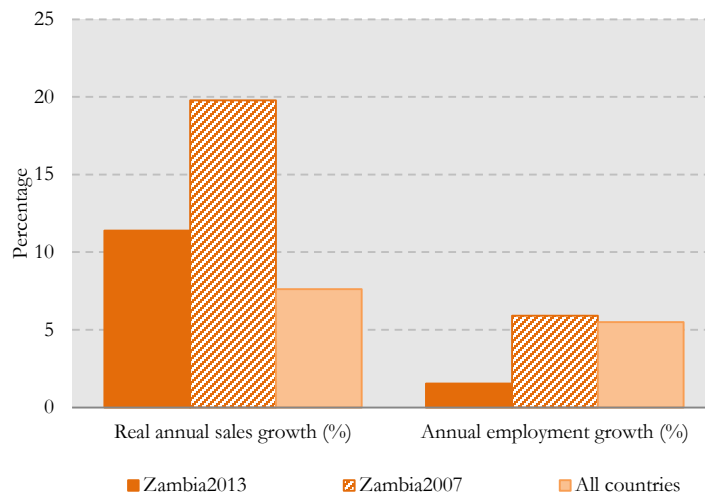




The World Bank interviewed a representative sample of the private sector in **Zambia**, composed of 720 establishments, between December 2012 and February 2014. The Enterprise Survey covers several aspects of the business environment as well as performance measures for each firm. Below are the main highlights from the survey.

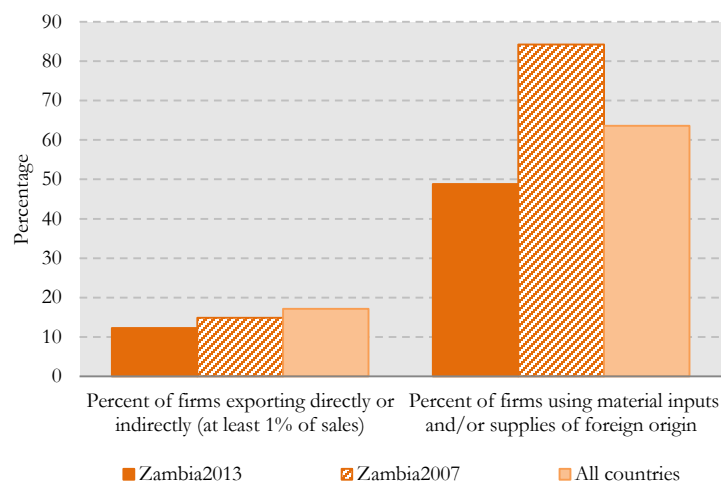
*Annual sales and employment growth have slowed down over time*

With a **real annual sales growth** of 11% between 2010 and 2012, firms in Zambia grew at a slower rate compared to 20% annual growth during the period 2005-2007. Despite this deterioration, Zambian firms still exhibit higher annual sales growth compared to the average for all countries with ES data (8%). Employment growth rate also declined during the same period. Firms in Zambia created jobs at an annual rate of 2% between 2010 and 2012. This is remarkably lower when compared with the growth rate in 2005-2007 (6%) and with the employment growth rate elsewhere (6%).



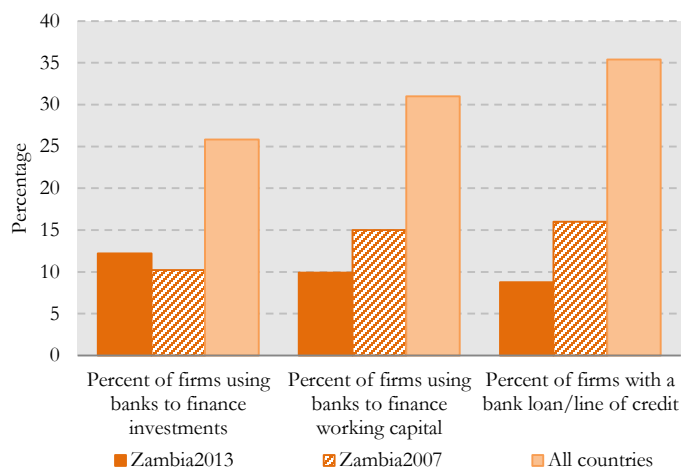
*Firms are less integrated into the global economy*

The percentage of firms in Zambia that **export, directly or indirectly**, is slightly lower than six years ago. In 2012, 12% of firms in Zambia exported at least 1% of their sales compared to 15% in 2007. In addition, the proportion of sales that is exported directly also decreased, from 4% in 2007 to 2% in 2012. The percentage of firms that use inputs of foreign origin has also declined since 2007 (49% in 2012 vs. 84% in 2007). Despite this negative trend and despite lower integration compared to the average of all countries with ES data, Zambia is still performing as well as other landlocked countries.



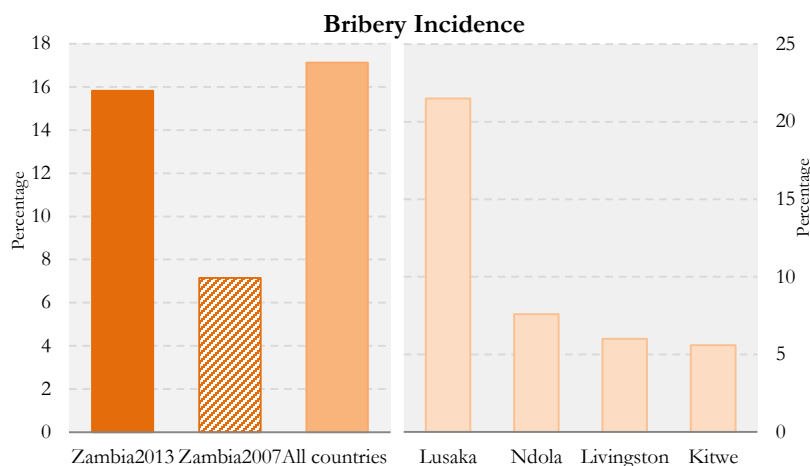
*Firms also report use financing services at lower levels*

The usage of **financial services** is becoming less common for firms in Zambia. The percentage of firms with a checking or saving account decreased from 95% in 2007 to 86% in 2012. The usage of bank financing also shows a downward trend. Only 9% of firms have a bank loan or line of credit, a proportion which is less than half compared to 2007 (16%) and only one fourth the average for all countries with ES data (35%). Moreover, only 10% of firms use banks to finance working capital, vs. 15% in 2007, and only 12% of firms use banks to finance investments in 2012; both figures are lower compared to the averages for all countries with ES data at 31% and 26%, respectively.



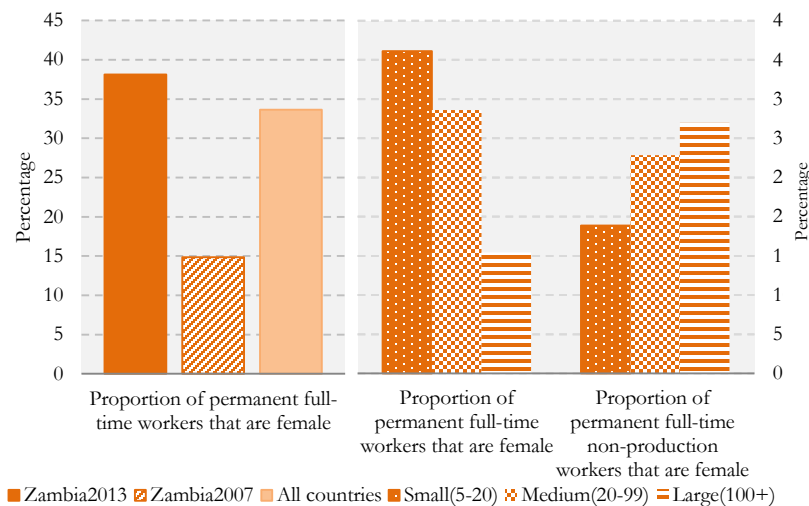
*The level of corruption is comparable to other countries but it is steadily increasing*

On average, firms in Zambia are solicited for bribe payments or informal gifts as frequently as in other countries with ES data. In 2012, 16% of the firms in Zambia experienced at least one payment request across 6 transactions dealing with utilities access, permits, licenses, and taxes (17% in all countries with ES data). This measure, known as Bribery Incidence, almost doubled in Zambia between 2007 and 2012 (from 7% to 12%). The **Bribery Incidence** varies significantly across location, with firms in Lusaka being exposed to corruption three times as much as firms elsewhere in the country.



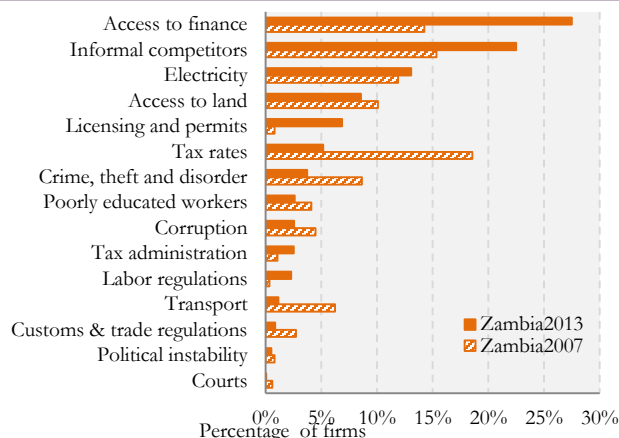
*Female inclusion in economic activity more than doubled during the last five years*

The **proportion of women workers** in the Zambian private sector increased from 15% in 2007 to 38% in 2012, slightly higher than average across all countries (34%). In Zambia, small and medium firms tend to hire more women workers than the large firms. Forty-one percent of permanent full-time workers in small firms and 34% in medium firms are women compared to only 15% in large firms. In the case of non-production workers, the situation is the opposite, larger firms seem to provide more opportunities for female employment: the proportion of permanent full-time non-production workers that are women is 19% in small firms, 28% in medium firms and 32% in large firms



*One out of four firms in Zambia's private sector considers access to finance as the biggest obstacle*

The deterioration in firms' experience in accessing financial services is consistent with the change in firms' perception of access to finance related problems. The percentage of firms choosing access to finance as the most important **obstacle** for their day-to-day operations increased significantly from 14% in 2007 to 27% in 2012. Not surprisingly, given several factual indicators on access to finance presented above, access to finance is currently the most commonly chosen top obstacle. The second most important obstacle to operations reported by firms in Zambia is practices of informal competitors, followed by electricity and access to land.



*The Enterprise Analysis Unit is a joint World Bank and IFC team of economists and survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.*

For more information on the survey visit <http://www.enterprisesurveys.org>