Enhancing access to financial services for MSMEs in the green building construction sector in Zambia

In Zambia, the inability to access finance is a significant barrier to the growth and development of MSMEs in the building construction sector and to the home ownership market. The reasons behind this relate to the high lending risks associated with the sector which, paired with market constraints, not only limits the channelling of funds to housing finance, but keeps borrowing costs high (FinMark Trust, June 2013).

The limited access to finance for MSMEs can be ascribed to a mismatch between the needs of MSMEs and the supply of financial services relating to both the demand and supply sides of the financial services market.

Demand-side problems
Demand-side issues relate to the MSMEs themselves. These include lack of understanding of loan application requirements; lack of financial records and bankable business plans; no credible, traceable credit history and collateral; inadequacies in corporate governance; and shortcomings in business management practices and attitudes.

Supply-side problems
On the supply side, financial service providers (FSPs) do not understand the unique financial needs and business models of MSMEs. They subject these businesses to the same assessment criteria as large corporates. Other issues include lingering deficiencies in the legal and regulatory framework and poor financial infrastructure of financial institutions, ranging from branch networks, accounting and auditing standards, to credit reporting systems, collateral and insolvency regimes which are not pro-MSME. There is also the crowding out effect of government – borrowing being a much more attractive option than delving into riskier MSME lending.

Formal MSMEs contribute up to 45% of employment and up to 33% of GDP in developing countries. These numbers are significantly higher when enterprises in the informal sector are included, according to an IFC study conducted in October 2010.

World Bank Enterprise Surveys conducted between 2006 and 2009 revealed that 41% of MSMEs in developing countries report access to finance as a major constraint to their growth and development, compared to 30% in middle income countries and 15% in high income countries. MSMEs in high income countries ranked barriers such as tax rates, regulations and electricity higher than their counterparts in low income countries, who cited corruption, electricity and finance as their biggest hindrances to growth (World Bank).

According to the Zambia Business Survey, 2010, large enterprises account for only 7% of employment in the country’s almost 5 million-strong workforce, while the majority of the workforce works in the informal sector and 16% is unemployed.
Bridging the gap

Under the Zambia Green Jobs Programme, the International Trade Centre (ITC), a joint technical co-operation agency between the World Trade Organization, United Nations Conference on Trade and Development and local partners, aims to tackle the lack of access to financial services faced by MSMEs in the green building construction sector in general and green housing in particular. The expected outcome is to enhance the competitiveness of targeted MSMEs, which will lead to increased profit, income and consequently employment levels. The assistance provided will involve empowering both the demand and supply side of MSME financing.

Demand-side response

The intrinsic shortcomings of MSMEs in accessing financial services are tackled through the engagement of business development service (BDS) providers working with targeted MSME associations. The ITC trains these BDS providers in financial management in order for them to become certified financial management counsellors (FMCs). The role of these FMCs is to train, coach, mentor and advise targeted MSMEs in the areas of financial record management, business plan development, corporate governance, adherence to statutory obligations, risk identification and mitigation, interpretation of financial records, cash flow management, contract management, etc. The guidance provided will allow entrepreneurs to develop their own business plans, get financing and successfully grow their businesses.

This approach enhances the chances of accessing finance from FSPs, as the FMCs pre-screen the loan applications and business plans. In addition, the continued mentoring, coaching and advisory services provided to MSMEs assures FSPs of higher success rates and complements their monitoring and performance evaluation duties (something FSPs often find overwhelming when dealing with MSMEs). In a way, the role of an FMC can best be seen as that of a non-financial ‘guarantor’ to FSPs, leading to enhanced lending through reduced perceived risk.

Supply-side response

The ITC, in collaboration with various experts from local and international institutions, will undertake the following on the supply side:

a. Create green finance awareness: Create awareness of the green economy, green finance and the role of the financial sector in fostering sustainable development. It will also promote the business opportunities in green finance, development of green financial products and services, establishment of green banking processes and procedures as well as assessing loans from a ‘green’ perspective.

b. Provide access to green finance: FSPs can tap into lines of credit from development financial institutions (DFIs) such as the African Development Bank’s Climate Fund or the IFC. They can also benefit from credit guarantee funds from DFIs as they are aimed at increasing the portfolio lent to targeted MSMEs. FSPs can equally benefit from leveraging their funds, directly or indirectly, with government-financed green funds, which are often augmented by DFIs.

Green funds can also be used to assist in the deepening of the financial marketplace through the introduction and encouragement of funds such as green private equity funds, mobilisation of green bonds, green joint venture funds, green mortgages and other such products.

c. Provide access to business linkage fuelled finance: MSMEs can access financial services indirectly by being linked to big companies in the building construction sector. These companies, by nature, have a better chance of obtaining credit. By creating awareness in the financial sector about the potential of green or sustainable housing, institutions such as pension houses and other FSPs can make funding available to big property developers who can in turn subcontract the targeted MSMEs to build their houses.

d. Build capacity: Technical assistance to FSPs can be facilitated to improve access to finance for MSMEs. Training can, for instance, be conducted to enable FSPs to better understand MSMEs and come up with appropriate and innovative products for this sector. Technical assistance can also be provided in terms training FSPs to handle new product lines, such as asset and fund management, project finance assessments, and public-private partnership ventures or any other such special purpose financing arrangement.

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Entrepreneurship in Zambia

The Global Entrepreneurship Monitoring Report (2012) revealed that Zambia is one of the most entrepreneurial countries in the world, with over 40% of the Zambian population involved in business activities, leaving countries such as South Africa and Namibia far behind. Although these figures sound promising, many young, potential entrepreneurs encounter difficulties in setting up and establishing their businesses. In fact, the majority of Zambian entrepreneurs fail in the first six to 36 months after starting their businesses. National and international research found that the main barriers faced by entrepreneurs are:

- Limited access to and availability of sector-specific green business and technical skills: The green economy requires a well-developed and coherent skills framework. Green skills have been identified at national and international level as a major bottleneck for green economic growth.
- Lack of mentorship services and a nurturing environment in general for start-up entrepreneurs: Assisting young start-ups with mentorship programmes has proven to be extremely useful. Providing information on how and where to go in terms of registration of businesses, skills development providers, tax obligations and labour law practices in the sector is crucial to the successful establishment and growth of a business.
- Lack of access to finance: Every business needs start-up capital, or sufficient funds to maximise growth once established. So far, financial institutions have shown reluctance to approve finance for young and start-up entrepreneurs. Access to finance is also hampered by the low level of financial literacy on the part of the entrepreneurs themselves, especially with regard to business plan development and financial management skills.

These barriers are common to most entrepreneurs, but become more pronounced when new forms and shapes of entrepreneurial activity, such as green entrepreneurship, are involved.

Strengthening Green Entrepreneurship through the promotion of Sustainable Enterprises

Micro, Small and Medium Enterprises (MSMEs) are providing the bulk of jobs in Zambia, and contribute significantly to the national GDP. In the construction sector alone, over 180,000 people are employed of whom the majority are in MSMEs (Zambia Labour Force Survey, 2012). The greening of the building construction sector holds the potential for job creation through green business development services, skills development as well as creating a more enabling and growth-oriented environment for MSME’s in Zambia.

Entrepreneurship in Zambia

The 2012 Zambia Chapter of the Global Entrepreneurship Monitor describes Zambian entrepreneurs as opportunity-driven (46% of Zambian entrepreneurs), rather than necessity-driven. This is to the benefit of Zambian entrepreneurs since it has been shown that opportunity-driven entrepreneurs are more successful in the long run than necessity-driven entrepreneurs. Furthermore, it also shows that Zambian entrepreneurs are sensitive to innovation and changing markets and eager to insert themselves into new markets and value chains, identifying opportunities.

Opportunities drive Zambian Entrepreneurship

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Caring for green entrepreneurs and sustainable enterprises

The Zambia Green Jobs Programme has identified MSMEs as the final beneficiaries of all its interventions, from the raising of awareness and policy development to business development services. To ensure maximum impact and efficiency, the business development component of the Zambia Green Jobs Programme has identified the following key areas of intervention:

- **Development of green business development tools in building construction:** In collaboration with the programme’s stakeholders the Start and Improve Your Green Construction Business (SIYGCB) training programme has been developed. The SIYGCB training package targets emerging and established entrepreneurs to develop an environmentally sustainable construction business. It is based on the Start and Improve Your Business (SIYB) training package, a management-training programme which focuses on the start-up and improvement of small businesses as a means to create more and better employment in developing economies and economies in transition.

- **Promoting a culture of entrepreneurship in green building construction and best practices in green construction:** Although Zambians are positively disposed towards entrepreneurial activities, the programme promotes the concept and stimulates the uptake of green entrepreneurship through various activities. One of the main activities in this area is the launch of a Green Business Plan Competition which will provide a platform for start-up entrepreneurs to develop and receive support for potentially successful business plans.

- **Skills development for green building construction:** Skills in green building construction do not necessarily require high levels of re-skilling. Like in many other sectors, greening of skills can be done fairly easy through targeted training sessions. Amongst others, MSMEs will be offered skills development in areas such as solar panel manufacturing and green materials and technologies through established training institutions.

- **Development of artisan and architectural skills for better green building practices and principles in design and construction:** In collaboration with national learning institutions, the Centre of Excellence in Green Construction and Design will be established for the benefit of the industry. The centre will provide research, scholarly and industrial programmes in green construction for strategic resource development towards the economic and social development of Zambia. The construction industry will benefit from the centre’s variety of skills and expertise and the quality of training. The centre will further facilitate access to technical expertise, services and facilities as well as cross-pollination of technical knowledge that will enhance quality and sustainability in Zambia’s construction industry. This will be achieved by incorporating aspects of green construction in the learning curriculum; conducting training of construction industry instructors in green building principles; conducting in-service training on green construction; conducting exposure visits for students to green construction sites; arranging competitions among students on green construction; and providing technical expertise in the design of in-service training on green construction, among others.

These supporting mechanisms and capacity building services are rendered through strategically placed institutions with a specific mandate to support small-scale entrepreneurs in the building construction sector, amongst others the National Council for Construction (NCC), Thompark Construction Training Centre, the National Association of Medium and Small Scale Contractors (NAMSCC) and the Zambia Association of Women in Construction (ZAWIC).

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

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

Challenges of linking MSMEs in the green housing construction sector

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

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

Securing internal commitment from large firms

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

Enhancing MSME skills and capacity

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

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

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

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

Strengthening the policy and regulation environment

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

The business linkages component

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

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

Investment opportunities in the Zambian housing sector

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

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

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

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

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

The ZGJP business linkages component presents the following benefits:

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

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Promoting occupational health and safety in the building construction sector in Zambia

“Decent working conditions are at the heart of Zambia’s transition to a green economy. Promoting safe and healthy working conditions is essential to enhancing and increasing productivity. This in turn has the potential to attract and retain a skilled, competent and motivated workforce.”

Decent and green jobs in the building construction sector

The building construction sector in Zambia has been identified as a potential driver for economic growth and green job creation. However, the sector is poorly regulated in terms of occupational safety and health (OSH).

According to the ILO’s 2012 Zambia Country Profile on Occupational Safety and Health, the building construction industry reported 58 occupational fatalities between 2003 and 2007. This high number of fatalities, which ranked third behind the mining and quarrying and chemical sectors, can be attributed to, among other things, the structure of the industry and poor working conditions. Subcontracting is very common, which heightens the pressure of meeting deadlines, and increases the difficulties of co-ordinating work and ensuring site safety and health. Most of the workers are on temporary contracts, which compel them to work long hours in order to increase their earnings while work lasts. Compared to their counterparts on permanent contracts, workers on temporary contracts rarely have sufficient training or the experience necessary for the hazardous working environment on most construction sites. Furthermore, these workers often cannot refuse to work under unsafe conditions. The ILO estimates that 95% of accidents involve workers employed by subcontractors.

OSH challenges in the building construction sector

Low levels of awareness and skills

A lack of familiarity with existing OSH frameworks among employers and workers has been identified as one of the main causes of (i) low rates of compliance; (ii) the high incidence of occupational accidents; and (iii) the lack of safety precautions in the workplace. In addition, most employers in the sector view OSH as a cost rather than an investment and thus pay very little attention to either its legal provisions or promotional aspects.

Inadequate coverage of OSH in vocational and technical courses

The majority of vocational and technical training institutions responsible for training artisans in various aspects of building construction have yet to integrate OSH into the training modules offered. Where such modules do exist, their coverage of important, relevant subject matter is scant. Consequently, artisans graduating from vocational training institutions have low levels of OSH awareness and do not have the necessary skills to conduct risk assessments and manage identified risks.

Outdated legislation

OSH in the construction sector is covered under the Factories Act, Act No. 2 of 1966. The Construction (Safety and Health) Regulations under the Act have not been reviewed since the Act was first implemented and consequently do not address the challenges and realities posed by current practices in the construction sector. In particular, subcontracting is a grey area in terms of duty-of-care for OSH.
Promoting OSH in the green building construction sector

Strengthening social dialogue and knowledge sharing

Creating safe and healthy workplaces starts with awareness creation and the sharing of knowledge regarding prevailing occupational hazards and risks. Therefore, one of the goals of the project is to work in close partnership with government, workers, employers, and representative organisations to develop an awareness-raising strategy that will highlight the responsibilities and obligations of employers and workers.

Revision of the regulatory framework

The existing legal framework, in particular the Construction (Safety and Health) Regulations contained in the Factories Act, will be revised and aligned with the ILO’s Convention 167 on Safety and Health in Construction. The adoption of Convention 167 will address some of the gaps in the Construction (Safety and Health) Regulations, such as OSH management on the construction site. A case in point is the question of duty-of-care on construction sites where there may be several contractors working at the same time, or on construction sites where there is a principal contractor and one or more subcontractors.

Addressing OSH in Zambia

- Increase awareness of and tripartite dialogue on OSH
- Review the existing regulatory framework and promote the adoption of Convention 167 on Safety and Health in the Construction Sector by all construction role-players
- Strengthen OSH curricula in technical and vocational training institutions

Convention 167 on Safety and Health in Construction

The ILO’s Convention 167, adopted in 1988, provides technical guidance on prevention and protection measures in the construction sector. These measures relate to the duties of the principal contractor regarding OSH on a construction site, as well as those of designers and planners of construction projects. Convention 167, if implemented properly, will have a positive impact on Zambia’s construction sector by strengthening national OSH systems.

Convention 167 is supplemented by Recommendation 175 on Safety and Health in Construction. The ILO has also developed the OSH Code of Practice in Construction, which provides guidance on the implementation of the provisions of Convention 167 and Recommendation 175.

Strengthening and mainstreaming OSH in technical and vocational training

The training curriculum for construction-related courses at Thorn Park Construction Training Centre (TPCTC) will be updated to include OSH. To this extent, an OSH Training Manual on Construction Safety is currently under development by TPCTC in conjunction with stakeholders such as the Ministry of Labour and Social Security’s Department of Occupational Safety and Health, the National Council for Construction and the EcoLusaka Project, which falls under the VTT Technical Research Centre of Finland.

The OSH Training Manual on Construction Safety will serve as a guide for small- and medium-scale contractors.

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The building construction sector as a driver for job creation

The Zambia Green Jobs Programme promotes the creation of green and decent jobs through the development of micro, small and medium enterprises (MSMEs) in the building construction sector. The programme enhances the productivity of MSMEs through better working conditions, while competitiveness and sustainability are promoted through a shift towards greener business models that thrive as a result of using green building practices, materials and technologies. This ensures that these businesses contribute to inclusive green growth and job creation, while preserving and improving the quality of the environment in Zambia. The Zambia Green Jobs Programme facilitates and builds the capacity of finance and business development service providers that support 3,000 MSMEs in the building construction value chain.

Many challenges and opportunities exist in the construction sector, and there is great potential for green job creation through MSME development. The sector has contributed over 20% to the growth in Zambia’s GDP in recent years, and demand for housing is rising exponentially against the current estimated backlog of over 3 million dwellings by 2030. National and international real estate developers and investors, as well as mining-related industries, are increasingly investing in mass affordable housing developments.

The building construction sector is therefore an excellent conduit for the creation of broad-based wealth and jobs due to its high labour intensity, low entry barriers for semi-skilled and unskilled labour, and large number of MSMEs. Furthermore, it can facilitate the reduction of greenhouse gas emissions in the built environment through the promotion of local content and eco-friendly building materials, services, goods and technologies such as energy saving devices, renewable energy and water conservation. The sector is, however, prone to industrial accidents and injuries and, due to the informal nature of employment, construction workers are amongst the most vulnerable when it comes to ill health and poverty, specifically in terms of maternity, disease, unemployment, disability, and old age. These challenges present opportunities to improve working conditions and productivity through the extension of basic social protection, occupational safety and health services and labour law adherence in order to reduce decent work deficits and improve the quality of jobs.

Promoting inclusive green growth, sustainable enterprises and more and better jobs

The Zambia Green Jobs Programme is a partnership between the Government of Zambia and the United Nations (UN), including the Food and Agriculture Organization (FAO), the United Nations Environment Programme (UNEP), the United Nations Conference on Trade and Development (UNCTAD), the International Trade Centre (ITC) and the International Labour Organization (ILO). The programme is led by the ILO, with financial assistance from the Government of Finland, and is aimed at promoting more and better jobs for inclusive and green growth in sectors where goods and services can be produced with an environmental benefit.
A systemic approach to job creation

Following a tried and tested systemic approach, the programme comprises three distinct areas or levels of intervention.

The first is aimed at shaping attitudes, practices and behaviour towards a higher appreciation of green buildings and related job creation potential. Besides media messages, awareness raising is based on real life examples through the construction of demonstration houses that incorporate local design and use green building materials and eco-efficient technology solutions.

The second key area is policy level work, which supports government and quasi-government institutions. In association with financial institutions, business development service (BDS) providers, sector associations and worker’s organisations have initiated a regulatory reform process to promote uptake of green building practices among private and public housing developers in Zambia, based on international best practice examples. Developing national green building guidelines as well as launching the Green Building Association will be amongst the key deliverables in this area.

Thirdly, the project works at enterprise level to strengthen the capacities of private sector associations and service providers. Interventions aim at improving MSME access to industry-specific financial services, as well as non-financial or business development support services. The emphasis is on functional and technical-vocational skills training, sector-specific business services, finance and access to markets. Since the programme targets role-players along the entire building-construction value chain, the group of ultimate beneficiaries is diverse and includes forest growers, processors, manufacturers and retailers of local building materials.

At the core of the approach: National ownership and tangible effects for the people

The programme is implemented through a wide variety of public and private role-players and stakeholders with specific mandates to promote access to business development and financial services related to building, construction and forestry and targeting micro, small and medium entrepreneurs.

The Zambia Green Jobs Programme will create 5,000 new green jobs by 2017 by strengthening enterprise competitiveness and sustainable business along the value chain. In addition, the programme will improve the quality of 2,000 existing jobs by enhancing the productivity and working conditions of workers in MSMEs. By 2017, at least 150 buildings will be newly built or retrofitted across Zambia using green building technologies, products and materials, exhibiting a 10% reduction in the monthly comparative energy and water utility costs.

Towards greater outreach, scale and impact on inclusive green growth and job creation in Zambia

The Zambia Green Jobs Programme demonstrates a development model including selected policies and meta and micro level interventions to generate green jobs in the building construction subsector. In addition to this demonstration, the programme contributes to the on-going national dialogue on inclusive green growth in Zambia.

Green growth refers to creating jobs and sustainable economic opportunities for a growing number of Zambians, especially for young people and women, whilst at the same time mitigating environmental costs for present and future generations.

Working together with the Ministries of Finance and National Planning, Ministry of Labour and Social Services, the Cabinet Office, Worker and Employer Organisations, among other stakeholders, the programme supports a National Green Jobs Assessment which will inform future policy development on how and where to create decent jobs within an inclusive green growth and sustainable development framework.
Green building and construction policies

The building construction sector, like most other sectors, does not operate in a vacuum. The sector is one which is highly regulated and attracts policy and regulatory oversight from several different disciplines in order to benefit those directly involved as well as the public in general.

The sector needs this enabling policy and regulatory environment to provide the support and impetus it requires to function both efficiently and effectively.

The challenge for the Zambian building construction sector in general and that of the practice of green building in particular, has its roots in the historical context of the existing regulatory and policy frameworks.

In the Town and Country Planning Act, the regulations on construction are based on materials rather than performance standards; they specify particular materials and minimum dimensions to be used. Even though different materials would be as good in performance, they would not be acceptable according to the existing legal framework because they are not referred to by name. This not only limits the materials and methods that can be used, it also hinders future research and development of other materials and technologies that could satisfy the same health and safety requirements.

Zambia Urban Housing Sector Profile, 2012: 25

In 2011, the United Nations Environment Programme (UNEP) supported the Government of Zambia in developing a National Sustainable Consumption and Production (SCP) Programme that recognises the contribution of green building and green jobs to the sustainable development of the country. The SCP Programme is being implemented by Zambia Environmental Management Agency (ZEMA) under the supervision of the Ministry of Lands, Natural Resources and Environmental Protection. Interventions at policy level for the Green Jobs Programme in the building construction sector in Zambia will build on the UNEP’s evidence-based policy measures arising from the inception phase of international best practice research in green building.

Based on the results of research undertaken on international best practice in green building and consultative meetings held with key stakeholders, the key challenges in green building include:

- Limiting initial costs of green technologies;
- Lack of awareness;
- Limited government support and leadership;
- Regulatory restrictions;
- Outdated and non-responsive pieces of legislation;
- Knowledge gaps in workforce skills on green building;
- Limitations in building materials;
- Unco-ordinated efforts by different players in the building construction industry; and
- Policy gaps in supporting green building.

Zambia inherited most of its legislative infrastructure from Britain and until now has made no major revisions or amendments in spite of environmental, developmental, demographic and social changes and challenges.
South Africa, for instance, has embraced these changes and responded to the need to green its construction by providing a framework for energy efficiency, initially through the SANS 204 green building standard, which was voluntary in nature. Subsequently, new regulations are defined in the South African Bureau of Standards’ SANS 10400-XA standard, and are enforceable in terms of the National Building Regulations and Building Standards Act. Experiences in South Africa regarding the development of green building guidelines have shown them to be crucial to create market demand and uptake of green building techniques and practices. This has led to the development of rating tools which provide standards and benchmarks for green building and the establishment of the South African Green Building Council, which not only rates green buildings, but also provides training and other auxiliary services.

Supporting the greening of the building construction sector in Zambia

The Zambia Green Jobs Programme provides technical assistance to key players in government, statutory bodies and civil society to shape an enabling regulatory framework to support the transition towards green and sustainable building construction practices. In supporting various activities towards the achievement of the expected outputs of the programme, UNEP will work, amongst others, with the following key agencies in Zambia: Ministry of Local Government and Housing; Ministry of Transport, Works, Supply and Communication; National Council for Construction; Zambia Environmental Management Agency; and various business and worker associations.

Support will be provided in the following areas:

**Stimulating awareness and dialogue among green building, financing and modern building technology**

To increase awareness of green building, international best practice on green building technologies will be shared through different mediums, including publications, policy briefs, workshops and other media tools. Social dialogue to promote green building best practice among private and public sector housing developers will also be used.

**Developing National Green Building Guidelines**

Current legislation does not have specific guidelines which address requirements for green construction. Green building guidelines are the basis of creating high performance, sustainable buildings in general and housing in particular. The guidelines developed will clearly spell out what green buildings are as well as give performance criteria and guidance on social, environmental and economic aspects, including a checklist for measuring this performance.

Buildings have extensive direct and indirect impacts on the environment. During their construction, occupancy, renovation, repurposing and demolition, buildings use energy, water and raw materials, generate waste and emit potentially harmful atmospheric emissions. These facts have prompted the creation of green building standards, certifications and rating systems aimed at mitigating the impact of buildings on the natural environment. ([http://www.wbdg.org/resources/gbs.php](http://www.wbdg.org/resources/gbs.php))

**Revising the regulatory framework to adopt greener building practices**

Greener building practices require a regulatory framework that is not only enforceable, but also receptive to the needs of the industry. As such, after identifying gaps, the existing regulatory framework will be revised to allow for mainstreaming of green building principles and concepts in the building and construction sector, thus fostering greener building practices.

**Improving compliance and support for building and construction requirements and increased formalisation of businesses among MSMEs in the building construction value chain**

Compliance is critical to a vibrant construction sector. In order to achieve this, the programme will endeavour to increase capacity within the National Council for Construction and the City and District Councils so as to improve enforcement of building regulations. Further capacity building will be undertaken through the training of instructors and the provision of clinics on construction-related issues for micro, small and medium enterprises (MSMEs) registered with the construction regulator.

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The building construction sector plays a central role in terms of economic growth and job creation in Zambia, mainly through micro, small and medium enterprises (MSMEs). As in many other sectors dominated by MSMEs, the industry faces serious challenges with regard to decent work. Informal employment is the norm, rather than the exception. In Zambia 89.8% of workers in the construction sector are informally employed (Labour Force Survey, 2012). Workers change jobs frequently because most employment contracts are only for short periods of time and most workers are employed on a project basis.

Construction workers are amongst the most vulnerable when it comes to ill health, poverty in the case of maternity, disease, unemployment, disability, or old age, due in most cases to the lack of any form of social protection. This has adverse implications for working conditions and consequently for enterprise productivity.

Social security in Zambia
Zambia has a long history of contributory social security (SS) schemes, which are based on the social insurance model and limited to the provision of protection against loss of income resulting from retirement, disability or death. Such schemes are essentially designed for salaried or wage-earning workers with stable contractual terms of employment. The right to benefits is associated with a defined minimum number of contributions invested into the scheme. Indeed, the fact that the design does not take into consideration other patterns of work (like temporary or casual work) acts as a disincentive for companies and workers to be registered in the system.

On the other hand, alternate social assistance provisions that are in place are of insufficient scale to be seen as an alternative or even complementary to the contributory schemes.

Challenges for the construction sector
Due to the nature of project-based work in construction, workers in the building construction sector change jobs frequently and contracts are usually temporary. Such work most often occurs without official registration papers which could help the relevant authorities to target workers for coverage. These patterns of informal and casual labour relations create challenges for the sector and the workers to comply with social protection regulations.

Furthermore, in many cases workers come from lower income and education groups, meaning that their knowledge and understanding of pension and saving products is limited, and resources for long-term savings are scarce. This is compounded by lack of public awareness on social security.

In addition, employers view the cost of compliance as an added cost to business, rather than an investment in a productive workforce or even as a savings mechanism. Indeed, it is not rare for a financial shock faced by an employee (like medical or funeral costs) to become a cost for the employer.

The strong predominance of informal employment is in itself a sign that the social system is not providing the right incentives to encourage enrolment in the system. Social security schemes should be tailored to specific challenges and opportunities for both workers and employers. The mismatch between sector needs and what the social security system currently offers calls for creative solutions.

"The nature of the construction business does not allow workers hired on a piecework basis to make enough contributions to qualify them for a pension. Workers do not see the advantage of belonging to the scheme. Short-term benefits are needed as employers bear the cost of workers’ sickness, injury and death."

Excerpt from interview with small-scale contractors

Extending social protection to vulnerable workers in Zambia’s building construction industry

“Social protection is an effective investment in the development of human capital. Extending social protection coverage enhances and maintains the productivity of workers and contributes to employment creation through enterprise growth.”
A co-ordinated UN response

Recognising the potential for the creation of green jobs in the building construction sector and challenges in the sector in terms of decent work, the UN developed a Joint Programme on ‘Enhancing competitiveness and sustainable business among MSMEs in the building construction industry’ in which social protection, as a basic pillar of decent work and a universal human right, is one of the key outcomes to be achieved.

Strengthening social protection coverage in the building construction sector will lead to improved health of the workforce and less absenteeism. In addition, evidence generated has shown that a relationship exists between productivity and working conditions, including access to social protection. Consequently the goal of the initiative is the promotion of productivity through improved working conditions by enhancing access to SS.

The strategy towards social security coverage in the building construction sector

Successful coverage of the construction sector will entail the design and implementation of appropriate policy options that fit both sector worker and employer needs and characteristics. In this regard the project will establish priority areas of focus, within a context of social dialogue. The project will contribute to the design of appropriate social security schemes, building on best international, regional, as well as national practices.

A value-chain approach

A value-chain analysis will be at the centre of the process. An important aspect of this methodology is therefore the identification of players in the value chain in order to gain a perspective on the potential role of these different players in developing social security. A value-chain analysis brings to the table the identification of market dynamics, transaction-based relationships, and the incentives and capacities of key market actors which underpin the ‘way they do business’.

A deep understanding of the current incentives and capacities of the players is required in order to conceptualise their incentives and capacities to change and take on board new ‘ways of working’.

Need for evidence

The design of appropriate social security systems demands sound and concrete evidence in terms of risks and needs. A social security gap analysis will be carried out to review existing and applicable measures, including an analysis of ongoing initiatives that can be adapted and used within the new schemes (as is the case with health savings or mutual credit and saving schemes).

The process will include the development of a business case for improved working conditions that will be used to promote awareness among sector stakeholders as soon as the system is established.

Seizing opportunities

The extension of SS to the informal sector is one of the key objectives of ongoing social security reform. The Technical Group created by government adopted a progressive, sector-based approach, beginning with the more organised sectors. The construction sector represents a good starting point for the implementation of this strategy.

In addition, government is currently working on the development of a National Health Insurance Scheme. In this regard, the coverage of workers in the informal economy is among government’s priorities and the Ministry of Health would like to use the construction sector as a prototype sector.

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Sustainable forestry management and job creation in small forest enterprises

Zambia is regarded as one of the most forested countries in Southern Africa, with forests covering approximately 55 percent (64 million hectares) of the country’s 752,600 square kilometre total land area. Forests are vital to traditional medicine, wood fuel, food, building materials and carbon and hydrological cycles. The forestry sector is an important economic player in Zambia, providing thousands of families with livelihoods. For this reason, sustainable forestry management through certification is fundamental to transforming the country’s building construction industry into a green sector.

Zambian forests and jobs under pressure from deforestation, encroachment and unsustainable practices

It is estimated that Zambia annually loses about 400,000 hectares of natural forest, largely due to deforestation and the conversion of forests to other land uses such as agriculture (Food and Agriculture Organisation (FAO), 2005 and Forestry Department, 2006).

Forest plantations cover about 75,000 hectares in Zambia or 0.1% of the total land area. The Zambian Forestry and Forest Industries Corporation (ZAFFICO), the main supplier of timber, owns plantations that cover a gross area of 55,000 hectares. Industrial plantations are confined to the Copperbelt Province in order to supply timber to the country’s large mining sector.

Wood consumption is currently higher than supply from Zambia’s plantations as a consequence of the low annual planting in the past 20 years and the application of inappropriate plantation management practices, amongst others. For this reason, Small Forest Enterprises (SFEs) with lower overhead costs (as opposed to large-scale plantations) must be promoted as they can produce cheaper timber for the market.

A lack of enforcement of certain timber standards relating to the construction industry further impacts on deforestation. To improve the quality of timber in building construction, Zambia needs to pay particular attention to timber standards such as dimensions, moisture content and grading, all of which will contribute to green construction practices. This means that the country will have to evaluate the sawmilling sector in order to boost the future of wood as a construction material and to create decent green jobs within the construction industry in Zambia.

The principal challenges facing the creation of a green construction sector relate to initiating sustainable forest management. The first challenge is integrating reforestation, which includes growing, nurturing, managing and harvesting trees for useful products. The second challenge is the conservation of soil, air and water quality, with the objective of creating green and decent jobs. An important tool to achieve this is the development of a national framework for sustainable forest certification.

Sustainable forestry management is in line with the Revised Sixth National Development Plan (RSNDP). The RSNDP promotes, amongst others, sustainable forest and land management practices by enhancing community and private sector participation in forest management, including plantations.

“66% of urban residents rely on charcoal for cooking”

One key driver of deforestation is the fact that most households rely on firewood for fuel and charcoal production. Charcoal and electricity are the main sources of energy in urban areas in Zambia. However, due to load shedding and increased electricity tariffs, most consumers opt to use charcoal for cooking and other heating needs and only use electricity for lighting and low energy consumption appliances.
Greening of the forestry sector: Forest certification in Zambia

Forest certification was proposed as a tool to ensure that sustainable forest management is done in conjunction with local communities and traditional leadership. It is available to all operations involved in growing and harvesting trees, including SFEs.

Operators who apply good practice in land and forestry husbandry are eligible to receive forest certification, as they reduce land degradation and illegal logging. Such practice improves the general condition of the forests and increases forest health and vitality to protect biodiversity. Consumers can be provided with information on the production status of the forests from which timber and other forest products originated.

Forest certification is likely to have multiple impacts on the timber value chain, such as:

1. An increase in the operational cost for timber processors and traders of between three and five percent;
2. Introducing best practices in the procurement of forest raw materials, which will emphasise the importance of assuring that raw materials come from legal logging;
3. Introducing better oversight in the timber industry (from raw materials to final products), which should guarantee that timber producing communities are not exploited; and
4. Reforming public procurement and forest policy, since, with the support of government, it should be possible to compel large, private building construction firms to demand timber from certified forests, specifically those that adhere to green building codes.

Job creation, skills development and forest certification

Certification requires the coming together of different factors: business development, raised awareness and creating a national, sector-specific approach to forest certification which includes all stakeholders in the forestry sector. Some initiatives include:

- The FAO, in collaboration with the Forestry Department and other stakeholders in the timber sector, will ensure that the skills set of SFEs and community organisations is improved. Community nurseries for women and the youth will be established, and farm forest growers and local wood processing companies will receive training in various aspects of timber growing and management of smallholder plantations. The project aims to change the mindset of SFEs to focus on long-term investment for more income and improved livelihood rather than on short-term gains;
- The FAO’s Market Analysis and Development Tool will be used to assist community-based tree and forest product enterprises in developing income-generating tree and forest product enterprises, while incentivising sustainable management and protecting resources;
- The Zambia Bureau of Standards, in conjunction with other stakeholders in the construction sector, will develop timber standards to be used in green construction in Zambia;
- To meet the cost of certification, group certification through forest management units and SFEs, will be promoted; and
- The FAO, in collaboration with the Copperbelt University and Zambia Forestry College, will introduce forest certification into their curricula to raise awareness about forest certification.

Promoting and developing green building materials

The Zambia Green Jobs Programme, in collaboration with national stakeholders from the Copperbelt University and the private sector, are developing and promoting new and alternative building materials.

Green building materials are characterised by being energy efficient, if possible, locally sourced and manufactured, non-hazardous during (re)use and disposal and durable.

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