the city administration to build enough public housing to meet demand. As pointed out by Rakodi (1986):

> Colonial housing policy was based on the assumption that both the expatriates and Africans were only temporary urban residents. They were, therefore, neither to be expected nor encouraged to invest in permanent urban housing and, instead, government and employers took responsibility for the provision of housing for

[3] In 1957, the colonial government changed this legislation, mandating that employers provide a housing subsidy to the employees. From 1957 onward, employers were no longer obligated to provide either housing or pay the full rental rates for public housing.

'all' urban residents…The underlying assumptions of colonial policy, namely that housing should be tied to employment and was, therefore, to be constructor-built housing for rent, almost invariably at subsidized rate, were apparently not reconsidered at independence (p. 215).

Building contractors were largely non-Zambian and, until 1959, Africans were prohibited from becoming apprentices in the construction industry in order to learn construction skills. A large proportion of building materials were imported from South Africa and Southern Rhodesia—where most of Zambia's building contractors had their home quarters—which inflated construction costs, raising the price of housing throughout the colony. The end result: Zambia was ill-prepared to expand its housing sector at independence. Expensive housing, particularly in urban areas, meant that Zambian firms had to offer higher nominal wages in order to compensate urban workers for their high cost of living—a pattern that appears to have continued to the present day.

1.3. City Layout

Lusaka is comprised of seven constituencies: 1) Chawama, 2) Kabwata, 3) Kanyama, 4) Lusaka Central, 5) Mandevu, 6) Matero, and 7) Munali. Constituencies are both political units (they correspond to electoral districts) and administrative areas. As illustrated in Figure 1-2, the central business district (CBD) is located in the centre of the city near the historic industrial area. Each constituency is further divided into wards (there are 33 wards in Lusaka). Wards are divided into census supervisory areas (CSAs) and standard enumeration areas (SEAs). These last two administrative units are used purely for census taking and have no administrative function.

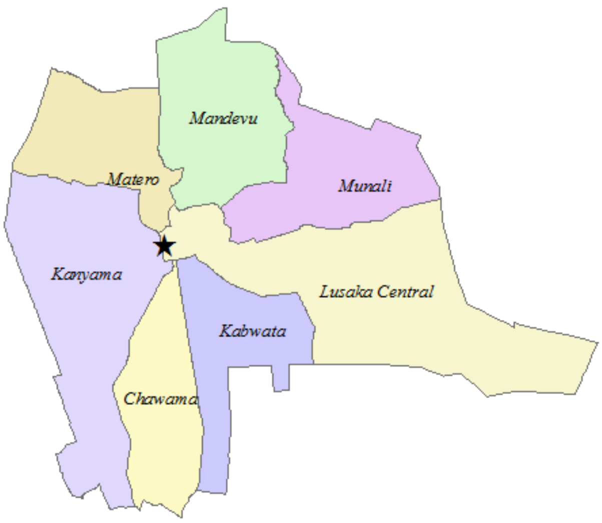


FIGURE 1-2: LUSAKA DISTRICT BY CONSTITUENCY
NOTES: THE BLACK STAR REPRESENTS THE CENTROID OF THE CBD AREA.

Lusaka resembles a monocentric city as its most populated wards tend to be located near the city centre. Table 1-2 lists the top 10 wards in terms of population density and includes their distance from the CBD. With the exception of Mtendere ward, population density tends to fall as the distance from the CBD increases, although the relationship is far from monotonic. It should be pointed out that most government agencies are located along Independence Avenue which lies to the east of the CBD. See Figure 1-3.

TABLE 1-2: LUSAKA'S TEN MOST-DENSELY POPULATED WARDS (AND THEIR DISTANCES FROM THE CBD) RANKED BY POPULATION DENSITY

Ward	Constituency	Population density in 2010 (per sq.km)	Distance from CBD (in km)
Chaisa	Mandevu	35,650.6	3.95
Lima	Matero	29,711.1	5.39
Justine Kabwe	Mandevu	27,644.1	4.59
Nkoloma	Chawama	20,635.4	2.55
Kapwepwe	Matero	18,985.3	6.02
Mtendere	Munali	18,185.6	8.64
Ngwetere	Mandevu	16,558.3	3.19
Chawama	Chawama	16,384.2	4.23
John Howard	Chawama	13,484.5	5.21
Raphael Chota	Mandevu	12,123.6	7.11

SOURCE: 2010 POPULATION CENSUS.
NOTES: DISTANCES REFER TO CENTROIDS OF EACH WARD TO THE CENTROID OF THE CBD.

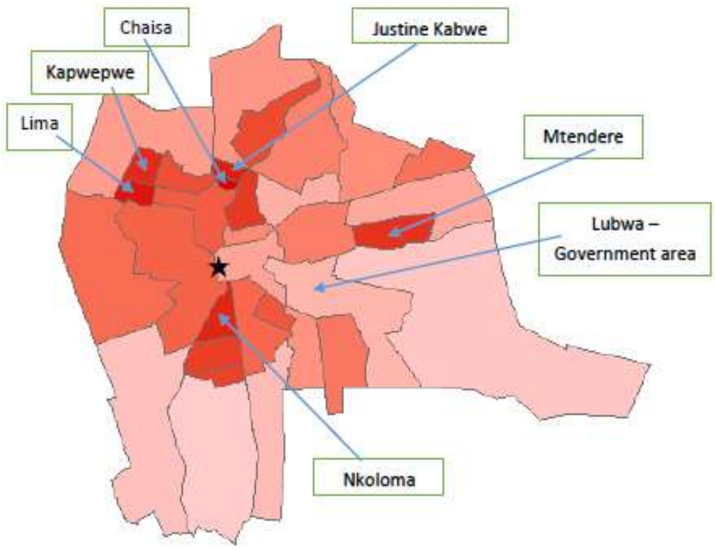


FIGURE 1-3: POPULATION DENSITY OF LUSAKA BY WARD
Notes: Intensity of color indicates greater population density per square kilometre.

1.4. Population Density

Compared to Asian cities at comparable levels of economic development, Lusaka is not a dense city (**FIGURE 1-4**). On average, its population density is about 12,300 people per square kilometre as compared to 15,300 in Manila and 32,400 in Mumbia (Demographia World Atlas, 2015). While recent research reveals that larger cities have higher population density than smaller cities (Angel, 2011), Lusaka is actually smaller than most of its East African neighbors—like Nairobi, Dar es Salaam, and Kampala— which have lower population density.

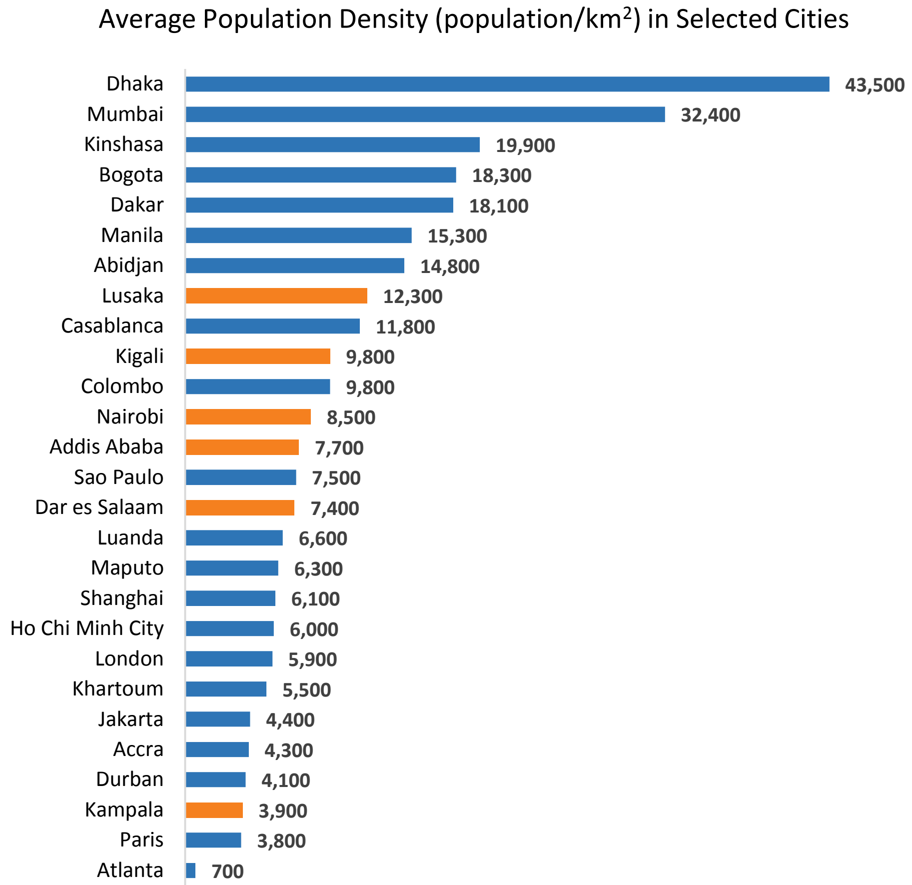


FIGURE 1-4: POPULATION DENSITY IN CITIES ACROSS THE WORLD
SOURCE: DEMOGRAPHIA WORLD URBAN ATLAS (2015).
NOTES: THE ESTIMATED POPULATION DENSITY FOR LUSAKA IS HIGHER THAN OUR ESTIMATES RESULTING FROM A DIFFERENT DEFINITION OF THE URBAN EXTENT.

1.5. Why Cities Matter

Evidence from today's developed countries and rapidly emerging economies shows that urbanization is a source of dynamism that can lead to enhanced productivity and increased economic integration. In fact, no country in the industrial age has achieved high income status without urbanization, and there exists a strong association between per capita income and urbanization (**FIGURE 1-5**) and per capita income and export shares (**FIGURE 1-6**). Well managed cities can "open the doors" to global markets in two ways: 1) by creating productive environments which attract international investment and increase economic efficiency; and 2) by creating livable environments which keep in check rising urban costs that arise from increased densification.

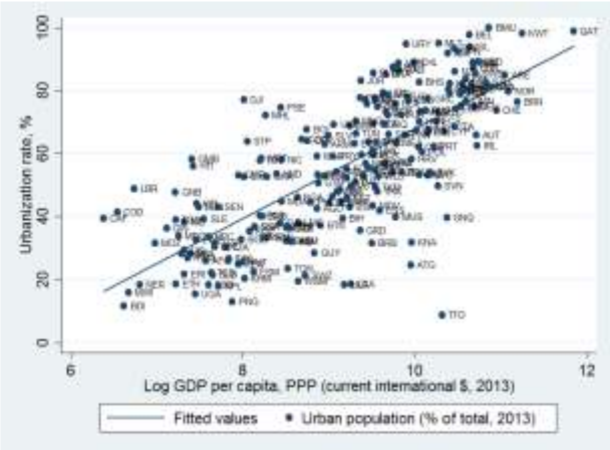


FIGURE 1-5: URBANIZATION & DEVELOPMENT

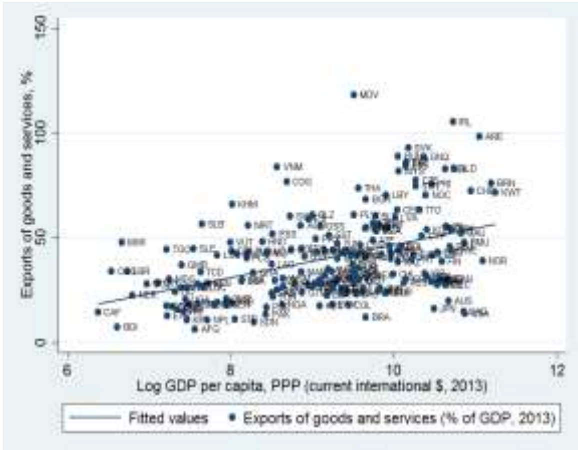


FIGURE 1-6: EXPORTS & DEVELOPMENT

SOURCE: AUTHORS' CALCULATION BASED ON WDI DATA.

History shows that the industrial development of modern economies almost always begins in cities. The benefits of being around other people and other businesses are typically labelled 'agglomeration economies' which is the starting point for understanding how cities enhance productivity. The most basic agglomeration economy is the reduction of transport costs for goods. If a supplier locates near customers, the costs of shipping decline. In the early 1900s, New York and London were manufacturing powerhouses, places where factories located to be close to customers and transport infrastructure. And, in the late nineteenth century, four fifths of Chicago's jobs were compactly located within four miles of State and Maddison streets, close to where people lived and infrastructure was located (Grover and Lall, 2015). Many of these benefits increase with scale: towns and small cities cannot generate the same productive advantages as larger cities. International evidence reveals that the elasticity of income with respect to city population is between 3% and 8% (Rosenthal and Strange, 2004). Each doubling of city size increases productivity by 5%.

Productivity gains are closely linked to urbanization through their ties to structural transformation and industrialization. As countries urbanize, workers move from rural areas to urban areas in search of higher paying and more productive jobs. Similarly, entrepreneurs choose to locate their firms in cities where agglomeration economies increase their productivity. Close spatial proximity has many benefits. Certain public goods—like infrastructure and basic services—are cheaper to provide when populations are large and densely packed together. Firms that are located near each other can share suppliers which lower input costs. Thick labor markets reduce search costs as firms have a larger pool of workers to choose from whenever they need to hire additional labor. And spatial proximity makes it easier for workers to share information and learn from each other. International evidence shows that knowledge spillovers play a key role in determining the productivity of successful cities. In US cities, for example, a 10% rise in the percentage of workers with a college degree leads to a 22% rise in per capita metropolitan product (Glaeser, 2011).

1.6. Structure of the Urban Economy

Africa's failure to industrialize is a cause for concern because much of the growth in developing countries since the 1980s has been linked to the expansion of industrial production and high-technology exports (Nallari et al, 2012). All else equal, countries are better off when they export goods that rich countries export (Hausman, Hwang, and Rodrik, 2006). Fast growing countries, like China, have switched from exporting mainly resource and agro-based products to exporting high-technology products like optical devices, transport equipment, and white goods. As noted by Nallari et al (2012): the big gainers in China "were exports of electronic and telecommunications products and office equipment, the shares of which grew from 5.4 percent in 1985 to more than one-third in 2006." Other Southeast Asian countries experienced a very similar transition in their export-mix during the last decade (Table 1-3). By contrast, the exports of Zambia—like most other African countries—remain largely resource and agro-based (Table 1-4).

Table 1-3: Top Ten Commodities Exported by Asia in Terms of Value, 2000-2010

Commodity	Trade value, billion USD
Electrical, electronic equipment	7412.3
Nuclear reactors, boilers, machinery, etc.	5049.8
Vehicles other than railway, tramway	2179.4
Mineral fuels, oils, distillation products, etc.	2059.4
Optical, photo, technical, medical, etc. apparatus	1088.0
Plastics	905.3
Articles of apparel, accessories, knit or crochet	800.7
Articles of apparel, accessories, not knit or crochet	782.6
Pearls, precious stones, metals, coins, etc.	773.0
Iron and steel	746.0

Source: Author's calculations based on UN Comtrade Database.
Notes: Asia includes East Asia, South Asia and Oceania. Missing values in the original data were imputed through linear interpolation and constrained to be non-negative.

TABLE 1-4: TOP TEN COMMODITIES EXPORTED BY ZAMBIA IN TERMS OF VALUE, 2000-2010

Commodity	Trade value, million USD
Copper	21187.4
Ores, slag and ash	2696.7
Other base metals, cermets	1977.0
Sugars and sugar confectionery	717.2
Cotton	670.8
Tobacco and manufactured tobacco substitutes	605.1
Pearls, precious stones, metals, coins, etc.	531.2
Nuclear reactors, boilers, machinery, etc.	298.6
Electrical, electronic equipment	297.2
Salt, sulphur, earth, stone, plaster, lime and cement	271.5

SOURCE: AUTHOR'S CALCULATIONS BASED ON UN COMTRADE DATABASE.
NOTES: MISSING VALUES IN THE ORIGINAL DATA WERE IMPUTED THROUGH LINEAR INTERPOLATION AND CONSTRAINED TO BE NON-NEGATIVE.

1.7 Employment

The pattern of employment in Lusaka is very different from that in Zambia as a whole. While most (70%) of the country's population is employed in agriculture (World Bank, 2014), the key source of employment in the capital city services is services. This is evident in the graph below.

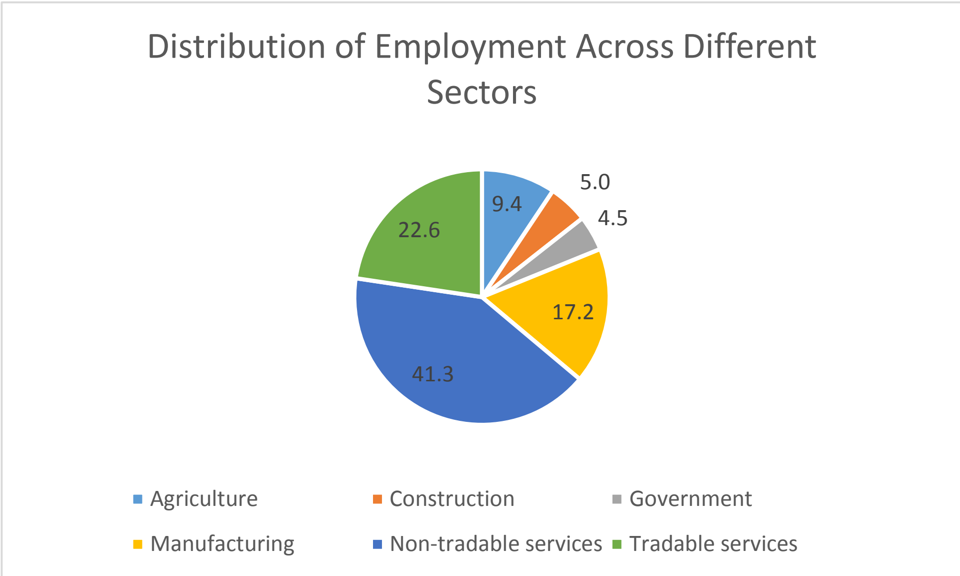


Figure 1-7 shows the distribution of workers employed in different sectors in Lusaka. Almost half of all workers (41.3%) are employed in non-tradable services while about a quarter (22.6%) are employed in tradable services. The remaining workers are employed in manufacturing (17.2%), agriculture (9.4%) and the government sector (4.5%). The share of workers employed in manufacturing is similar to that found in Kampala and Dar es Salaam where 11% and 9% of workers are employed in manufacturing (Uganda COBES, 2011 and Tanzania Business Register, 2003-05).

A somewhat different pattern emerges, however, when we examine the distribution of firms across sectors. In Figure 1-8, we see that the share of firms providing non-tradable services is much larger (76.4%) than the proportion of workers employed in non-tradables (41.3%). This suggests that most of these firms have a small number of employees when compared to some of the remaining sectors. For agriculture, the inverse is true: while only 0.9% of firms operate in that sector, these firms employ 9.4% of workers. The number of firms in the manufacturing sector is similar to that in the tradable services sector (9.5% and 8.7%, respectively). Both shares are significantly smaller than the share of workers in those sectors.

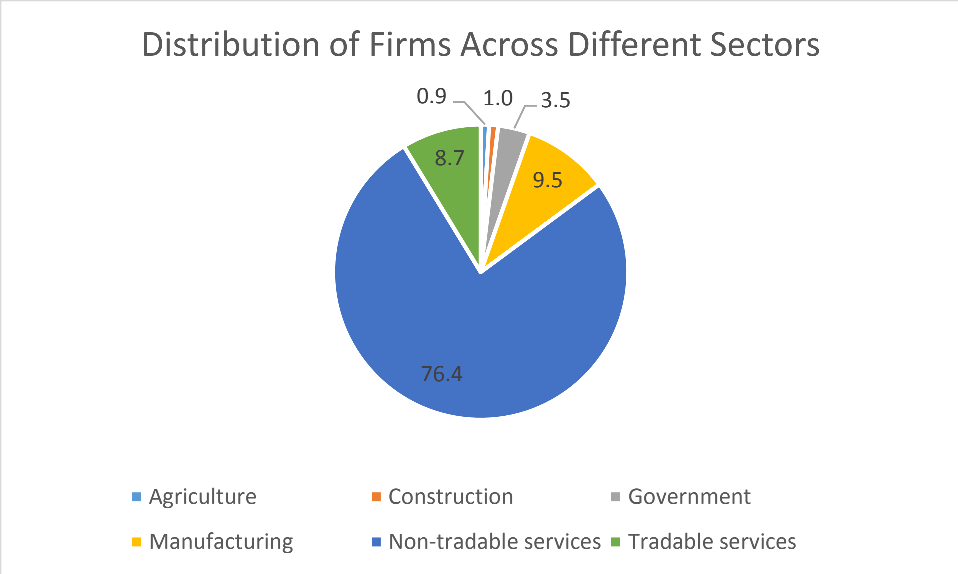
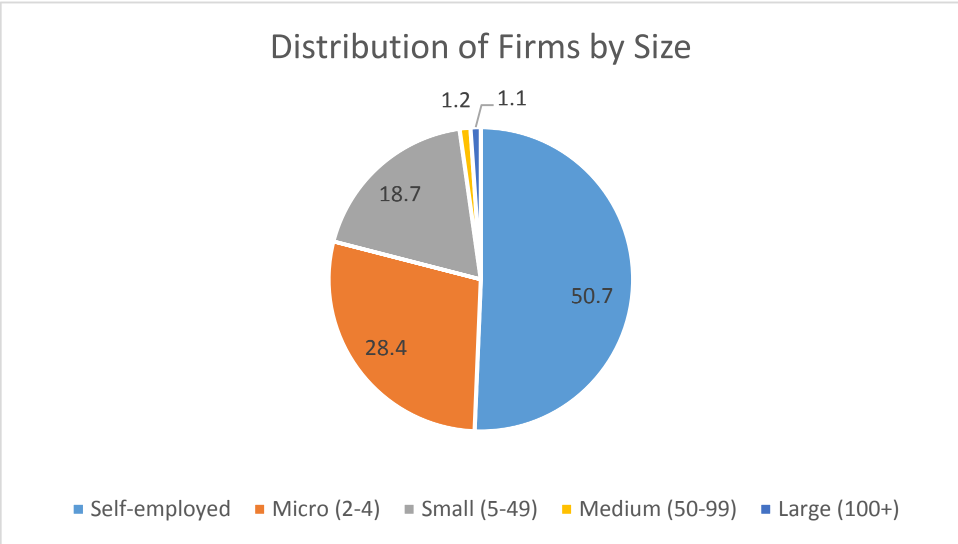


Figure 1-9 below shows the distribution of firms by size in Lusaka. This graph suggests that most firms are small. Slightly over half (50.7%) of all workers are self-employed, while micro-enterprises (employing two to four workers) are the second-largest group (28.4%). They are followed by small firms of five to 49 employees (18.7%).



The majority of firms in Lusaka are informal: only 24.5% of firms in the 2011 Establishment Register of the Central Statistical Office are registered. Like elsewhere, formal firms employ more workers than informal firms (on average, formal firms employ 32 workers whereas informal firms employ only two). Firm analysis suggests some evidence of spatial concentration of firms within different industries in Lusaka. Table -5 shows the top 10% of industries which are most concentrated in the city in decreasing order of concentration. Concentration is measured by the Ellison-Glaeser (EG) Index (Ellison & Glaeser, 1997). This index is constructed such that a value of zero indicates 'a complete lack of agglomerative forces' (Ellison & Glaeser, 1997) while positive values indicate that there is agglomeration.

TABLE 1-5: THE TOP 10% MOST CONCENTRATED INDUSTRIES IN LUSAKA

Four-digit industry code	Share of firms	Share of labor	EG index
Preparation and spinning of textile fibres; weaving of textiles	0.02%	0.01%	0.07
Manufacture of other rubber products	0.02%	0.04%	0.06
Manufacture of tobacco products	0.02%	0.16%	0.05
Manufacture of tanks, reservoirs and containers of metal	0.02%	0.01%	0.03
Manufacture of cement, lime and plaster	0.02%	0.02%	0.03
Manufacture of other chemical products n.e.c.	0.02%	0.01%	0.03
Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semi-trailers	0.02%	0.08%	0.03
Building completion	0.02%	0.00%	0.02
Research and experimental development on social sciences and humanities (SSH)	0.02%	0.01%	0.02
Manufacture of refractory ceramic products	0.02%	0.01%	0.02
Cutting, shaping and finishing of stone	0.02%	0.01%	0.02
Growing of crops combined with farming of animals (mixed farming)	0.02%	0.02%	0.02
Sawmilling and planing of wood	0.02%	0.04%	0.01
Publishing of recorded media	0.02%	0.02%	0.01
Other mining and quarrying n.e.c.	0.02%	0.01%	0.01
Growing of vegetables, horticultural specialties and nursery products	0.03%	0.16%	0.01
Market research and public opinion polling	0.03%	0.15%	0.01
Extra-territorial organizations and bodies	0.02%	0.03%	0.01
Manufacture of vegetable and animal oils and fats	0.02%	0.08%	0.01
Manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations	0.04%	0.13%	0.01
Distilling, rectifying and blending of spirits; ethyl alcohol production from fermented materials	0.02%	0.05%	0.01

SOURCE: ZAMBIA ESTABLISHMENT REGISTER 2011, CENTRAL STATISTICAL OFFICE.

The table shows that the most concentrated industries are in the manufacturing sector. Some activities within construction ('Building completion'), research ('Research and experimental development on social sciences and humanities') and agriculture ('Growing of crops combined with farming of animals') are also spatially concentrated. The same is true of some tradable services such as publishing and market research.

Table 1-6 shows the top 10% of industries which employ the largest share of workers. A significant share of these industries is in the services sector (security, food, retail sale) but there is some concentration in construction, agricultural and manufacturing activities as well.

TABLE 1-6: THE TOP 10% LABOR EMPLOYED BY INDUSTRY

Four-digit industry code	Share of firms	Share of labor	EG index
Investigation and security activities	0.26%	4.95%	-0.02
Building of complete constructions or parts thereof; civil engineering	0.95%	4.86%	0.00
Restaurants, bars and canteens	10.73%	4.15%	0.00
Other monetary intermediation	0.34%	4.14%	-0.01
Retail sale of food, beverages and tobacco in specialized stores	8.69%	4.12%	0.00
Agricultural and animal husbandry service activities, except veterinary activities	0.13%	3.28%	-0.09
Production, collection and distribution of electricity	0.09%	3.12%	-0.27
Primary education	2.63%	2.53%	0.00
Other retail sale in non-specialized stores	7.17%	2.29%	0.00
Retail sale of household appliances, articles and equipment	3.58%	2.11%	0.00
Retail sale of hardware, paint and glass	6.08%	2.09%	0.00
Retail sale of household appliances, articles and equipment	1.17%	2.08%	0.00
Growing of cereals and other crops n.e.c.	0.16%	2.01%	0.00
Growing of crops combined with farming of animals (mixed farming)	0.12%	2.01%	-0.01
Retail sale of textiles, clothing, footwear and leather goods	5.08%	1.90%	0.00
Activities of other membership organizations n.e.c.	0.28%	1.72%	-0.04
Sale of motor vehicle parts and accessories	2.46%	1.67%	0.00
Other retail sale in specialized stores	3.77%	1.63%	0.00
Retail sale in non-specialized stores with food, beverages or tobacco predominating	4.33%	1.62%	0.00
Manufacture of pulp, paper and paperboard	0.02%	1.57%	-0.23
Freight transport by road	0.43%	1.55%	0.00
Hairdressing and other beauty treatment	5.38%	1.49%	0.00
Manufacture of builders' carpentry and joinery	0.86%	1.39%	0.00
Production, processing and preserving of meat and meat products	0.40%	1.33%	-0.01
Life insurance	0.09%	1.27%	0.00
Retail sale of pharmaceutical and medical goods, cosmetic and toilet articles	2.77%	1.16%	0.00

SOURCE: ZAMBIA ESTABLISHMENT REGISTER 2011, CENTRAL STATISTICAL OFFICE.

The data in Table 1-6 indicate that the distribution of workers across firms is heavily skewed. Specifically, the top 10% of industries (by share of total workers) employ approximately 62% of all the workers in the city.

Figure 1-10 below shows the density of jobs in manufacturing across the different wards in Lusaka. Similar to other African cities, manufacturing jobs are highly concentrated in the centre of the city.

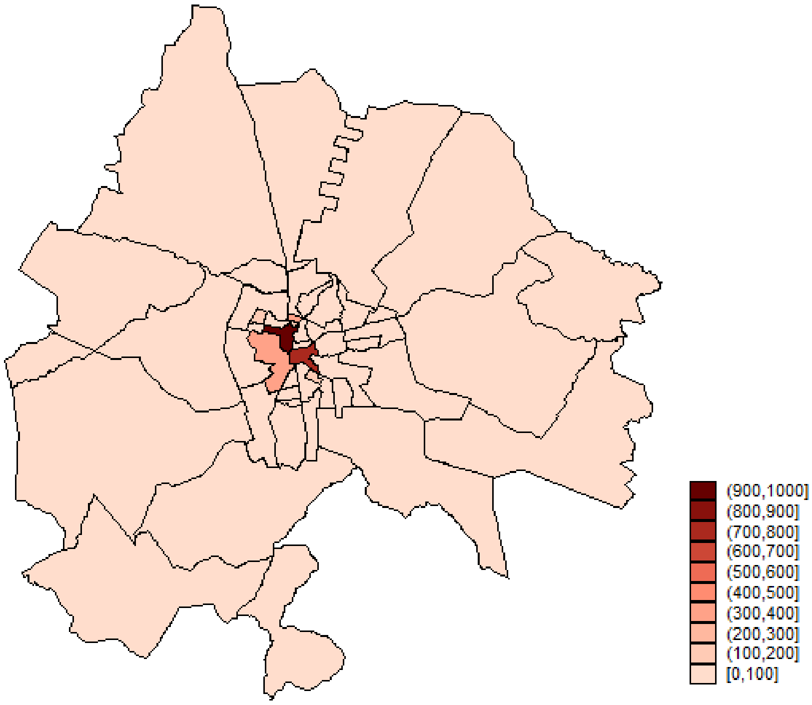
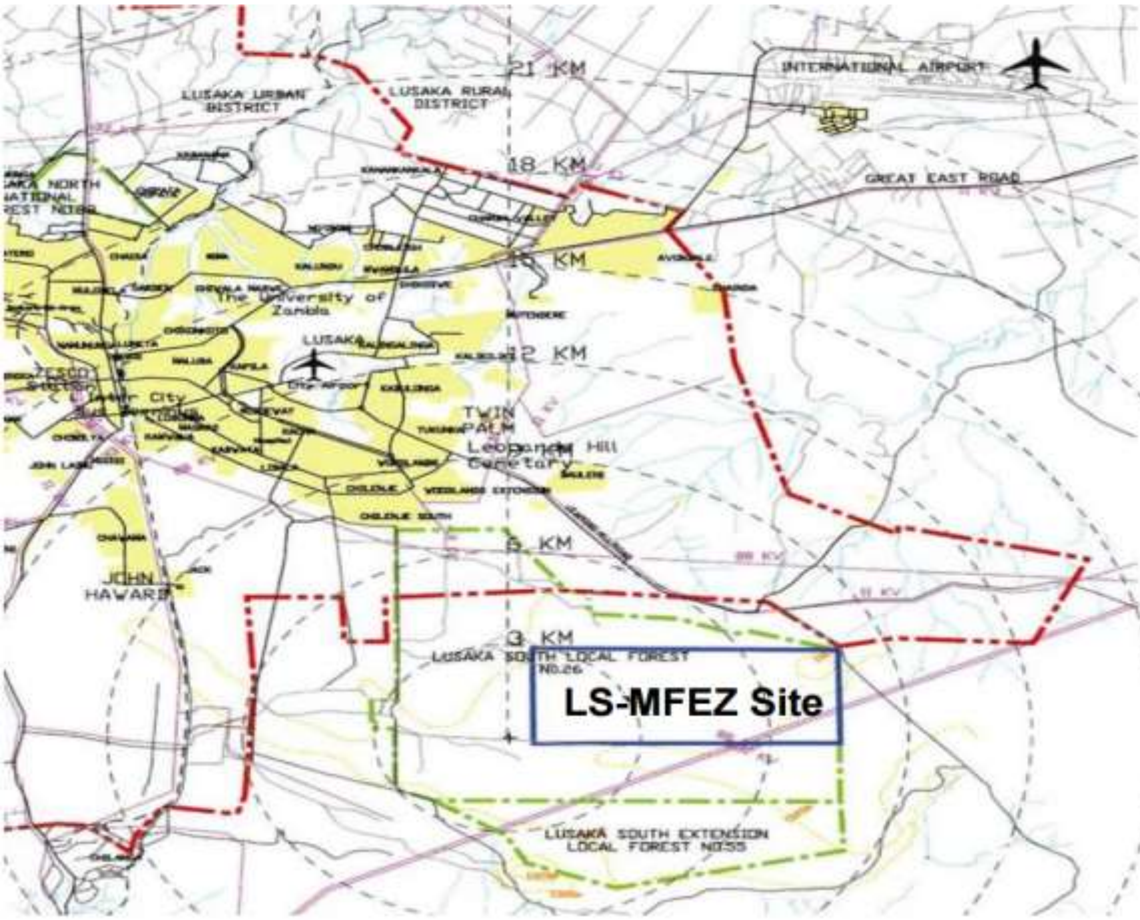


FIGURE 1-10: VISUALIZATION OF MANUFACTURING FIRMS, JOBS/KM^2
SOURCE: ZAMBIA ESTABLISHMENT REGISTER 2011, CENTRAL STATISTICAL OFFICE.

In 2005, Zambia introduced, together with the Japanese Government, a number of industrial parks called Multi-Facility Economic Zones (MFEZ). These are special industrial zones which provide adequate infrastructure and utility systems for industry and also include residential and leisure areas such as parks and golf courses (Ministry of Commerce, Trade and Industry, 2011; Ministry of Commerce, Trade and Industry, s.d.).

Firms located in a MFEZ receive several benefits. For example, they are exempt from taxes on their profits and dividends for a period of five years. Private companies can apply for a permit to construct their own MFEZs in order to receive these benefits. Other firms that wish to locate in a MFEZ must submit an application the Ministry of Commerce, Trade, and Industry. To date, the Ministry of Commerce, Trade and Industry has approved at least three MFEZs in the Lusaka area (Lusaka East, Lusaka South and Roma) (Ministry of Commerce, Trade and Industry, 2016). 1-11 shows the location of the Lusaka South MFEZ. It lies to the southeast of the historic industrial centre of Lusaka.



21 KM
INTERNATIONAL AIRPORT
LUSAKA URBAN DISTRICT
LUSAKA RURAL DISTRICT
18 KM
GREAT EAST ROAD
15 KM
The University of Zambia
LUSAKA
12 KM
TWIN PALM
Leopards Hill Cemetery
6 KM
JOHN HAWARD
3 KM
LUSAKA SOUTH LOCAL FOREST No.26
LS-MFEZ Site
LUSAKA SOUTH EXTENSION LOCAL FOREST No.55

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2. Governance

2.1. Political Background: Independence to 2015

The Government of the Republic of Zambia (GRZ) received its independence from the United Kingdom in 1964 and, since then, has had three Republics. A multi-party system of government existed from Independence until 1972. This system was replaced by a one-party system in which opposition parties were banned by law. During one-party rule, the country remained a participatory democracy which meant that its citizens still voted in elections. The competitiveness of these elections—especially at the Parliamentary and local level— remained high despite the lack of competition for the Presidency (Diakonia Zambia, 2013). Kenneth Kaunda, who led the United National Independence Party (UNIP), ruled the country from 1964 to 1991.

In 1990 the GRZ reverted back to a multi-party system. Elections were held the following year and a new political party, the Movement for Multi-Party Democracy (MMD), emerged as a legitimate opposition party. On 31 October 1991, Zambia held its first multi-party presidential election since the 1960s. MMD candidate, Frederick Chiluba, won the election with 76% of the vote. In addition, the MMD won 125 of the 150 seats in Parliament, ensuring that the President would have the political backing he needed to enact reform.

While some economic reforms were implemented during the early 1990s, much of Chiluba's first term was focused on consolidating his political power base (Bartlett, 2001). Afraid of losing in the 1996 election, Chiluba used his political backing in Parliament to pass a new, constitutional amendment which prevented Kenneth Kaunda and other opposition leaders from running for President. UNIP boycotted the election—claiming that the elections were illegitimate due to both fraudulent voter registration and the exclusion of their leader, Kenneth Kaunda. Many NGOs working in Zambia agreed. Despite this boycott, elections took place without any major incidence of violence. Chiluba was re-elected for a second term which lasted from 1997 to 2001. During this period he was frequently accused of misusing his power and engaging in corruption.

Early in 2001 Chiluba (who was prevented by the Constitution from seeking a third term in office) began a campaign to get Parliament to amend the Constitution so that he could seek re-election. His campaign was unsuccessful—and a new slate of presidential candidates ran for office in 2001. Once again, there were allegations of election fraud but no political violence. Levy Mwanawasa, a MMD candidate, won the election by a slim margin and was elected Zambia's third President.

Mwanawasa ruled Zambia from 2001 to 2008. During his Presidency, he vowed to "clean-up" government and was successful in bringing Chiluba to trial on charges of embezzlement and corruption. Although he was re-elected in 2006, Mwanawasa died in office in 2008. His Vice-President, Rupiah Banda, succeeded him and served out the remainder of his term. Banda, however, lost in the next general election to Michael Sata, a candidate for the Patriotic Front. The defeat of Banda in 2011 ended twenty years of MMD control of the Presidency.

Sata served until his death in October 2014. He was succeeded by his Vice President, Guy Scott, who served as interim President until the next general election. In 2014, Edgar Lungu was elected Zambia's fifth President. Lungu was sworn into office on 25 January 2015.

2.2. Government Structure in Zambia

Today the Government of the Republic of Zambia (GRZ) is ruled as a unitary state with two levels of government: a central government and local government. Government functions are divided between four administrative levels: National, Provincial, District, and Sub-district. The functions of these different levels of government are outlined in the *National Decentralisation Policy*, Revised Edition (GRZ – Cabinet Office, 2013).

The central government governs at the national and provincial level while local government authorities govern at the district and sub-district level. In this decentralized structure, the central government retains a wide range of responsibilities including fiscal spending, taxation, managing public enterprises, overseeing state mines, investing in roads, and maintaining a police force. These activities are carried out by different line ministries whose activities are monitored and coordinated by the Cabinet Office.

The Provisional Government acts as a link between the central government and local authorities. It is responsible for providing schools, health services, nature conservation, pollution control, and public transport at the province level. These functions are carried out by different Departments—each led by a Provisional Head. In addition, each province has its own Administration Headquarters which is headed by a Deputy Minister who is assisted by a Permanent Secretary. Table 2-1 illustrates the governance structure in Zambia and highlights the existence of parallel government structures which operate at both the provincial and district level.

TABLE 2-1: GOVERNMENT STRUCTURE IN ZAMBIA

	Central Government			Local Government			
Admin Levels	**Institution**	**Policy Head**	**Executive Head**	**Institution**	**Policy Head**	**Executive Head**	**Coordinating Entity**
National	Cabinet	Republican President	Secretary to the Cabinet				National Development Coordinating Committee
	Line Ministries	Minister	Permanent Secretary				
Provincial	Provincial Administration	Provincial Minister	Permanent Secretary				Provincial Development Coordinating Committee headed by Permanent Secretary
	Ministries	Permanent Secretaries	Provincial Heads of Government Departments				
District	District Administration		District Commissioner	City and Municipal Councils	Mayor	Town Clerk	District Development Coordinating Committee headed by District Commissioner
			District Heads of Sector Ministries	District Council	Chairman	Council Secretary	
Sub-District				Wards*	Councilor		

SOURCE: UN-HABITAT (2012).
NOTES: *NO LONGER FUNCTIONAL IN MOST DISTRICTS.

As of 2015, Zambia is sub-divided into 10 Provinces and 105 Districts. See Figure 2-1. Districts are divided into constituencies which are political units used for electoral purposes. Each constituency elects a representative to the National Assembly. There are 150 elected members and eight members who are appointed by the President. Lusaka—the country's political, administrative, and economic capital—has seven constituencies and 33 wards which are the political units used to elect local representatives.

FIGURE 2-1: DISTRICTS OF ZAMBIA
SOURCE: [WWW.ZAMBIAUSACHAMBER.ORG](http://www.zambiausachamber.org).

BOX 2-1: INSTITUTIONAL SETUP OF LUSAKA CITY COUNCIL

Lusaka was established in 1905 and became the capital of Northern Rhodesia in 1934. It is the most populous urban centre in Zambia with an estimated population of 2.3 million in 2015. Lusaka City Council comprises 33 councillors who are elected for 3 year terms and 12 members of parliament. It is mandated to make bylaws regarding functions delegated in the Local Government Act, subject to approval by MLGH. The Town Clerk heads the executive structure while the Mayor is the head of the civic structure. The District Development Coordinating Committee is mandated to coordinate the development of the city and also act as a forum for civic society participation in policy making, although it has no authority over financial resources. (UN-Habitat 2007)

2.3. Trends in Decentralisation since independence

Since independence, Zambia has experienced periods of both political centralization and decentralization. These trends in how government is structured can be divided into four broad phases:

1964-1970:

In the initial years after independence, reforms were aimed primarily at establishing government entities that were suitable for local development management. Local councils were introduced at the district level: there were 24 urban and 43 rural councils with elected councillors. The councils were vested with a wide-range of powers within their jurisdictions and operated independently from the central government (CG) field administration. During this period CG field administration also underwent a formal politicizing with the appointment of politico-administrative heads of the provinces and districts (Chikulo 2009).

In terms of service delivery, this period was a relative success as consistent funding allowed planning and execution of adequate service delivery programmes. The councils received 70% of income in the form of grant from the CG, whilst 30 percent was raised from local levies, fees and charges (UN-Habitat 2012).

1971-1979:

During the second phase, efforts were aimed at establishing "grassroots participation" in governance at the sub-district level. These reforms entailed establishing ward councils and development committees, whose function was to communicate development needs to the local authorities (GRZ 2003). However, in terms of service delivery, the councils came under increasing pressure as the central government increasingly eroded their revenue base through a variety of measures including:

- reductions of grants;
- restrictions on evicting defaulting tenants in council properties;
- the transfer of electricity supply to Zambia Electricity Supply Corporation;
- the declaration that land had no value and was not taxable; and
- a withdrawal of long-term capital funding.

1980-1989:

In the third phase, structural changes were implemented which increased party control over government policy. These changes were in line with the state's proclamation in 1972 that it would rule as a "one party participatory democracy." By the end of the period, there was no distinction between the Party, the central government, and local authorities. Instead, a single district entity was established to carry out all government responsibilities. At the sub-district level, ward councils were merged with party organisations and local government elections were replaced with party elections (GRZ 2002).These reforms were accompanied by the devolution of additional non-funded functions to the local councils, which included: registration of villages, construction of feeder roads and water sup

1990-Present:

With the return to a multi-party system in 1990, government functions were decentralized, re-establishing the distinction between the roles of the Party, central government and local government. In addition, local government elections were reintroduced. However, the fiscal capacity of local authorities continued to deteriorate as central government policies reduced the revenue base of local districts and devolved additional functions. Such policies included:

- the complete withdrawal of grants in 1991;
- the transfer of motor vehicle licencing to the road traffic commission;
- sale of council and parastatal housing units at below market prices;
- broadening tax exemptions for properties;
- transfer of water supply and sanitation to commercial utilities without related liabilities;
- allowing council employees with more than 22 years in service to retire without providing for the termination of benefits or replacing the expertise lost; and
- providing 50% salary increments to council employees without the matching financial resources (UN-Habitat 2012).

This trend, however, has been reversed since 2001 as local authorities have obtained greater revenue collection responsibilities such as the collection of market levies and the management of bus stations. In addition, the central government reintroduced the transfer of capital and recurrent grants to councils (Ibid).

2.4. Distribution of Responsibilities and Revenue

The current distribution of responsibilities across state enterprises, the central government, and local authorities is illustrated in Table 2-2. Most of these responsibilities are delegated through the Local Government Act. Today local councils are granted the right to decide which functions they want to undertake and how they should be prioritised (UN-Habitat 2012).

TABLE 2-2: PUBLIC SERVICE DELIVERY RESPONSIBILITIES

Activities	Central Government	State Enterprise	Local Government
Drainage			√
Education	√		
Electricity		√	
Environment			√
Fire fighting			√
Health	√	√	√

Housing	√	√	√
Land Development	√		√
Market			√
Recreation facilities			√
Roads (District)			√
Roads (National)	√		
Sewage		√	
Solid waste			√
Street Lighting			√
Telephones		√	
Water supply	√	√	√

SOURCE: RWAMPORO ET AL. (2002).

Local governments are increasingly using public-private partnerships (PPPs) in order to meet some of their obligations. Examples include: outsourcing service provision such as waste collection; outsourcing revenue collection functions such as parking fees; and the development of infrastructure such as markets and bus stations through a Build and Operate agreements (Ibid). PPPs also help to ameliorate the financial constraints of local councils. Even though a lot of functions have been devolved to local government, most have been able to increase their revenues by the same proportion as their expanded responsibilities, resulting in local councils being severely underfunded. Determining the exact fiscal shortfall is difficult since neither the minimum bundle of services nor the minimum level of service which is to be provided by the councils has been determined (Ibid).

In terms of revenue generation, the main funding sources of LGs can be divided between intergovernmental transfers (IGTs) and revenue collected by local councils. Until recently, IGTs were granted through the Intergovernmental Fiscal Architecture (IFA)

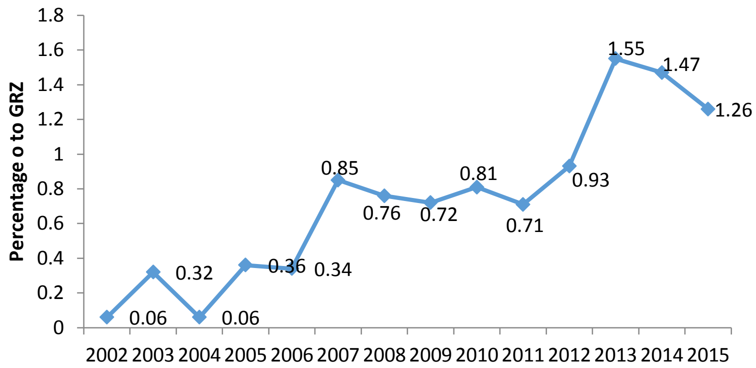

FIGURE 2-2: BUDGETED IGTS AS PERCENTAGE OF TOTAL BUDGETED GOVERNMENT EXPENDITURE

which was founded in 2007. LGs can receive three types of grants: 1) *restructuring, 2) recurrent, devolution and 3) capital grant*. (UN-Habitat 2012) However, in 2015, the Local Government Equalisation Fund was established as a source of for funding of IGTs. According to the Local Government Amendment Bill 2014, this fund is financed by allocating a minimum of 5% of revenue collected country-wide from income tax. The resources are then disbursed to districts using a formula based on both population and adjusted poverty levels. The overall level of IGTs increased significantly since the implementation of the IFA in 2007, amounting to 1.26%% of budgeted government expenditure in 2015 (MoFNP-MLGH 2008).

As illustrated in Figure 2-1, there is a high variation from year to year in the level of budgeted IGT as a percentage of total budgeted government expenditure (UN-Habitat 2012). Indeed, a recent government report finds that the IGT share of council budgets varied from between 8 and 22 percent in the 15 councils which were surveyed (MoFNP-MLGH 2008).

Apart from IGTs, local councils are allowed to collect revenue from other sources such as taxes, fees and levies (Chitembo, 2002). The importance of these additional revenue sources are listed in Table 2-3. It should be pointed out that the level and type of taxes which are collected by local councils (as well as their overall budget) are subject to approval by the Ministry of Local Government and Housing (MLGH, 2015). The MLGH also appoints an auditor in each council.

As indicated in Table 2-3, property taxes are the biggest source of revenue for most local authorities in Zambia, especially cities. This is despite the fact that the collection of property taxes is plagued by out-dated valuation rolls (Jibao 2015, forthcoming). In recent years, councils have increasingly begun to rely on levies as a source of revenue due to their inability to capture appreciating property values in urban areas and the low levels of IGTs which they receive.

TABLE 2-3: LOCAL COUNCIL REVENUE SOURCES 2006

Revenue Source	Description	Percentage of total revenue collected*			
		All	*City*	*Municipal*	*District*
Property Rate	A tax based on the value of property	60.9%	73.8%	13.7%	60.9%
Levies	Ad valorem taxes on commercial activities and infrastructure (grain, billboard, sand, electricity poles, telecom towers)	11.8%	7.2%	9.1%	11.8%
User Charges	Includes market fees for market traders, parking fees, transport fees.	23.2%	16.8%	70%	23.2%
Personal Levy	Personal income tax (1% of income, maximum of K15/$1.5)	1.6%	0.7%	2.7%	1.6%
Licenses	Fees paid form permits to operate business enterprise	2.6%	1.6%	4.4%	2.6%

SOURCE: UN-HABITAT (2012).
NOTES: *BASED ON A SAMPLE OF 9 COUNCILS FOR THE YEAR 2006: 2 CITIES, 2 MUNICIPAL AND 4 DISTRICT COUNCILS.

Beyond the financial requirements of recurrent expenditures, certain local government functions also require capital investment. Councils face considerable constraints in this respect, as they are forbidden from borrowing or receiving grants from foreign governments and institutions and there is a lack of long-term investment funds available in Zambia. In the past, some local governments have been successful in using short-term finance to develop infrastructure and services that were later sold off so that the proceeds could be used to repay the loan. PPPs are also increasingly exploited for capital-intensive projects. While the Lusaka Stock Exchange is another option for raising raise capital, the issuance LG bonds have been largely unsuccessful to date. Therefore, most long-term financing by local government came in the form of grants or loans from or arranged by the Ministry of Finance (Local Government Act Bill 2014).

Box 2-2: Revenue Collection in Lusaka and other Zambian Cities

Table 2-4 outlines some general characteristics of the four city councils in Zambia. It is interesting to note that although Lusaka is the most populous urban centre, it is the smallest in terms of area. This implies a much higher population density relative to other cities and therefore vastly different scale and logistics of public service provision compared to other cities. Moreover, there are substantial differences in spending capacities of cities. Indeed, both Kitwe and Ndola spend approximately 50% more per capita than Lusaka.

Table 2-4: Characteristics and Capacities of Zambian Cities, 2015

City	Population estimate 2015	Area, km^2	Population density per km^2	Council Budget 2015, Million ZMW	Average Budget per capita 2015, ZMW
Kitwe	627,130	777.0	807.1	133.7	213.2
Livingstone	159,251	694.9	229.2	-	-
Lusaka	2,281,702	373.0	6117.2	319.1	139.9
Ndola	530,129	1,103.0	480.2	110.8	209.0
Grand Total	3,598,212	2,947.9	1220.6	563.6	156.6

Source: UN-Habitat (2012), MLGH (2015) and author's calculations.

In terms of revenue collection, the Lusaka City Council's revenue sources are fairly diversified. See Table 2-5 below. Notably, government grants account for only 2% of its total budgeted revenue. Property rates are the largest single source of revenue, making up 19% of the total amount while licences make up 11% of its budgeted revenue collection. Beyond the usual revenue sources, it should be noted that Lusaka City Council collects revenue by renting out council property. It also owns the Lusaka Clothing Factory which produces school and work uniforms.

Table 2-5: Lusaka City Council Revenue, Budget 2010

Source	ZMK '000	% Of Total
Government Grant	1,649,024	2%
Rates	20,000,000	19%
Levies	3,900,000	4%
Licenses	11,435,000	11%
Market Fees	3,000,000	3%
Rents	2,260,000	2%
Miscellaneous Income	55,706,881	52%
Capital Receipts	8,590,000	8%
Total	**106,540,905**	**100%**

Source: Mbolela (2010).

2.5. Challenges and Planned Decentralisation

Although there have been positive developments in recent years in terms of strengthening the fiscal capacity of councils, several key challenges remain. These can be grouped into three broad categories: 1) financial, 2) organisational and 3) democratic:

- *Financial*: Most local authorities have been unable to raise enough revenue to meet their statutory obligations. The ability of local governments to attain their budget targets has been hindered by declining disbursements of grants from the central government, unfounded mandates, and the redirection of funds to local politicians (Chikula 2009).

- *Organisational*: The current organisational structure lacks a coordinating agency legally empowered to direct development at both the district and provincial level (Chikula 2009).

- *Democratic*: A forum is lacking for meaningful citizen participation at the sub-district level (Chikula 2009).

While the need to strengthen local authorities has been high on the policy agenda since independence, the actual implementation of such policies has been delayed or unsatisfactory. Nonetheless, concrete decentralisation policy initiatives have been implemented in recent years. For example, the Decentralisation Implementation Plan was approved in 2010—and then later revised in 2013 following the change of Government. As of 2015, the Government has commenced a devolution process. The first step of this process is the decentralisation of recruitment with ministry staff formally transferred under the councils. The second segment will focus on fiscal decentralisation and is scheduled to commence in 2016.

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3. Land and Housing Markets

3.1. Historical Development of Zambia's Land and Housing Markets

This chapter presents a brief outline of land and housing policies in Zambia from pre-colonial times to the present. The chapter is divided into three sections. Section 1 discusses the evolution of land tenure systems. Section 2 examines the present regulatory framework which governs land and housing markets in Lusaka. And finally, Section 3 highlights some challenges that remain in the development of well-functioning land and housing markets.

Pre-colonial era

The customary laws which regulated land in pre-colonial Zambia were similar to those that operated in other parts of Africa (Allott, 1969). There was a multiplicity of customary laws which reflected the diversity of tribal communities but there were some common features as well. Land laws were governed mainly by a person's lineage and family relationships. In most places, access to land was based on usufructuary rights—that is, tenure security was maintained as long as a person used the land they had been allocated. Land could be passed down from one generation to the next through inheritance. Depending upon the tribe, inheritance laws could be patrilineal, matrilineal, or bilateral (Allott, 1969; van Loenen, 1999; Ndulo, 2011). Variation arose in terms of the line of inheritance for the *male* lineage, thus granting very limited rights to female members of the community.

Colonial era

Urbanisation in Zambia started during the colonial era (Simposya, 2010) which can be traced back to the annexation of present-day Zambia by the British South African Company (BSAC) between 1899 and 1900 (Mulenga, 2003). Early on, a central aim of the colonial government was to attract African labour to urban centres in order to work for the white settlers who owned mines and farms in the territory. In 1905 the government implemented a poll tax—which had to be paid in cash by all adult males—in order to raise revenue and as an incentive to get African workers to enter the wage market. The poll tax was "roughly equal to one month's wages, but men generally found it necessary to work for a longer period and in the 1930s the average length of service of miners was six to twelve months" (Rakodi, 1986, 1983, p. 195).

Despite the constant shortage of labor, severe restrictions were placed on African workers who moved to townships. Africans were not allowed to live in urban areas unless they were employed in the township and they were expected to return to their tribal villages once their employment contract had expired. Until the late 1940s, the wives and children of working men were also forbidden from living in cities. However, the colonial administration typically turned a blind eye to illegal residents, mainly because it did not have the funds to carry out raids and repatriate illegals back to their home villages. These residential restrictions, however, were repealed by the 1948 African Housing Ordinance, which granted the African population the right to reside in towns with their families (Simposya, 2010).

Like in other British colonies in East Africa, it was illegal for Africans to own land in urban areas. This policy ensured that the most valuable land in townships was allocated to white settlers who set up farms and later sub-divided their land and rented it out to squatters. Indeed, the housing market in Lusaka remained dominated by renters—both expatriates and Africans—up until independence. By 1956 only "25 percent of European households were owner-occupiers, mainly in outlying suburbs, but Lusaka was never a settler city to the same extent as Salisbury where 63 per cent were owner occupiers" (Rakodi, 1963, p. 208). The reluctance of European settlers to set-up permanent residence in Lusaka is likely explained by the dominance of the public sector in the economy. Most expatriates worked as colonial administrators as the city lacked a large industrial or commercial base before independence. After they completed their colonial service, they left the city in order to start another posting.

Freehold and leasehold titles were, however, granted to white settlers who demanded land while only occupancy rights were allowed to Africans. Formal leaseholds were available for up to 99 years (999 in the case of agricultural leaseholds) in urban areas. Natural Reserves areas (and, later, Land Trusts) were designated for native settlements which were to be governed under customary law. In these areas, non-natives could be granted rights to land for no more than five years (van Loenen, 1999).

Post-colonial era

An increased rate of urbanisation followed independence in 1964. This was largely due to the repeal of a set of laws which restricted migration and prevented Africans from owning land in urban areas (Simposya, 2010). Relaxed migration laws, together with the government's programme of food subsidisation (World Bank, 2002), led to a mass influx of rural migrants to urban areas. Since most migrants were unable to find housing in statutory residential areas, large numbers ended up as squatters on public land. Concern over the rapid increase in informal settlements became an important issue soon after independence. Indeed, settlement upgrading entered the policy agenda as early as in the Second National Development Plan (SNDP) of 1972 (Simposya, 2010).

A process of land reform followed. One of the first steps taken was the unification of land tenure legislation across the territory and the elimination of special rights which were afforded to certain tribes in 1970 (van Loenen, 1999). Following this legislation, the 1972 socialist government passed a law which vested all land in the President. This law nationalised all vacant land and prohibited land subdivision without the President's consent (ibid). In addition, freehold titles were converted into leasehold titles and capped at 100 years (ibid). Private ownership of land and trading activities—such as real estate agents—ceased to exist. This was enforced through the declaration of land as having no value which essentially converted land into a non-saleable, and non-mortgageable commodity. Finally, the Land (Conversion of Titles) Amendment Act of 1985 prohibited non-Zambians from acquiring land without the written consent of the President.

The 1991 reversion to a market-oriented economy resulted in the repeal of these laws by the Lands Act of 1995 which revoked the Land (Conversion of Titles) Act of 1972, thereby re-instituting private ownership. See Table 4-1.

XXI century

Zambia's current land use regulations have proven to be inadequate in facing the challenges posed by over-crowding, large-scale and increasing rural-to-urban migration, and highly centralised policy implementation. The lack of an effective policy response has led to a proliferation of peri-urban informal settlements. Informal land delivery – that is, practices whereby those without formal property rights are involved in the allocation of land – are the most prevalent method of land delivery in Lusaka, accounting for no less than 60 percent of all new developments as of 2008 (Lusaka City Council, 2008). This system of land delivery weakens tenure security as the Lusaka City Council has the power to demolish illegal structures and evict illegal settlers by court order. In addition, the haphazard development of urban land has meant that a large percentage of the urban population has been left without basic services (USAID, 2010; Tagliarino, 2014).

Further revisions of the land laws in Zambia have been left to the constitution review process which was initiated in 2003 and culminated in a draft constitution in 2011 (Motsamai, 2014). Only in 2015, however, has an amendment which deals with land issues been submitted to the National Assembly for review. (Republic of Zambia, 2015). This amendment proposes the following revisions to the current system: (1) the presence of Lands Commission's offices at the provincial level (thereby easing policy implementation between the central and local authorities); (2) protection of land tenure, however only for *lawful* land holders; (3) establishment of Provincial Assemblies and increased efforts towards a devolved government (thereby potentially counteracting structural issues in policy delivery) (Bigsten & Kayizzi-Mugerwa, 2000; Republic of Zambia, 2006; USAID, 2010).

TABLE 3-1: MAJOR LAND LAWS IN ZAMBIA, 1928-PRESENT

Law or policy	Date	Description
Order in Council	1928	• Established Crown Land (for the occupation of whites; what will become generally State land post-Independence) and Native Reserves (for the occupation of Africans) • Later, the government established also Trust lands within the Crown land for the sole occupancy of natives, but on which leasehold could granted to natives up to 5 years if in the interest of both races (1947) • Government granted leaseholds of 99 years in urban Crown land and 999 years in agricultural Crown land
African Housing Ordinance	1948	• Allowed African workers and their families to reside in urban centres

		• Previously, African workers were considered temporary or seasonal workers under temporary urban residence permits. They were generally lodged in employer-provided accommodation, and their families were not allowed to move to urban areas with them
Private Locations Ordinance		• Allowed less strict requirements for statutory building standards imported from the United Kingdom Town and Country Planning Act • In conjunction with the African Housing Ordinance, allowed African households to self-build below-standard housing on the fringes of Lusaka
Land (Conversion of Titles) Act	1975	• Vested all land in the President, converted any freehold into leaseholds capped at 100 years, nationalised vacant land and prohibited land subdivision without the President's consent • Prohibited Zambians from acquiring land, by declaring land as having no value • Led to cessation of any activity related to land profit, such as estate agents
World Bank Sites and Services Project	1974-1981	• Large-scale housing development project • Aimed at delivering sites and services plots, upgrading existing plots, and incentivise households to build their own housing through self-help, mutual help, and loans for construction materials • Delivered less community centres than planned, chiefly as of top-down approach in their planning and building • In contrast, community participation was very intense in the construction part • Loan repayments was relatively unsuccessful • Long delays – years - caused mainly by problems in land delivery
Housing (Statutory and Improvement Areas) Act	1974	• Passed at the time of the World Bank Sites and Services project • Enabled government to declare any land which is at least 60 percent state land an improvement area for development • Legally recognised informality • Enabled Local Authorities to perform the declaration of land as development area, and to manage and supervise the upgrading processes
Land (Conversion of Titles) Amendment Act	1985	• Prohibited non-Zambians from acquiring Zambian land
Intestate Succession Law	1989	• Attempts at safeguarding the rights of all beneficiaries of succession • Although explicitly enters widows and children in matters of succession, it extends the list of beneficiaries to the extended family, putting widows potentially in weak position • It applies to state land only, and hence does not rule over customary laws which are those mostly affecting these groups

Constitution	1991 (main text)
	
	1996 (amendment)
		• Passed at time of reversal to multi-party government
		• Explicitly states aims of
		  ○ Safeguarding the environment and natural resources
		  ○ Not allowing discrimination

	2015 (amendments)	○ Protecting lawful claimants to land ○ Decentralisation of government (2015) ○ Establishing provincial offices for the Commissioner of Lands to ease land delivery procedures (2015) • Dual customary-statutory legal system may still implicitly allow for discriminatory practices in personal and marital law
Land Act	1995	• Allowed conversion of customary tenure into statutory leasehold, provided the interests of no party that might be involved with the land are affected • The conversion happens by declaring customary land state land by the President, who then has the power to grant a lease • Led to tenure insecurity and erosion of customary rights to communal natural resources in some cases, because of uncertainty as to importance of consulting customary chiefs before conversion • Zambian land is still considered as vested in the President
National Housing Policy	1996	• Set a requirement of 15 per cent of government budget being spent on housing (requirement not yet met) • Allowed sale of council housing to the then-occupiers, but did not provide for prohibition of resale of the properties for the new owners • The first-ever regulation on housing, set aims for land delivery, plot servicing, and availability of housing, especially for the low-income • Set the emphasis on incentives for private investment in housing (i.e., by lifting rent control), and especially in rental housing
Decentralisation Policy	2002 2013 (revision)	• Strengthen Local Authorities' finances through appropriate valuation roll of land • Increase and sustain grants for water and sewerage to local utilities companies • Gradually enable local auditing of Local Council's books
Vision 2030	2006	• Very rich document comparatively analyzing the situation of Zambia and listing a wide array of objectives for 2030, for both urban and rural areas • Improve access to sanitation facilities to 100 percent • Develop accessible financial markets and mortgage systems for both women and men by 2015 (not met) • Increase the number of people accessing planned settlements by 50 percent of the population by 2015 (not met), and 75 percent by 2030 • Put in place efficient and transparent procedures for securing little deeds by 2015 (not fully met)

Current legislation and procedures

Land Authority

Currently, land administration is divided between the Ministry of Lands, and the Town and Country Planning Department in the Ministry of Local Government and Housing (Roth & Smith, 1995). The latter is responsible for zoning, implementing local authority plans, and determining "proper" land use. The former is responsible for ensuring the proper administration of land. The Ministry of Lands is, therefore, responsible for the allocation, surveying and registration of leasehold titles of all state land. Within the Ministry, allocation of state land is handled by the Lands Department (headed by the Commissioner of Lands); land surveys are carried out by the Survey Department; and registration of land titles is administered by the Lands and Deeds Registry under the Commissioner of Lands.

Under the Housing (Statutory and Improvement Areas) Act of 1974, local district councils, are responsible for land-use planning, processing applications for leases, and evaluating the conversion of land from customary to leasehold. In cases where the local council has no jurisdiction over the land, requests are passed onto the Commissioner of Lands within the Ministry of Lands through the Provincial offices, who represents the authority on behalf of the President (Lusaka City Council, 2008; USAID, 2010).

The lack of land administration authorities at the provincial level is reported to often hamper communication between local and central authorities (USAID, 2010). The local authority's autonomy is further limited by their lack of financial autonomy, making them agents of the central government (Lusaka City Council, 2008; Simposya, 2010), acting in coordination with the Town and Country Planning Department (USAID, 2010).

Types of tenure

Under the 1995 Land Act and the current draft constitution, all land in Zambia is held by the President who oversees its use on behalf of the Zambian people. Three types of land tenure exist in Zambia: 1) "customary tenure" whereby land is held under customary law by individuals, families and communities from generation to generation without temporal limits or formal documentation; (2) "leasehold" whereby individuals can apply and be granted property rights over any land not held under customary law; (3) squatter rights which may be enacted under specific eligibility regulations of land explored in detail in the "Tenure Regularisation" Section.

In 2005, 84% of all land in Zambia was held under customary tenure (USAID, 2010). The remaining land was designated as state land. Most urban land falls within this latter category. In Lusaka, residents can apply for four different types of leasehold: (1) a 10-year "Land Record card" which confers permission to reside temporarily on undermarcated land; (2) a 14-year "Title Deed" for unsurveyed land which can be converted into a 99-year lease upon completion of the land survey; (3) a 25- to 30-year renewable "Land Occupancy Licence" for residential settlements; and (4) a 99-year "Title Deed" for surveyed land. "Land Record cards" and "Land Occupancy Licences" can be obtained from the Local Authority, whilst Title Deeds are issued by the Ministry of Lands (Lusaka City Council, 2008). Conversion of customary tenure into leaseholds is possible upon consultation with the local chiefs and any other individuals whose interest may be affected. Once customary rights are extinguished, reversal from leasehold to customary land tenure is not allowed (USAID, 2010).

Securing tenure

Methods of obtaining rights to land in Zambia include: (1) inheritance; (2) land allocation by the local chief; (3) purchase; (4) lease, or conversion of customary land into leasehold land; and (5) land grants from the President.

Under customary law inheritance generally follows the male lineage regardless of whether it is determined through the mother's kinship (matrilineal system of inheritance) or the father's (patrilineal inheritance); nonetheless, in many areas land is increasingly inherited by the nuclear family (USAID, 2010). Similarly, recent trends are increasingly ignoring the traditional prohibition of sale of land outside of the community (USAID, 2010).

Acquisition of land

To register and transfer urban leased land, all parties need to obtain a non-encumbrance certificate – that is, a document certifying that no encumbrance is in existence on the land in question, such as a loan for which the land is listed as a collateral. Subsequently, a sale agreement is drafted through a lawyer. Upon obtainment of the state's consent to the sale and payment of the property transfer tax to the Zambian Revenue Authority from the seller, the seller can lodge the assignment for registration at the Land and Deeds Registry. The cost of the process varies between 4 and 13 percent of the property value on top of legal and various fees, and can require, on average, 39 days in Lusaka (USAID, 2010).

Land delivery

In Lusaka, formal land delivery is locally regulated by the City of Lusaka Planning Authority). Land is planned and allocated to the most suitable candidates. Members of the public are invited to apply for formal planning permission, with offers being made by the City Council in areas of their jurisdiction, or by the Commissioner of Lands elsewhere. The same coordination and public confidence issues that often lead to policy failure in Zambia—such as the lack of communication between the central and local authorities, an excessive number of agents in the bureaucratic steps required, and reinforced negative beliefs by the public in the effectiveness and actual delivery of services –have resulted in an inefficient land delivery system. Constraints include the amount and length of procedures required to obtain land, the high costs associated (as potentially crowding many players out of the market), and transparency issues, such as illegal subdivision of public-use land for subsequent legalisation (Lusaka City Council, 2008).

Resolution of disputes

Institutions dealing with land disputes include the Land Tribunals, Town and Country Planning Tribunal, Magistrates Court and the High Court (Lusaka City Council, 2008; USAID, 2010). While the Land Tribunals established in 1995 were supposed to provide a low-cost alternative to the formal court system, few Zambians are aware of this legal option due to a lack of funding for public awareness campaigns and the fact that most proceedings are conducted in English (USAID, 2010). Currently, most land disputes are dealt with through local, traditional leaders (e.g., headmen or chiefs). Given the hierarchical structure of customary leadership, disputes can proceed through several ranks of leadership before reaching a resolution. Similar approaches can be seen in urban areas, whereby parties in resettlement areas approach the resettlement scheme management, or, in other types of disputes, the help of agricultural officers or government committees is sought (USAID, 2010).

Housing Challenges

Unplanned settlements

A majority of Lusaka's population live in unplanned settlements despite the fact that these settlements cover only 10 percent of the city's land area (Lusaka City Council, 2008). The resulting high density residential areas—with the associated lack of services, safety, and land tenure security— pose a strain on the healthy development of the city (Lusaka City Council, 2008; Simposya, 2010).

Market failures

Shortage of housing supply

The ratio of housing units available to has been in decline over the past decade (Simposya, 2010). The housing gap for Zambia as a whole was estimated at one million units in 2006 (Republic of Zambia, 2006) and 1.5 million units in 2015 (Centre for Affordable Housing Finance in Africa, 2015).

The housing shortage has become more acute since the liberalisation reforms of the 1990s (Centre for Affordable Housing Finance in Africa, 2015). Historically, urban housing in Zambia was supplied by either a worker's firm or the local, government authority. Since the 1990s, this pattern of housing supply has changed. Despite the government's commitment to build 500,000 houses in 10 years, it has built only 13,938 dwellings between 1971 and 2002—that is, less than 100 per year between 2002 and 2015 (Centre for Affordable Housing Finance in Africa, 2015).

In 1996, the country's first National Housing Policy was passed which set a government commitment to spend 15 percent of the national budget on housing – a goal which has not yet been met. The policy aimed at funding its targets with the capital it had generated from the sale of parastatal houses (Schlyter, 1998). However, the privatisation of council housing has not been successful in providing additional low-income housing due the resale of many of these apartments to higher-income occupants (Mbati-Mwengwe, 2001).

As of 2015, the government of Zambia is set on drafting a new housing policy in which access to credit shall be eased to incentivise private investment in the rental market through: (1) progressively increasing the level of government participation in the financing of housing development; (2) rising finance by securitising mortgages; (3) establishing and encouraging public-private housing partnerships; (4) formalising non-conventional housing financing practices; (5) establishing a social housing fund for improvement areas; (6) providing mortgage guarantee schemes; (7) providing fiscal incentives for mortgage-providing institutions (Centre for Affordable Housing Finance in Africa, 2015).

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4. Transport in Lusaka

Lusaka – and its Central Business District (CBD) - lies at the junction of the Great North Road which leads to Tanzania in the south and the Republic of Congo in the north, and the Great East Road which connects Zambia to Malawi and Mozambique. The city is also connected to Zimbabwe, South Africa, the Democratic Republic of Congo and Tanzania through its rail network.

Colonial Times

The current inefficiencies of the transport system in Lusaka can be traced back to the origins of the city (Nanchegwa, 1989; Mulenga, 2003). Emerging as a small town along the railway to the Copperbelt region, Lusaka was originally planned for only a few thousand workers. The 1931 Development Plan designed large building plots with wide spaces between houses as it was inspired by the "garden city" model which was popular at the time (Nanchegwa, 1989). Subsequent plans (and low land prices) only reinforced the incentive for sprawl and resulted in the creation of many, low-density residential centres (ibid).

Transport had been provided in an organised form since 1936, with a main company (Thatcher, Thomson and Company) operating under controlled government competition. In 1951, this company held 55.8 percent of the government permits for passenger transport, whilst representing only one of the then-register 217 operators collectively owning 601 vehicles (ibid). Facing unfair competition by smaller operators, Thatcher, Thomson and Company was overtaken by the Government in 1952, and kept operating on a commercial basis.

Lusaka's low-density suburbs were initially associated with expatriates and, after independence, with higher income residents who owned cars and were therefore not bothered by their commuting distance (ibid). Dedicated, and highly-subsidised, bus services were provided for the African workers, especially civil servants, who were living at least two miles from their workplace. The specially formed Motor Transport Commission of 1951 identified several constraints facing Lusaka public transport (ibid): (1) public transport was mainly used by the African population; (2) demand for transport by passengers was variable as there appeared to be no regularly-timed flow of movement over the hours, days, or weeks; (3) vehicles were poorly maintained and often overloaded; (4) service irregularities meant that the African passengers were dependent on bus drivers' decisions regarding bus routes.

During the 1950s transport demand increased within the European community, and as late as 1953, seven buses were provided for Europeans and Indians, and two for Africans (ibid). In 1955, the Thatcher, Thomson and Company firm was privatised and renamed Central African Road Services (CARS) which was later taken over by United Transport Ltd., and eventually given monopoly rights for public transportation over the majority of routes in Lusaka.

Independence

In the initial years of independence—from 1964 until the start of the 1970s—public transport was in high demand and provided by CARS. Service, however, was plagued by: (1) drivers' ultimate authority in route planning, with a tendency to leave long-haul commuters stranded; (2) licensed taxis ending service early in the evening, leaving commuters at the mercy of pirate taxis and overcrowding; (3) difficult maintenance of buses due to the precarious conditions of roads and age of the CARS fleet. In 1970, the Government took over CARS, renaming it the United Bus Company of Zambia (UBZ). BY 1971, UBZ had 112 buses on nine routes which served a population of 316,000. The nationalisation of the bus company was followed by an expansion in the fleet so that previously ignored informal settlements could now be serviced by transport. In just two years, the number of bus routes increased to 19.

In 1975, the Road Traffic Commission invited members of the public with saloon cars and minibuses to apply for short-term licenses (ibid). By 1978 UBZ had a staggering fleet of 112 buses which serviced 35 routes in Lusaka alone. This rapid expansion of the bus service meant drivers had to take crash recruitment courses which resulted in overstaffing and unprepared personnel.

The main causes of the failure of UBZ lie within its rapid and unsupervised expansion, the high interest rates for the foreign loans received, and the unresolved question of whether the principal aim of the company was its profitability or its aim of providing affordable travel for all Zambians. By the end of the decade, UBZ lost a very large share of its fleet due to maintenance problems which led to significantly reduced service. Inefficiencies were endemic: mid-route passengers were often left stranded and queues at bus stops were very long, with passengers fighting to get onto the buses.

With the fall in copper prices in the 1980s, the private sector came into the picture with the now-ubiquitous minibus services. It is often argued that the emergence of the private sector in the transport sector might be the result of a competitive advantage in terms of its management, maintenance and labour costs (ibid). Other advantages that led to their domination of the market included: (1) the absence of fare concessions; and (2) the small occupancy of minibuses which allowed quicker adjustments to transport demand. By 1987, only 5 percent of trips were undertaken with UBZ while 50 percent were taken by minibus, 20 percent by private cars, and 20 percent by walking.

The monopoly of UBZ was formally ended with the liberalisation of transport in the 1990s. The same period saw the inauguration of a 13.5 km inner city rail network (the "Njanji commuter train"). This service connected Lusaka to the townships of Chilenje and George from 1991 to 1998. The service, however, was abruptly ended after the collision of two trains and it emerged that traffic control was managed with unreliable systems such as walkie-talkies (www.railwaysafrica.com).

4.1. Transport Patterns

4.1.1. Public Transport

Since 2013, a fully-private public transport system has been introduced which has brought about a large increase in the supply of transport services (ZIPAR, 2013). Most services are provided by small 12-seater buses while a few medium sized (24-seater) and large buses operate solely for intercity transport (ibid). Although these services are registered, and stop at designated stops for passenger pick-up and drop-off, informal transport operators are also present, even If the scale of their service appears to be rather limited (ibid).

FIGURE 4-1: LOCATION OF LUSAKA'S MAIN BUS STATIONS
SOURCE: ZIPAR, 2013.

According to ZIPAR, bus fares in Lusaka have risen five-fold over the period 2005-2013, representing an average annual increase of 22 per cent. In 2013, Lusaka bus fares ranged between ZMW 4.20 and ZMW 5.20 (USD 0.80-1.00) for a single intra-urban trip, making Lusaka's public transport system among the most expensive in the world (ibid). Indeed, the daily fare to daily per capita GDP is estimated to be slightly less than 0.5 (ibid]). The share of household income spent on transportation is estimated to reach 40 percent for lower income families.

On the supply side, the uniformity of fares for all customer group may represent a further impediment to the profitability of the bus operators themselves and to the rise of bus ridership *per se*. Furthermore, the lack of regulations in the market allow each bus company to have an unlimited supply of buses, leading to over-capacity (2,600 buses were registered in Lusaka in 2013) and excessive in-route competition (ibid]).

ZIPAR calculated that Lusaka bus passengers take, on average, a minimum of five trips per day. The public transport system, therefore, provides an incredibly costly means of transport, especially when transfers are involved which require additional tickets.

Regulation enforcement is extremely limited, leading to customer dissatisfaction as to the unreliability of services (ZIPAR, 2013; www.cities-for-mobility.net) Main sources of dissatisfaction include: (1) bus drivers generally not sticking to any specific route; (2) departures being operated on a demand and not a time basis (i.e. buses generally leaving terminals only when full, leading to unpredictability of waiting times); (3) no properly outlined system at bus terminals, leading to management of service that is completely informal; (4) low quality and old age of vehicles, leading to frequent road accidents, and in some cases even deaths with little or no compensation.

ZIPAR's recommendations to bring about market clearing and reduce fares include: (1) demand analysis and regulatory enforcement in order to create specific routes to match demand and supply; (2) implementing 12-metres-buses routes, for which a pilot project could be implemented on the Great East Road, servicing about 75,000-85,000 passengers daily; (3) enabling free transfers between routes and payment of a single fare; (4) public subsidisation of running costs such as fuel and driver salaries. Redistribution effects must be considered in the implementation of each of these strategies, since societal welfare gains might nonetheless impact individual agents. Reduced supply, for instance, might lead to reduced employment, and free transfers might reduce income for individual drivers.

4.1.2. Infrastructure

The structure of the city road network consists of five main roads which radiate out from the CBD (Lusaka City Council, 2016). Supplying a population of over 1.7 million, this road system was not planned for non-motorised modes of transport, and favours permanent congestion through over-reliance of the population on mini-buses (UN Habitat, 2009). In 2007, UN-HABITAT estimated that ten vehicles were added to the streets of Lusaka every day (ibid).

Citizens looking to connect from any residential suburb to another are forced to pass through the CBD. Despite multiple policy recommendations (ibid), no bypass system is yet in place although there is a new inner ring road in the South of Lusaka which was opened in 2014. In addition, the upgrading of the Great East Road to a dual carriageway is a recent development (Lusaka City Council, 2016).

A survey of 687 commuters conducted in 2007 by the Zambia Consumers Association ([8]) revealed that an overwhelming majority of respondents (98.6 percent) believed the source of congestion was due to the need for more roads. However, 76.2 percent of the respondents did not have sufficient faith in the government to successfully solve the city's transport issues by constructing mass-transport facilities such as a railway.

4.2 Investments

Very recent investments which have the potential to positively impact the current impasse in Lusaka include: (1) the inner ring road project; (2) the Lusaka 400 (L400) project; (3) the Pave Zambia 2000 project.

A first step in meeting the need for a bypass system, the Lusaka Inner Ring Road, has been constructed in South Lusaka under the Ministry of Local Government and Housing (MLGH) with support from the Japanese International Cooperation Agency (JICA) at the cost of ZMW 27 million. Construction started in 2013 and was completed in 2014. This 14.8 km road connects Chibolya to the Lusaka South Multi-Facility Economic Zone (MFEZ), facilitating transport and business to and from the MFEZ and the residential areas of South Lusaka. In 2014 MLGH stated that the project helped decongesting traffic on Independence Avenue, Burma and Chimbulu Roads, especially during peak hours (www.railwaysafrica.com).

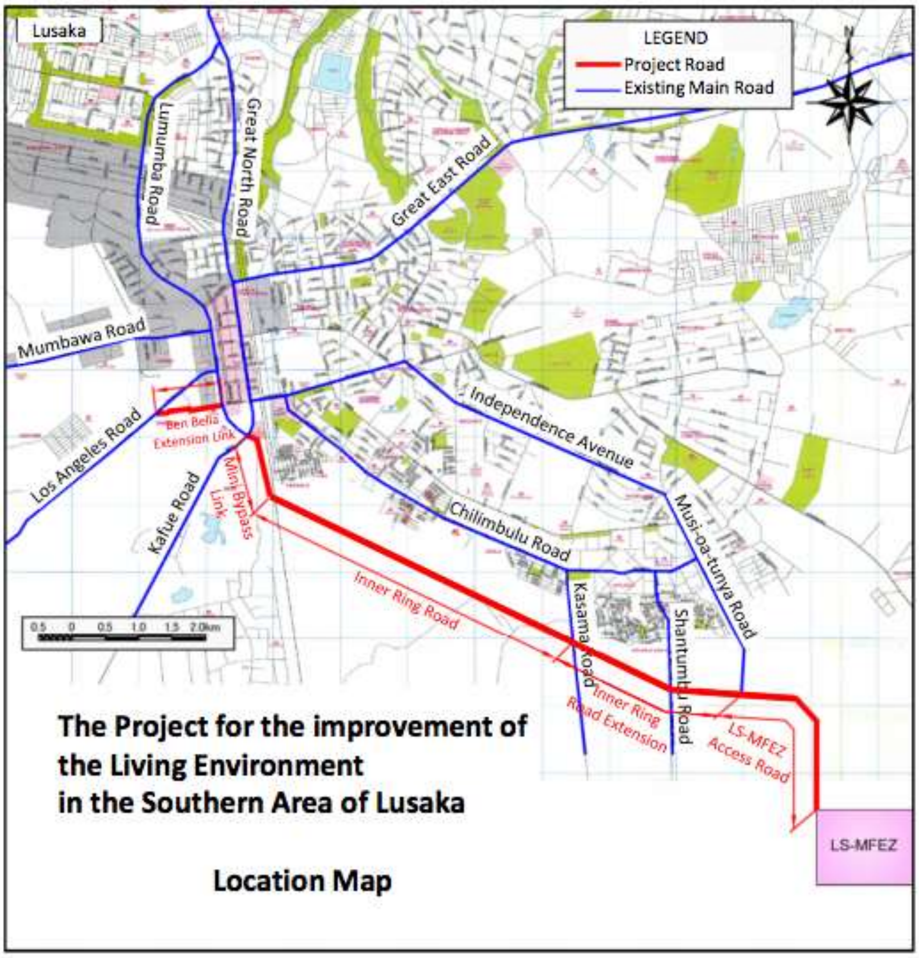

FIGURE 4-2: THE PROJECT FOR THE INNER RING ROAD
SOURCE: NATIONAL ROAD FUND AGENCY, 2016.

The aim of the L400 project aim is twofold: 1) enhancing connectivity in the capital city; and 2) improving road conditions (National Road Fund Agency, 2009). The project has a total of cost of USD 348 million, 85% of which is financed by a loan from Exim Bank China, and 15% by the National Road Fund Agency. Launched in 2013 and scheduled for completion in 2017 (GRZ, 2015), L400 involves engineering, construction and upgrading of approximately 360 km of selected Lusaka urban roads. The project envisions maintenance, rehabilitation and upgrading of roads from gravel to paved, and from single lanes to double lanes. New construction will be undertaken of approximately 400km of new roads and 90 km of walkways. A new junction will be built, and another 10 with be re-engineered.

On a related note, the Pave Zambia 2000 project aims at ameliorating the state of roads in townships countrywide. Launched in 2012, it involves using cobblestone and concrete block paving technology to rehabilitate and construct a total of 2,000 km of residential roads nationwide. Maneged by the Road Development Agency, this project had a budget of ZMW 40 million in 2014.

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5. Job Creation and Firms in Zambia

5.1. Government Policies on Industrialisation and Job Creation

Government policies on industrialisation and job creation are directed by several policies including the Revised Sixth National Development Plan, the Commercial, Trade and Industrial Policy and the Strategy Paper on Industrialisation and Job Creation, 2012. In addition, the legal act of the Zambia Development Agency specifies a number of priority sectors in which companies are eligible for certain tax incentives contingent on an investment of no less than $500,000. The focus areas and strategies of outlined in these documents are not completely aligned and have been revised several times over the past five years.

Specific government policies on industrialisation and job creation can be classified into two categories: establishment of Multi-facility Economic Zones (MFEZ) and promotion of Micro, Small and Medium Enterprises (MSMEs).

5.1.1. Multi-facility Economic Zones

MFEZs are industrial parks established in specific geographical areas. The key aim of creating the MFEZs is to provide infrastructure and establish an administrative environment which attracts foreign and domestic enterprises to locate within the zone. MFEZs are operated by both public and private entities and six have been established so far: one public and four privately operated. Half of these zones are located in Lusaka and half in other regions.

In Lusaka:

- Lusaka South (Public) – 15 companies operating in the zone;
- Lusaka East; and
- Roma Industrial Park.

Outside Lusaka:

- Lumwana;
- Sub-Saharan Gemstone Exchange Industrial Park;
- Chambishi – 14 companies operating in the zone.

The operator of the MFEZ, whether public or private, determines the fee which is to be charged to companies inside the zones as well as the minimum requirements for operation. All Mmanufacturing businesses within MFEZs are eligible for tax incentives.

BOX 5-1: ZDA PRIORITY SECTORS

The most recent amendment to the ZDA act (Statutory Instrument 17 of 2014) specified the following priority sectors:

- **Manufacturing** located in a Multi-facility Economic Zone, an industrial park or rural area.
- Construction and establishment of infrastructure in form of:
    - Education and skills training institutions;
    - Health Centres;
    - Tourism infrastructure;
    - Housing; and
    - Agriculture; construction of crop and grain storage facilities.
- Energy and water development.

5.1.2. Micro, Small and Medium Enterprises

Beyond MFEZs, it is possible to distinguish between three types of marketplaces (or firm clusters) in Lusaka:

- Council Administered Markets;
- Cooperative Markets; and
- Spontaneous/unauthorised/non-policy-based Markets.

It should be pointed out that some marketplaces have characteristics of all three categories and therefore cannot be clearly classified.

Lusaka City Council regulates *council administered markets*. The marketeers pay a levy to the council, and the council is meant to provide certain services, such as trash-collection, security and infrastructure.

The administration of *cooperative markets* is not clearly defined. The history of cooperative markets in Lusaka dates back to the pre-independence period, when many *unauthorised* markets emerged. During the immediate post-independence period, many of these markets were turned into cooperatives or upgraded through a council sponsored upgrading scheme. Cooperatives were supported by the ruling party at the time and controlled by local branches of the ruling party. They were therefore never brought under the administration of the council. This dual system has remained until this day. One could speculate that cooperative markets and some council markets remain heavily politicized.

Unauthorised/spontaneous/non-policy-based markets usually locate near major intersections, busy roads, large bus terminus, large retail stores or areas with many retail stores. They include both traders as well as workshops such as welding, brick making, carpentry and leather processing.

Government policies aim to provide support to MSMEs through a number of different channels, including training, business linkage projects, establishing joint ventures and establishing geographical industrial clusters. These programmes have mainly focused on businesses which operate in priority areas as defined by the Zambia Development Agency. However, it appears that very little of this support has been implemented by the government due to lack of funding. The few programmes that have been initiated have focused on rural areas, in accordance with the government's policy focusing on poverty reduction in rural areas. For instance, programmes related to expanding households' access to electricity have completely shifted focus away from Lusaka and the Copperbelt, to rural areas.

5.2. National Economy and Labour Market

According to the 2012 Labour Force Survey, Zambia had a population of 14M people of which 55% were persons of working age population (i.e., 15 years or older). Excluding students, homemakers, retirees and people not available on the labour market for other reasons, Zambia had a labour force of approximately 6M in 2012. Of these 7.8% were categorised as formally unemployed in 2012. See Table 5-1.

TABLE 5-1: OVERVIEW OF DEMOGRAPHICS AND LABOUR FORCE IN ZAMBIA, 2012

Indicator	Employment	Pct
Total Population	**14,375,601**	**100.0%**
Non-working Age Population (below 15)	6,514,342	45.3%
Working Age Population (above 15)	7,861,259	54.7%
Economically Active Population (Labour Force)	**5,966,199**	**100.0%**
Unemployed Population	466,526	7.8%
Employed Population	**5,499,673**	**100.0%**
Employed in the Public Sector*	322,646	5.9%
Employed in the Private Sector	5,177,027	94.1%

SOURCE: LABOUR FORCE SURVEY REPORT 2012 CSO.
NOTES: *INCLUDES CENTRAL/LOCAL GOVERNMENT AND STATE OWNED ENTERPRISES.

Following independence, the public sector played a dominant role in Zambia's economy as policies of state-driven development were adopted. Zambia's return to multi-party democracy in 1991, however, has coincided with a shift towards a more market-oriented economy. This shift, combined with the structural adjustment policies implemented under the auspices of the World Bank and IMF, diminished the role of the state in the economy over the next decade. By 2012, public sector job accounted for only 6% of total employment. See Table 5-2.

TABLE 5-2: SECTORIAL DISTRIBUTION OF THE ZAMBIAN ECONOMY

Sector	GDP Share (2012)	Informal Sector* % (2010)	Employment (2012)	%	% Informal Sector Employment** (2012)
Agriculture, Forestry and Fishing	9.7%	64.5%	2,872,331	52.2%	97.0%
Mining and Quarrying	9.5%	0.9%	88,251	1.6%	23.4%
Primary Sector	19.2%	28.5%	2,960,582	53.8%	94.8%
Manufacturing	7.8%	11.4%	216,660	3.9%	65.9%
Electricity, Gas and Water	2.1%	0.0%	27,001	0.5%	35.5%
Construction	13.0%	84.6%	187,906	3.4%	80.5%
Secondary Sector	22.9%	49.0%	431,567	7.8%	70.4%
Wholesale and Retail trade	18.0%	56.9%	645,571	11.7%	82.9%
Restaurants, Bars and Hotels	1.5%	14.2%	62,671	1.1%	52.8%
Transport, Storage and Communications	7.6%	26.1%	179,405	3.3%	56.7%
Financial Intermediaries and Insurance	4.2%	0.7%	14,941	0.3%	15.6%
Real Estate and Business services	7.8%	52.7%	84,436	1.60%	33.5%
Community, Social and Personal Services	15.5%	1.9%	1,120,502	20.2%	75.2%
Tertiary Sector	54.7%	48.1%	2,107,526	38.2%	74.7%
Less: FISIM	-2.7%	0.0%			
Total Gross Value Added	94.1%	35.6%			
Taxes less subsidies on Products	5.9%	0.0%			
Total GDP at Market Prices	**100.0%**	**33.6%**	**5,499,673**	**100.0%**	**84.6%**

SOURCE: GDP 2010 BENCHMARK ESTIMATES – SUMMARY REPORT CSO, LABOUR FORCE SURVEY REPORT 2012 CSO.
NOTES: *REFERS TO ENTERPRISES NOT REGISTERED WITH THE TAX AUTHORITY OR LICENSING AUTHORITY.

Currently, the majority of the labour force (54%) is employed in agriculture while only a small proportion (1.6%) are employed in mining. Despite its small employment share, mining contributes 10% to national GDP and copper remains the country's dominant export. The tertiary or service sector employs 38% of the labour force. Jobs in this sector are mainly in government, household activities and trade (both wholesale and retail). Finally, the secondary or industrial sector contributes 7.8% of overall employment, mostly in manufacturing and construction. The significant share of construction is primarily due to the boom in mining activity and associated investments in the past decade.

The Zambian economy is characterised by a large informal sector, accounting for almost one third of GDP in 2012. Informal economic activity is particularly prevalent in agriculture, construction, trade, and business services, accounting for more than 50% of total value added. In terms of employment, it is striking that the informal sector employs almost 85% of the total labour force. Indeed, informal sector employment makes up more than 50% of total employment in all sectors except: mining and quarrying; electricity, gas and water; financial intermediaries and insurance; and real estate and business services.

Table 5-3 depicts the distribution of employment across institutional sectors in Zambia. It is notable that private households contribute almost 40% of total employment. These jobs consist almost entirely (95%) of informally employed domestic workers.

TABLE 5-3: DISTRIBUTION OF EMPLOYMENT ACROSS INSTITUTIONAL SECTORS, 2012

Institutional Sector	Employment	Percent
Central Government	237,846	4.3%
Local Government	29,304	0.5%
Parastatal/State Owned Firm	55,496	1.0%
NGO or Church	37,519	0.7%
Private Business or Firm	2,931,014	53.3%
Embassy, International Organisation	8,424	0.2%
Private Household	2,194,955	39.9%
Producers co-operatives	2,973	0.1%
Not Stated	2,142	0.0%
Total	**5,499,673**	**100%**

SOURCE: LABOUR FORCE SURVEY REPORT 2012 CSO.

Another striking feature of the Zambian labour market is the high number of unpaid family workers. Such workers who make up more than one third of total employment. See Table 5-4. The data show that the self-employed make up 44.2% of the total labour force.

TABLE 5-4: EMPLOYMENT STATUS, 2012

Institutional Sector	Employment	Percent
Paid Employees	1,120,178	20.4%
Apprentices/Interns	16,661	0.3%
Employers	15,384	0.3%
Self Employed	2,432,124	44.2%
Unpaid Family Workers	1,915,327	34.8%
Total	**5,499,674**	**100%**

SOURCE: LABOUR FORCE SURVEY REPORT 2012 CSO.

In terms of educational attainment, 85% of the Zambian labour force has completed primary school, 37% have completed secondary school and only 4.3% has some type of higher education. See Table 5-5.

TABLE 5-5: EDUCATIONAL ATTAINMENT IN THE LABOUR FORCE, 2012

Institutional Sector	Employment	Percent
Nursery	12,979	0.2%
Grade 1-7	2,401,956	43.7%
Grade 8-12	2,024,760	36.8%
A Levels	34,448	0.6%
Certificate/Diploma	201,439	3.7%
Degree	30,389	0.6%
None	793,703	14.4%
Total	**5,499,674**	**100%**

SOURCE: LABOUR FORCE SURVEY REPORT 2012 CSO.

Overall, the structure of the Zambian economy is characterised by a high degree of informality. Indeed, Shah (2012) estimates that there were 1.02M MSMEs country-wide in 2008 along with 30,000 formal MSMEs.[4]

[4] MSMEs are defined as enterprises with fewer than 50 employees.

5.3. General Characteristics of Business Establishments in Lusaka

The most recent census of business establishments in Zambia was conducted in 2011/2012. Phase I collected basic information on all business establishments in the country. The survey covered both registered and unregistered firms which total more than 60,000 firms.

Of the 16,535 census establishments in Lusaka District, only 40% were registered for tax, pension and/or registered with the patents and companies registration agency. Zambia's high level of informality is consistent with its level of development and similar to levels of informality in other countries in the region. Despite the large number of unregistered establishments in Lusaka, they contribute only 5% to total firm revenue in the city.

TABLE 5-6: ESTABLISHMENTS IN LUSAKA DISTRICT

Number of Establishments	16,535
Small - turnover <250M	8,998
Medium - turnover 250-800M	1,467
Large - above 800M	1,901
Information missing	3,987
Mean Turnover	ZMW 7,936,215,175
Median Turnover	ZMW 73,000,000
Percent registered*	40%
Turnover Share of Unregistered Firms	5%

SOURCE: ZAMBIA ECONOMIC CENSUS 2011 PHASE 1 DATA, AUTHOR'S CALCULATIONS.
NOTES: *REGISTERED FOR TAX, PENSION AND/OR REGISTERED WITH THE PATENTS AND COMPANIES REGISTRATION AGENCY.

The companies in the census reported a mean turnover of 8Billion ZMW and a median turnover of 73 Million ZMW, indicating a much skewed distribution of revenue. This is due to the fact that the size distribution of firms is skewed as well—like many other cities in Africa, Lusaka has a lot of small firms but few large, productive firms.

TABLE 5-7: AGE DISTRIBUTION OF ESTABLISHMENTS IN LUSAKA

Age	%
0-1 year	39.6%
2-5 years	29.6%
6-10 years	14.7%
11-20 years	12.1%
21-30 years	2.1%
31-47	1.4%
Older than 47	0.5%
Total	100.0%
Mean Age	5.3
Median Age	2.0

SOURCE: ZAMBIA ECONOMIC CENSUS 2011 PHASE 1 DATA, AUTHOR'S CALCULATIONS.

Census data indicates that the average age of an establishment at the time of the census was 5.3 years and the median age was just 2 years, implying that most enterprises had been established very recently. Indeed, 96% of the establishments had commenced operations after the return to multi-party democracy in 1991 and the associated shift towards a more private enterprise-based economy. According to the data, only 0.5% or around 80 enterprises Lusaka had been in existence before independence. See Table 5-7.

TABLE 5-8: SHARE OF FIRMS BY SIZE

	Kigali	Lusaka	Kampala
Self-employed	72.23	50.65	55.5
Micro (2-4)	22.49	28.36	36.03
Small (5-49)	5.05	18.74	6.25
Medium (50-99)	0.14	1.15	0.13
Large (100+)	0.08	1.09	0.09
Total no. firms	123,364	17,117	184,335

Source: Rwanda Establishment Census (2011); Zambia Economic Census (2011); Uganda Census of Business Establishments (2011).

According to the economic census, firms in Lusaka employ 142,401 workers. Average firm size is 11.5 workers although the median firm employs just 2 workers. While Lusaka's firms are relative small, they are larger on average than those located in some of their East African neighbours. In Lusaka, the share of the small to large firm is larger than in both Kampala and Kigali (5-8). Zambia's share of manufacturing value added as a share of GDP is greater than the African average.

TABLE 5-9: SECTORIAL DISTRIBUTION OF ESTABLISHMENTS AND LABOUR IN LUSAKA, 2011

	Number of Establishments %	Share of Total Employment%	Avg. employment/ establishment	Share of Unregistered Firms	Turnover share of Unregistered firms
Accommodation and food service activities	12.7%	6.1%	4.2	81.4%	10.2%
Administrative & support service activities	1.9%	6.9%	32.2	37.7%	0.3%
Agriculture, Forestry & Fishing	0.3%	2.6%	65.5	42.1%	0.2%
Arts, entertainment and recreation	0.5%	0.4%	8.0	60.8%	71.5%
Construction	1.1%	5.6%	46.5	10.5%	0.3%
Education	3.4%	4.5%	11.5	39.1%	0.6%
Electricity	0.1%	3.4%	210.3	39.1%	0.2%
Financial & Insurance activities	1.4%	8.4%	53.4	9.8%	0.6%
Human health & social work activities	1.3%	2.7%	18.3	24.1%	0.1%
Information & Communication	1.7%	1.7%	8.9	35.0%	0.4%
Manufacturing	9.3%	14.3%	13.3	63.0%	37.2%
Mining and quarrying	0.2%	0.8%	39.9	3.6%	0.2%
Other service activities	9.7%	7.9%	7.0	79.6%	8.5%
Professional, scientific & technical activities	2.2%	3.1%	12.4	11.0%	0.6%
Real estate activities	0.4%	0.4%	7.4	15.5%	0.1%
Transport and Storage	1.2%	3.7%	26.0	28.4%	1.0%
Water supply, sewerage, waste management	0.1%	0.2%	19.0	13.3%	8.3%
Wholesale & Retail trade;	52.5%	27.3%	4.5	58.8%	5.6%
Total	**100.0%**	**100.0%**	8.7	**59.2%**	**4.9%**

SOURCE: ZAMBIA ECONOMIC CENSUS 2011 PHASE 1 DATA, AUTHOR'S CALCULATIONS.

Table 5-9 also depicts the size of the labour force of the average firm in each sector. Notably, Lusaka has a significant number of manufacturing establishments, with this sector accounting for 14% of total employment in the city. Manufacturing activity in the city comprises larger formal companies as well as informal MSMEs engaged in metalwork, carpentry, brickmaking and leather processing among other. The majority of manufacturing firms, almost 2/3, operate informally. More than 50% are single proprietorships or employ less than 5 workers while, at the other end of the scale, only 11% employ more than 30 workers.

In terms of informality, the largest share of informal firms is found in the accommodation and food services and other service activities where 4 out of 5 firms are unregistered. However, informal firms generally have a very small market share. Notable exceptions are arts and recreation and manufacturing.

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