

# Should Funding to the Citizens Economic Empowerment Fund Be Increased?

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**Discussions surrounding increased funding for the Citizens Economic Empowerment Commission (CEEC) Fund raises key concerns. The CEEC is a corporate body established through the enactment of the Citizens Economic Empowerment Act No. 9 of 2006 to foster broad-based economic empowerment in Zambia.**

The CEEC was set up in 2006 to ensure equity, ownership, and control of the means of production by Zambians and to redress inequality in economic development. When the minister of Small and Medium Enterprises (SME) was interviewed on Radio Phoenix Let The People Talk programme on 25th July, 2023, he mentioned that default rates in the CEEC fund were at 38%. When asked about other programmes that the Ministry is running to support SME's in the country, the Minister only named one other programme, and could not highlight what the priority sectors for support in the Ministry are. This raises concerns as the CEEC fund has taken centre stage in discussions around MSME development in Zambia.

The CEEC legislation is extremely important in the development of Zambia's Micro, Small and Medium Enterprises (MSME) sector. The current challenges with the CEEC fund may actually be taking away attention of the CEEC from actualising and fully implementing the most important aspects of the legislation. If adequately implemented, the CEEC legislation can facilitate the achievement of sustainable and inclusive growth of the MSME sector, with the full participation of Zambian nationals.

The CEEC fund constitutes a minor component of the CEEC legislation; however, it garners increased media attention, including being touted as a flagship program at State House. The specifics regarding the fund's intended number of beneficiaries within each MSME category remain unclear, as does the CEEC's methodology for defining and evaluating its impact. A recent occurrence involved the allocation of funds by CEEC to displaced street vendors. This move could be perceived as reactive, particularly considering the numerous 'deserving' applicants denied funding, yet funds were promptly made available for the displaced street vendors. Such actions raise concerns and underscore the fund's susceptibility to political influences.

Currently the CEEC Act is missing enforcement and codes. For instance, what are the consequences if foreign investors don't comply with the act on prescribed ownership or preferential procurement requirements? What measures is CEEC employing to safeguard the inclusion of citizens amidst the influx of Foreign Direct Investment (FDI) into Zambia, which has surged from USD \$3.31 billion to USD \$37 billion, as recently disclosed by the Zambia Development Agency? Within the investment landscape, fund managers caution that the current scenario lacks substantial Zambian presence, with nearly all investment prospects being capitalised upon by foreign individuals.

The MSME sector needs extensive support to thrive- including but not limited to funding. CEEC could consider engaging a third party for fund management as a potential measure to tackle ongoing governance and performance challenges. Doing so will allow the CEEC to focus on actualising and implementing to the full extent the CEEC Act, including actualising its nine pillars of empowerment and ensuring increased equity ownership by Zambians.

The Ministry of Community Development and Social Services (MCDSS)

operates effective empowerment initiatives that exhibit sustainable impacts on communities. In terms of empowerment objectives, they offer an alternative approach that contrasts with the current situation involving the CEEC fund. These empowerment programs are implemented at the community level and involve local communities in the beneficiary selection process. This approach addresses the targeting difficulties currently observed within the CEEC fund and ensures a fair allocation of funding between rural and urban areas. Redirecting funds towards communities aligns with the notion of focusing support on where the populace resides rather than concentrating solely on the national level (decentralisation).

It may not be prudent for the government to allocate additional funding to the CEEC given its existing challenges. Zambia is highly resource constrained, and economic growth is on the decline. The Government must evaluate the sustainability of funding programs that exhibit suboptimal performance, particularly those that might carry political implications. It is essential for the government to weigh the potential trade-offs associated with financial allocation and prioritise empowerment initiatives that have demonstrated measurable contributions to poverty alleviation, inclusivity, and sustainable development.

The Ministry of SME and CEEC, should enhance efforts towards the full realization and execution of the complete CEEC legislation. The legislation provides for the CEEC to ensure local asset ownership- with the ability to reserve key sectors for Zambian majority equity ownership. This is happening very well in Botswana, and the CEEC can perhaps take some lessons from there. We have seen successful implementation of the ownership requirements in the CEEC Act where multinationals have had to list in Zambia in order to comply with licencing requirements. Examples include Celtel, now Airtel that listed on the Stock Exchange, and MTN that gave their shares to NAPSA. One sector that needs such intervention is the banking sector, which is the engine of growth and yet is mostly foreign owned. We need more local ownership of the banking sector to realise a banking sector that is actually responsive to Zambian SME needs.

The capacity of government to effectively choose beneficiaries and distribute empowerment funds has been called into question, as evident from the experiences of both the CEEC fund and the Zambia Development Bank. The CEEC could enhance its role in assisting SMEs by distancing itself from fund distribution affected by political pressures and influence. The government should allocate resources to empowerment initiatives that encompass comprehensive strategies for empowering individuals and enhancing their capabilities.

Zambia's most significant asset is its people, and empowerment initiatives should have a deliberate focus on human capital development. The CEEC should strive to realize the objectives outlined in the CEEC Act and emphasize capacity building that equips SMEs with relevant skills to engage in equity ownership within key sectors, ultimately contributing to sustainable employment opportunities. Mere provision of loans may not suffice to attain the developmental objectives pursued.