



LOCAL CONTENT POLICY AS A TOOL FOR FOSTERING STRUCTURAL TRANSFORMATION IN ZAMBIA

Bowa Malumbo

The Common Market for Eastern and Southern Africa (COMESA) Business Council,
COMESA Secretariat, P.O Box 30051, Lusaka, Zambia
Mbowa@comesabusinesscouncil.org

Pinifolo Jonathan, PhD 

The Common Market for Eastern and Southern Africa (COMESA) Business Council,
COMESA Secretariat, P.O Box 30051, Lusaka, Zambia
Jpinifolo@comesabusinesscouncil.org

Soobramanien Teddy Y.

The Common Market for Eastern and Southern Africa (COMESA) Business Council,
COMESA Secretariat, P.O Box 30051, Lusaka, Zambia
Tsoobramanien@comesabusinesscouncil.org

Abstract

This paper investigated the role of local content policies as a vehicle for achieving structural transformation in Zambia. The notion of local content emphasises the operational participation of domestic industries, businesses, and labour in various sectors, including mining, oil and gas, technology, manufacturing, and services. This study examined how successfully implemented local content policies have contributed to fostering domestic capacity building, economic diversification, job creation, and overall sustainable development. The study then examined literature on structural transformation and local content, analysing the combined effect of these concepts and how they relate in the Zambian context. Using qualitative research methods, and stakeholder interviews, the study evaluated the implementation of local content policies in Zambia and their impact on the economy. As a result, this study discovered that the

implementation of local content policies has been sluggish, with less than 15% utilization of local resources and minimal procurement compliance, leading to limited job creation. Conversely, it was discovered that the agro-processing sector has improved slightly due to the import substitution. However, balancing local participation and foreign investment remains a challenge, but supplier development programs in mining show promise. Embracing local content in manufacturing could enhance technological capabilities, but more skills transfer from international experts is needed. Though direct GDP impact is complex to discern, promoting manufacturing local content is vital for Zambia's structural development and aligns with AfCFTA goals. Improving product quality is crucial for AfCFTA competitiveness, with lessons from other African nations pointing to a balance between trade agreements and local industry support. Encouraging local consumption and quality-focused supplier development programs can further fortify the local content agenda.

Keywords: structural transformation, AfCFTA, domestic capacity building and economic diversification

INTRODUCTION

Local content also referred to as “National Content” is generally understood to be the local resources, a project or business employs or develops along its value chain while investing in a host country (IPIECA, 2016). Subsequently, Structural transformation refers to the process of shifting an economy from one dominated by traditional and low-value-added activities, such as agriculture and raw material extraction, to one characterised by higher value-added sectors, such as manufacturing, technology, and services. This transformation is vital for achieving long-term economic growth, job creation, and poverty reduction (Bruce F. Johnston, 1970).

Therefore, Local content, as a tool for structural transformation, is a deliberate approach employed by governments and policymakers to drive economic development and foster sustainable growth within a country. It involves maximising the participation and benefits of local businesses, industries, and communities in the development and utilisation of the country's natural resources, industries, and markets. By prioritising local content, nations can move beyond simply exporting raw materials and instead build a diversified, sustainable and resilient economy that contributes to structural transformation (COMESA, 2018).

Ordinarily, local content policies have a long history of delivering structural transformation and development outcomes (Chimfwembe, 2021, Minicit, 2017, UNIDO, 2018 and wells, 2010). Zambia can use a combination of local content measures ranging from legal to more voluntary ones such as the buy local campaign to achieve industrialisation and structural

transformation. The illustrations provided by the Zambia Association of Manufacturers clearly demonstrate that Local Content can be instrumental in fostering structural transformation in Zambia.

Background

The historical context of local content in Zambia can be traced back to the country's efforts to promote economic development, industrial growth, and inclusive participation in various economic sectors. Local content policies in Zambia have been shaped by the country's historical experiences and economic priorities.

Zambia inherited a mono-economy with copper mining as its primary industry in 1964, when it gained independence. Approximately 50% of the GDP and 95% of export income were attributable to this. According to the UNDP (2016), manufacturing value added only made up 6.9% of GDP. Therefore, it is not surprising that differentiating the economy predominated the nation's original development objectives. The import-substitution industrialisation strategy (ISI), which aimed to manufacture intermediate and consumer goods, build economic links, and produce a surplus for exports, served as the cornerstone of these initiatives. To lessen its reliance on imports and support home companies, the government of the Republic of Zambia adopted an import substitution industrialisation (ISI) policy. This strategy aimed to improve value-added production and local manufacturing. According to Karmiloff (1989) and UNDP (2016), this strategy aimed to promote regional manufacturing and raise value-added output. Broadly speaking, the Import Substitution Industrialisation strategy was an effect of a Local Content development strategy (Lombe, 2020).

The nationalisation of productive assets and the upbeat commodities prices, according to Lombe, 2020, allowed the Import Substitution Industrialisation (ISI) to acquire momentum during its first decade of implementation (1964–1974). The two largest mining properties, Roan Copper Mines and Nchanga Consolidated Copper Mines, as well as their merger into Zambia Consolidated Copper Mines (ZCCM) in 1983, were nationalised. The majority (51%) of the two company's shares were acquired. The primary goal of nationalisation was to impose control over an economy dominated by the private sector, where foreign ownership of capital, excessive profit repatriation, little investment in the development of human resources, and selective production investment were all factors. (Kaunga 1993).

By 1980, state participation in manufacturing GDP and employment had increased to 56% and 44%, respectively, because of the manufacturing value added growing rapidly at a rate of 13% per year in constant 1970 prices (Karmiloff 1989; Kaunga 1993: 4-5). Food, drinks, textiles, and tobacco are the consumer goods subsectors that, by 1970, accounted for nearly

60% of the total manufacturing output. This is where most of the import substitution and state engagement took place.

A thorough analysis by the UNECA, according to Lombe 2020, concluded that Zambia had well-established educational and training facilities at the degree, technician, and artisan levels (UNECA 1996). On the other hand, there were talent gaps, particularly in specialised fields like engineering, mine and mineral process design, project engineering, ore estimate, and operations research. Regulation-level expertise was also statistically and qualitatively lacking, notably in policy development, mine safety, and environmental management. These flaws were partially attributed to a lack of industry involvement in knowledge creation and skill development, as well as to inadequate government funding of educational institutions and facilities for technical and vocational training (UNECA 1996).

As a result, towards the end of the 20th century, the new government changed the industrialisation policy's focus to macroeconomic stabilisation. The main goals of the measures were to eliminate any structural distortions and inefficiencies brought about by the Import Substitution Industrialisation policy and to increase the manufacturing sector's competitiveness. To do this, meant liberalising several industries and privatising state-owned businesses. These changes attempted to make the economy more market-oriented and entice international investment. Additionally, most of the foreign exchange controls were withdrawn, tariffs were reduced, and import and export restrictions were lifted. However, because of low commodity prices and a depreciation in the exchange rate, exports decreased rather than increasing. The use of local content was additionally supported by the import-heavy manufacturing sectors. However, the import-intensive heavy manufacturing industries that supported the use of Local Content further weakened and, by the year 2000, total manufacturing value added had fallen to about 10% of GDP from about 25% in 1991. The unintended consequence of liberalisation was a collapse of the manufacturing sector (UNDP 2016).

The Zambia Mining Local Content project (ZMLCI), a joint public-private project supported by the World Bank and the International Finance Corporation, is one of Zambia's current local content initiatives. The Zambia Association of Manufacturers (ZAM) and the Chamber of Mines (CoM) jointly lead on this. It aims to increase local content and the utilisation of locally produced inputs in the mining sector in Zambia. The Private Enterprise Programme (PEP-Zambia), which is supported by the (UK) Department for International Development, aims to establish long-term business alliances between Zambian SMEs and major enterprises and provides services for small business development. Zambia started implementing these policy changes to increase the involvement of local content in the extractive industry. Zambia initiated these policy shifts to enhance local content participation in the extractive industries. The

government introduced regulations to promote local procurement, employment, and technology transfer in the mining sector. This programme also runs business plan competitions to promote endogenous entrepreneurship (AfDB 2017).

Zambia has made strategic attempts in recent years to diversify its economy and reduce its reliance on copper. To increase local value addition and economic growth, these efforts have focused on encouraging non-traditional industries like manufacturing, tourism, and agriculture. Zambia's long-term development is reportedly governed by Vision 2030, according to the Ministry of Trade, Commerce, and Industry. The Vision, which was adopted in 2006, projects that the nation will become a "thriving middle-income nation" by 2030 (GRZ 2006). Zambia's economy is anticipated to be well-diversified by that time, with a robust industrial sector, a contemporary agricultural industry, and a productive service sector. Additionally, it is intended to be technologically proficient, and completely capable of adapting, innovating, and investing using its human and Natural resources.

To achieve the above, the government of the Republic of Zambia embarked on formulating a national local content strategy to be implemented from 2018 to 2022. This National Local Content Strategy aims to foster business linkages in growth sectors as well as promote linkages between MSMEs and large enterprises, both local and foreign. The Government of the Republic of Zambia has planned to use this strategy as a tool to ensure that the benefits Zambia seeks to achieve from FDI with regards to improved technology and managerial skills are integrated into the domestic market and distribution of foreign enterprises will enhance the competitiveness of local firms and therefore spur the much-needed industrialisation and diversification. These attributes are a good basis for Local Content growth (MTCI, 2018).

Zambia, much like other nations across the African continent, struggles with finding an equilibrium between nurturing indigenous content and catering to the interests of foreign investors and commercial partners, especially in the context of its participation in the African Continental Free Trade Area (AfCFTA). While Zambia aspires to promote local industries, enhance value addition, and facilitate technology transfer, it also recognises the importance of attracting foreign investments and adhering to international trade agreements to stimulate economic growth and diversification. This delicate balancing act underscores the broader dilemma faced by many AfCFTA member states, as they navigate the complex landscape of fostering regional development and integration while accommodating the globalized economic realities of the 21st century. Zambia's experience serves as a microcosm of the larger continental challenge within AfCFTA, emphasising the necessity for realistic policies that foster

both local empowerment and international cooperation to ensure the long-term success of this ambitious continental endeavour.

Statement of the problem

The COVID-19 pandemic led to a decline in Zambia's economic growth from 1.4% in 2019 to -2.8% in 2020, as reported by Zamstats. This economic downturn exposed the vulnerability of Zambia's economy and emphasised the urgent need for structural transformation and economic diversification. The disruption in international trade due to the pandemic resulted in a deterioration of growth in sectors like manufacturing, emphasising the need for measures to enhance economic resilience (Chimfwembe, 2021).

Considering these challenges, the Ministry of Commerce, Trade, and Industry initially introduced local content strategy in the year 2018 as a strategic tool for fostering structural transformation in Zambia's economy. However, it remains uncertain to what extent this strategy has been effectively implemented and what challenges, if any, have hindered its realisation. This study aims to investigate the effectiveness of the local content policies, with a particular focus on their potential impact on promoting industrial growth, enhancing value addition, and reducing import reliance in the manufacturing sector.

By examining the effectiveness of local content policies in the Zambian context and their potential to mitigate the economic impact of crises such as the COVID-19 pandemic, this research seeks to provide valuable insights and recommendations for policymakers and stakeholders in the quest for sustainable economic development and transformation in Zambia. Ultimately, this study aspires to contribute to the ongoing discourse on building economic resilience and fostering structural transformation in the face of economic challenges.

General Objective

To evaluate the implementation of local content policies, identify the challenges encountered, and assess their effectiveness in fostering structural transformation, since the implementation of the local content strategy in 2018.

Specific Objectives

- (i) To determine the degree to which the implementation of the local content policy has encouraged the utilisation of local products and services in Zambia.
- (ii) To examine the challenges being faced by stakeholders of various sectors regarding the local content policy.

Study Hypothesis

Implementation of local content policies in Zambia is positively related to structural transformation and leads to sustainable economic growth in Zambia.



Figure 1. Conceptual framework

Significance of the Study

The study of local content as a tool for structural transformation in Zambia is particularly relevant due to the country's economic landscape and developmental challenges. Zambia, like many other developing economies, can benefit from prioritising local content for several reasons such as Economic Diversification, Employment and Skills Development, Value Addition and Industrialisation, Technology Transfer and Knowledge Sharing, Inclusive Growth and Poverty Reduction, Enhanced Government Revenue and eventually Sustainable Development.

Considering the aforementioned, there are still too many resource-rich nations with undiversified economic frameworks, weak industrial bases, high unemployment, and unstable economies. Many of them are looking to local content regulations to assist them in taking advantage of the industry's great potential for inclusive economic development as they evaluate or revise investment and industrial codes and contracts. The local content policy seeks to typically ensure that a significant amount of project inputs come from the host nation without adversely affecting the project's or sector's economic viability. The idea is that by doing this, host countries will be able to extract more value due to an economic multiplier effect (ANRC, 2016).

Therefore, this study will contribute to the existing literature in a way that will explain the extent to which the local content policy has been implemented in Zambia, as well as the challenges being faced by stakeholders since the implementation of the local content policy in Zambia. Appropriately, the findings of this study will be used by stakeholders, including

government to make decisions concerning productivity and act as a guide in the enactment of workable policies. Furthermore, Researchers will find this study useful and use it as a reference point for similar topics.

LITERATURE REVIEW

Outline

A review of appropriate theoretical and Practical literature is carried out in this chapter. This paper reviews the literature on the use of local content policy as a tool for fostering structural transformation in Zambia. In general, the findings from the studies reviewed in this paper show that the Local Content policy implementation and results differ from country to country and over time.

Theoretical Review

Local content as a tool for structural transformation in developing countries has been the subject of theoretical analysis and research in the field of development economics. Below is a theoretical review that highlights key perspectives on the role of local content in driving structural transformation:

Delacroix, (1977) explains the Dependency theory that contends that Some nation's economies are set up so that they are perpetually dependent on importing high-value manufactured goods from more industrialised nations while exporting raw resources or low-value commodities. The growth of a varied and strong domestic economy is hampered by this structural pattern. Foreign firms control key industries like mining, oil extraction, manufacturing, telecommunications, and infrastructure development in many emerging nations. This dominion frequently leads to an extraction-oriented economic model, where most revenues and benefits are retained by foreign corporations and their home nations.

Delacroix, also articulated that, Governments are attempting to eliminate this dependence by enforcing local content rules that encourage the involvement of local firms and employees in the supply chain and manufacturing processes of these foreign-dominated industries. These regulations can call for employing locals, obtaining supplies from regional vendors, and promoting technological transfer. By lowering reliance on foreign players and promoting structural change and economic growth, local content policies can be considered as an effort to address the challenges presented by dependency theory. The ability to balance developing home businesses with retaining international collaboration, institutional capability, and efficient implementation are all requirements for these strategies to be successful. Local content policies can be a tool for structural change, but they also come with challenges. For

instance, problems with local business's capability and competitiveness, potential opposition from international enterprises, and worries about protectionism and trade obstacles can all arise.

Chinese economist and former World Bank Chief Economist Justin Yifu Lin developed the "New Structural Economics" (NSE) as a theory of economic growth. Utilising a nation's comparative advantages and gradually improving its industrial structure are the main goals of the New Structural Economics, which aims to promote economic growth and development. The New Structural Economics approach emphasises that nations should identify their comparative advantages, which are areas where they have a natural edge in terms of resources, skills, or existing industries. Local content is seen as a tool for structural transformation through this lens. Countries can compete more successfully in international markets and capitalise on their strengths for economic development by concentrating on these advantages. (J Lin, 2011).

Witt and Chai, (2018) explained the concept of Evolutionary economics which is a branch of economics that emphasises the role of innovation, learning, and adaptation in shaping economic systems and development over time. It views economies as complex and dynamic systems that evolve through continuous processes of change and selection. When considering local content as a tool for structural transformation. Evolutionary economics recognises that economic agents, including firms and individuals, learn from their experiences and interactions with the environment. Local content policies can be seen as a means of promoting learning and knowledge accumulation within domestic industries. As local firms participate in the supply chain and gain exposure to advanced technologies and practices, they can learn and build capabilities, fostering economic transformation. Evolutionary economics acknowledges that past decisions and historical circumstances can shape the development trajectory of economies. This theory believes that Local content policies can act as catalysts for path dependence, guiding economies toward specific industries and technologies. Governments must be cautious to avoid creating lock-in effects that may hinder future adaptability and structural transformation.

Robeyns, (2011) explains the Capability Approach, a theory developed by economists Amartya Sen and Martha Nussbaum which puts a strong emphasis on empowering individuals and enhancing their agency to make choices and pursue their aspirations. In the context of local content policies, structural transformation should not only be about economic development but also about improving the lives and choices of people. By promoting local content, individuals and communities can have greater agency and control over their economic activities and development paths. The Capability Approach also

recognises that people's well-being is closely tied to their access to essential resources such as education, healthcare, and economic opportunities. Local content policies can aim to enhance access to productive resources for local firms and workers, providing them with the necessary tools to participate in and contribute to the transformation of the economy.

UNCTAD, (2016) proposes how the industrial policy can be instrumental in facilitating structural transformation by promoting the participation of domestic businesses and industries in various economic sectors. Here's how industrial policy can leverage local content as a tool for structural transformation. Industrial policy can identify and prioritise key sectors with high potential for growth and structural transformation. By providing targeted support to these sectors, such as financial incentives, tax breaks, and research and development grants, governments can encourage local companies to invest in and upgrade their capabilities, leading to a more diversified and resilient economy. Governments can use industrial policy to mandate local content requirements in certain industries or projects, especially in sectors dominated by foreign firms. These requirements can stipulate that a certain percentage of the goods, services, or labour used in these industries must come from domestic sources. By doing so, local businesses have an opportunity to participate more actively in economic activities and benefit from the value generated within the country.

UNCTAD, (2016) also suggested that Effective industrial policy involves close collaboration with the private sector, industry associations, and other stakeholders. Engaging in dialogues and partnerships ensures that policies align with the needs and capacities of local businesses, making them more likely to drive structural transformation effectively. Industrial policy can be a powerful tool for leveraging local content to drive structural transformation. By strategically supporting key sectors, promoting technology transfer, strengthening local supply chains, and facilitating the growth of SMEs, governments can foster an environment that empowers domestic industries and enhances their role in shaping the country's economic landscape.

Furthermore, Local content policies can promote research and development activities within domestic industries. By providing financial incentives, grants, or tax benefits for R&D investments, governments can stimulate innovation and technology creation, accelerating the pace of technological catch-up. A skilled and educated workforce is essential for technological catch-up. Local content policies can invest in education and training programs that equip workers with the knowledge and skills needed to operate and maintain advanced technologies. This helps create a pool of talent capable of driving innovation and maximising the benefits of technology adoption. Technological catch-up, facilitated through local content policies, is an essential mechanism for structural transformation. By focusing on technology transfer, R&D

support, skills development, a conducive business environment, and fostering innovation ecosystems, countries can accelerate their pace of technological advancement and enhance their competitiveness in the global economy.

National Innovation Systems (NIS) refers to the complex network of institutions, organisations, and actors that interact to generate, acquire, adapt, and disseminate knowledge and technology within a country. The concept of National Innovation Systems emphasises the importance of innovation in driving economic growth and development. When used in conjunction with local content as a tool for structural transformation, the National Innovation System can play a critical role in enhancing a country's ability to leverage local content to drive innovation and achieve sustainable structural transformation. A well-functioning National Innovation System encourages investment in research and development activities. R&D efforts can lead to the creation of new technologies, processes, and products, enabling local firms to produce higher-value goods and services and participate in industries with advanced technologies OECD, (2002).

Practical Review

Asaah S. Mohammed, (2020) did a case study on the Oil and Gas Sector in Africa: Some studies have examined the implementation of local content policies in the oil and gas sector in African countries. For example, research on Ghana's oil industry found that the introduction of local content regulations led to increased local participation, job creation, and the development of local capabilities in the sector. However, challenges related to capacity building and enforcement were also identified. It was concluded that Ghana's experience with local content policies in the oil and gas sector demonstrates the potential for achieving increased local participation, job creation, and the development of local capabilities. However, addressing the challenges of capacity building, enforcement, and transparency is essential to fully realise the policy's benefits. Policymakers and industry stakeholders must collaborate to establish clear frameworks, provide support for capacity building, and strengthen enforcement mechanisms. By doing so, the African oil and gas sector can harness its potential for sustainable growth and inclusive development.

In several developing countries with rich mineral resources, local content policies have been implemented in the mining sector. Studies have shown that these policies can lead to greater domestic procurement, employment opportunities, and technology transfer. However, ensuring compliance and effective implementation remain critical challenges. Local content policies in the mining sector of developing countries present significant opportunities for domestic procurement, employment, and technology transfer. These policies can contribute to

inclusive economic growth and sustainable development. However, the challenges of compliance, capacity building, and transparency need to be effectively addressed. By overcoming these challenges, developing countries can unlock the full potential of their mineral resources and ensure that local communities benefit from mining activities in a meaningful and equitable manner (IISD, 2019).

In East Africa, Rwanda has been actively promoting the growth and development of its information and communications technology (ICT) sector by implementing various initiatives to support local content and innovation. Rwanda has established programs and incubators to nurture and support local tech startups. These initiatives often include providing mentorship, access to funding, and workspace to help young entrepreneurs bring their innovative ideas to fruition. Some notable tech hubs in Rwanda include Kigali Innovation City and the Rwanda ICT Chamber. The government and various organizations in Rwanda have encouraged the use of locally developed software and ICT solutions. This has not only promoted the growth of the local software development industry but also reduced reliance on foreign software providers. Rwanda has been proactive in attracting foreign tech companies and investments. The government offers incentives and a favourable business environment to foreign tech firms, including tax breaks and reduced regulatory barriers. This approach aims to stimulate foreign direct investment (FDI) in the ICT sector (MINICT, 2017).

Furthermore, Ethiopia's Industrial Parks Development Corporation (IPDC) has been promoting local content policies to attract foreign investment and boost the manufacturing sector. The IPDC offers incentives to foreign investors who source their raw materials locally and employ Ethiopians. Ethiopia's efforts to promote manufacturing and industrialisation, particularly in relation to the African Continental Free Trade Area (AfCFTA), have been significant. The AfCFTA aims at creating a single market for goods and services across Africa, fostering intra-African trade and economic integration. Ethiopia has been actively developing industrial parks to attract foreign investment and promote local manufacturing. These industrial parks have provided infrastructure, facilities, and a conducive environment for businesses, including foreign investors, to set up manufacturing operations (UNIDO, 2018).

Studies on infrastructure development projects have explored the impact of local content requirements on construction and engineering industries. These policies can foster the growth of domestic industries and enhance technological capabilities. The studies have recognised that Infrastructure development plays a crucial role in the economic growth and social progress of countries. To maximise the benefits of such projects, governments often implement local

content requirements, aiming to boost domestic industry's participation and technological capabilities. The research findings from developing countries such as Nigeria, Malaysia and Norway underscore the significant impact of local content requirements in infrastructure development projects on domestic industries and technological capabilities in the construction and engineering sectors. These policies played a pivotal role in stimulating economic growth, creating jobs, and enhancing the competitiveness of local businesses. The studies recommend that policymakers and stakeholders should consider implementing and refining such policies to leverage infrastructure projects as catalysts for broader economic development and technological progress. Additionally, further research and evaluations of the implementation of local content policies can provide valuable insights into best practices and areas for improvement (J Wells, 2010).

Practical research has explored how local content requirements in certain industries can enhance technological capabilities and knowledge transfer. Collaboration between multinational corporations and local firms can lead to technology spillovers and skill development. Practical research supports the idea that local content requirements in specific industries can promote technology transfer and enhance technological capabilities through collaboration between multinational corporations and local firms. By leveraging these policies, countries can drive knowledge dissemination, foster skill development, and bolster domestic industries. Policymakers should craft well-designed local content policies that incentivise collaboration, encourage technology spillovers, and support skill development, ultimately driving economic growth and technological advancement (Adewale, 2017).

Evaluation of Policy Effectiveness: There have been attempts to evaluate the effectiveness of local content policies in achieving their objectives. Researchers have assessed the impact of these policies on economic growth, employment, trade balances, and other relevant indicators. Evaluating the effectiveness of local content policies is essential for policymakers to understand their impact and make informed decisions. While these policies have the potential to foster economic growth, employment, and technological capabilities, they also face challenges that need to be addressed. Policymakers should continuously assess the outcomes of these policies and consider refinements to maximize their positive impact on the economy. Additionally, conducting in-depth case studies and employing robust research methods will further enhance the understanding of how local content policies can effectively support economic development and industrialization (MCTI, 2018).

RESEARCH METHODOLOGY

Research design

This study adopted a qualitative research design, which enables a systematic and adaptable approach to data collection and analysis. Qualitative research is well-suited to explore intricate phenomena comprehensively, allowing for a profound understanding of complex subjects, as it seeks to provide rich contextual insights into human behaviour and experiences, as noted by Lesley Eleanor Tomaszewski (2020). The qualitative research methods employed herein aim to scrutinize, explain, and investigate the role of local content in fostering structural transformation.

Areas of Investigation

The study investigated six key areas that collectively contribute to understanding the impact of local content on structural transformation in Zambia:

1. **Economic Growth:** To measure economic growth, indicators such as the Gross Domestic Product (GDP) growth rate, per capita income, and value-added in targeted industries were analysed.
2. **Employment Generation:** The study assessed employment generation by examining the number of jobs created in the targeted sectors and the overall labour force participation rate.
3. **Export Diversification:** The research measured export diversification by evaluating the variety and value of non-traditional exports as a proportion of total exports.
4. **Technological Capabilities:** Technological capabilities will be assessed through the examination of the number of patents, research, and development (R&D) expenditure, and technology transfer indices.
5. **Foreign Direct Investment (FDI):** The study quantified FDI by considering the inflow of FDI into targeted sectors as well as FDI technology spillover indices.
6. **Public Investment in Capacity Building:** The research will measure public investment in capacity building by evaluating government spending on education, vocational training, and research institutions.

Stakeholders of Investigation

The following key stakeholders were contacted during the investigation:

- a. **Zambia Association of Manufacturers:** This stakeholder represents the interests of the manufacturing and the mining sectors and provide valuable insights into the challenges and opportunities associated with local content policies.

b. Ministry of Trade, Commerce, and Industry: Collaboration with the Ministry of Trade, Commerce, and Industry ensured access to policy documents and government perspectives regarding local content implementation.

Data Sources

Three qualitative data collection methods were employed to gather comprehensive and context-rich information:

- i. **In-depth Interviews:** One-on-one interviews with key stakeholders were conducted to collect detailed insights and perspectives regarding the impact of local content policies on structural transformation. These interviews were semi-structured, allowing for flexibility in exploring emergent themes. The rationale for using in-depth interviews was to capture nuanced and rich qualitative data from individuals directly involved in or affected by local content policies.
- ii. **Questionnaires:** Self-designed structured questionnaires were sent to our stakeholders to get more insight.
- iii. **Document Analysis:** A comprehensive review of policy documents, reports, and relevant literature was conducted. This analysis aided in understanding the historical context and evolution of local content policies in Zambia.

Data Collection and Analytical Process

Interviews were scheduled at the convenience of the participants, and informed consent was obtained from each interviewee. Interviews were also audio-recorded with the interviewee's consent and later transcribed for analysis.

Self-designed structured questionnaires were distributed to stakeholders to gather additional insights into the impact of local content policies. The questionnaire was self-designed to align with the research objectives and areas of investigation. The questionnaire allowed for open-ended responses to capture nuanced insights. Questionnaires were sent to the stakeholders identified through purposive sampling.

A comprehensive review of policy documents, reports, and relevant literature was conducted to provide historical context and trace the evolution of local content policies in Zambia. Document analysis was vital for understanding the development and implementation of these policies. Relevant policy documents, reports, legislation, academic articles, and other publications related to local content policies in Zambia were systematically selected. The selection covered a significant timeframe to capture changes and developments in the policies.

RESULTS

The results presented in this section provide a comprehensive and Multifaceted portrayal of the dynamics surrounding local content in Zambia. We explore the thematic findings that have emerged from the data collected, shedding light on the complexities, successes, and obstacles associated with the implementation of the local content policy. The voices of key stakeholders are blended in this analysis, offering rich insights into the role of local content in Zambia's structural transformation agenda.

According to our stakeholders, in the context of Zambia's development, "local content" primarily refers to increasing the participation and benefits of Zambian citizens and businesses in various sectors of the economy. While the 2018-2022 strategy by the Ministry of Commerce, Trade, and Industry (MCTI) doesn't provide a precise definition, the main goal is to ensure that local resources, skills, and opportunities are maximised to empower Zambians.

Despite the vision and intent behind promoting the local content policy in different sectors like the manufacturing sector, the actual results have been slow to materialise. The enforcement of the policy has been lacking, leading to minimal utilisation of local resources and skills. Statistics show that less than 15% of local resources are used in the mining sector, and only 12% of procurement aligns with local content requirements. Consequently, job creation and opportunities have been limited. Among various segments within the manufacturing sector, the agro-processing sector has experienced the most significant impact from local content policies. The Import substitution strategy has led to increased interest from SMEs in producing agro-processed goods. However, in sectors such as engineering services related to mining, while local businesses secure fabrication contracts, the overall impact remains limited.

Balancing local participation and attracting foreign investment in the manufacturing sector has been a challenge. The existing strategy may not fully align with on-the-ground realities. Nonetheless, both indigenous and foreign companies can bring benefits, particularly in the mining sector, where collaboration can be fostered through supplier development programs and incentive structures. Promoting local content in the manufacturing sector also has the potential to enhance Zambia's technological capabilities and foster innovation. However, there is a need for greater transfer of skills from international experts to local professionals, which may require policy-level interventions and encouragement from companies in various sectors. Furthermore, Efforts to enhance the impact of local content policies in sectors have included capacity-building initiatives, these initiatives encompass product training, compliance, and quality management programs. There has been collaboration with regulatory bodies and institutions like universities and technical colleges to help bridge the gap between theory and practical skills.

The contribution of promoting local content in the manufacturing sector to Zambia's economic growth has been hindered by the slow adoption of the policy. While there has been a slight increase in GDP, attributing it directly to local content is challenging. However, the utilisation of the local content policy in the manufacturing sector has the potential to significantly drive Zambia's structural development. This is because the industrialisation of Zambia heavily relies on local resources and expertise. By involving locals in manufacturing, the country can advance its economic transformation.

With reference to the African Continental Free Trade Area (AfCFTA), Zambia can leverage it to boost local content. In this regard Improving the quality of local products is crucial, as quality products can compete effectively within AfCFTA. While local content might be seen as a potential trade barrier, Zambia can find ways to participate in AfCFTA while still promoting local content. Examples from other African countries, like Botswana's approach to diamonds, demonstrate how a balance can be struck between trade agreements and supporting local industries. Additionally, encouraging local consumption can align with AfCFTA goals without violating trade policies. Other regional blocks, such as the East African Community (EAC), have shown success in balancing local content promotion and regional trade growth, serving as models for Zambia's approach. Supplier development programs focused on ensuring quality can also encourage locals to consume high-quality local products through initiatives like the proudly Zambian Campaign which is an initiative that the Zambian Association of Manufacturers is working on to further support the local content agenda.

Interpretation of Results and Discussion

Economic Growth: The government of the Republic of Zambia has been making efforts to diversify its economy beyond its traditional reliance on mining. Economic diversification in Zambia is doing better in sectors like Agriculture, Where Zambia has made significant efforts to promote agriculture as a key driver of economic diversification. The country has favourable conditions for agriculture, including fertile land and abundant water resources. Diversification efforts included increasing support for smallholder farmers, improving infrastructure, and promoting agro-processing industries. These efforts align with the New Structural Economics theory by the Chinese economist Justin Lin who emphasises on Utilising a nation's comparative advantages and gradually improving its industrial structure.

Employment Generation: The impact of the local content policy on job creation may vary by sector. Some sectors, such as manufacturing and agriculture, may have a more direct potential for job creation than others. Because of Import substitution, it has led to an increased interest from SMEs in producing agro-processed goods. However, in other sectors where the absorption

of the local content policy is still significantly low, job creation and opportunities have been limited. The impact of local content policies on job creation may take some time to materialize. Economic conditions, investment cycles, and business growth may influence the timing of job creation in other sectors. This Finding is in accordance with Witt and Chai, (2018) who explained the concept of Evolutionary economics as a branch of economics that emphasizes the role of innovation, learning, and adaptation in shaping economic systems and development over time. It views economies as complex and dynamic systems that evolve through continuous processes of change and selection.

Export Diversification: Even Though there is slow absorption of the policy, by encouraging the growth of various industries through local content policies, Zambia is on its way to diversifying its export portfolio beyond its traditional commodities. This can include agricultural products, manufactured goods, and services. However, it's important to note that the effectiveness of local content policies in diversifying the export base will depend on several factors, including the regulatory environment, infrastructure development, the capacity of local industries, and global market conditions.

Technological Capabilities: Given the slow absorption of the policy, very little transfer is being made from the international experts to the locals, the transfer of skills can only be possible if the operationalisation of the said technology is transferred to the locals. As of 2023, It has not been made a necessity at the policy level so it's up to the respective companies to do what they can to promote their local employees. These efforts are in accordance with the National Innovation Systems (NIS) which refer to the complex network of institutions, organisations, and actors that interact to generate, acquire, adapt, and disseminate knowledge and technology within a country. The concept of National Innovation Systems emphasises the importance of innovation in driving economic growth and development. There is still potential for Zambia to improve in this area through proper implementation of the policy, strict enforcement and timely monitoring and evaluation.

Foreign Direct Investment (FDI): The effectiveness of attracting investments may vary by sector. Certain sectors, such as Mining, Manufacturing and Agro processing, may have attracted more investments due to their potential for value addition and local job creation. On the other hand, Investor confidence also plays a significant role in attracting investments, Stable political and economic conditions, a transparent regulatory environment, and protections for investor's rights are essential factors in encouraging investments. In the same vein, the government of the Republic of Zambia has encouraged foreign mining companies to engage local suppliers and contractors. This has seemingly helped boost the local economy but is also strengthening the supply chain and will eventually reduce the dependency on imports. In

addition to local content policies, Zambia offered various incentives to attract FDI, such as tax breaks, reduced import duties, and protection of foreign investor's rights through bilateral investment treaties. This result is in accordance with what UNCTAD, (2016) proposes through the industrial policy and striking a balance between local and international participation which can be instrumental in facilitating structural transformation by promoting the participation of domestic businesses and industries in various economic sectors.

Public Investment in Capacity Building: The efforts to improve the impact of local content policies in sectors have included capacity-building initiatives, these initiatives encompass product training, compliance, and quality management programs. There has been collaboration with regulatory bodies and institutions like universities and technical colleges to help bridge the gap between theory and practical skills. For instance, the Zambia Association of Manufacturers has been doing capacity-building training programs in collaboration with the Ministry of Commerce, Trade, and Industry through the proudly Zambian campaign, where the Local Content initiative is embedded. At the core of this initiative is quality, so the Zambia Association of Manufacturers conducts product training with other regulatory bodies such as The Zambia Bureau of Standards (ZABS), The Patents and Companies Registration Agency (PACRA), Zambia Revenue Authority (ZRA), etc, with regards to compliance, and quality and quality management.

On the other hand, with reference to the mining sector, there are a lot of capacity-building initiatives such as internship agreements with institutions like the Copperbelt University, Ndola Technical College, and Teveta schools, so that students in these respective Universities can go and learn to bridge the gap between theory and reality. There is also training for companies that are supplying to the mines to maintain and manage quality. However, communication from our stakeholders suggests that to improve the local content strategy, recommendations include ensuring policy consistency, creating a legal framework to enforce policies, and aligning the ministry's perspectives on local content. Additionally, government-sponsored skills training should be tailored to industry needs and technology trends to bridge the skills gap.

CONCLUSION

Summary of all key findings

According to our stakeholders, in the context of Zambia's development, "local content" primarily aims to enhance the involvement and benefits of Zambian citizens and businesses across various sectors of the economy. The Ministry of Commerce, Trade, and Industry's 2018-2022 strategy, while lacking a precise definition, strives to maximize the utilization of local

resources, skills, and opportunities to empower Zambians. However, the effective implementation of local content policies has been sluggish, particularly in the mining sector, with less than 15% utilisation of local resources and minimal compliance with procurement requirements with less than 12% compliance. This has resulted in limited job creation and opportunities. The agro-processing sector, however, has witnessed substantial growth due to the import substitution strategy.

Additionally, balancing local participation and foreign investment remains challenging, but collaboration in the mining sector through supplier development programs shows promise. The manufacturing sector's adoption of local content policies could boost Zambia's technological capabilities and innovation. Capacity-building initiatives and collaboration with educational institutions have been implemented but require greater skills transfer from international experts. While the direct impact on GDP is difficult to attribute, promoting local content in manufacturing is vital for Zambia's structural development and aligns with the goals of the African Continental Free Trade Area (AfCFTA). Improving product quality is essential for AfCFTA competitiveness, and lessons from other African countries suggest a balance can be achieved between trade agreements and supporting local industries. Encouraging local consumption and implementing supplier development programs focused on quality can further bolster the local content agenda.

Policy Implications and Recommendations

To maximise the impact of local content policies, it is crucial for the Zambian government to enhance policy enforcement across various sectors, especially in the mining sector where utilisation of local resources remains low. Clear and strict enforcement mechanisms should be established to ensure that companies adhere to local content requirements, including resource utilisation targets and procurement alignment. This can be achieved by imposing heavier penalties for non-compliance and conducting regular audits. Moreover, promoting transparency in reporting and monitoring will help build trust among stakeholders and encourage greater participation by local businesses.

To bridge the skills gap and facilitate the transfer of expertise from international experts to local professionals, targeted policy interventions are required. The government should collaborate with private sector companies to create structured mentorship and training programs. Additionally, incentives for companies to hire and train local talent should be explored. Educational institutions should also be encouraged to adapt their curricula to align with the needs of the industries and provide practical training. This collaboration between

academia, industry, and government can facilitate a smoother transition from theory to practical skills, ultimately empowering local citizens and enhancing their employability.

Policymakers should focus on fostering collaboration between indigenous and foreign companies, particularly in sectors like mining, through supplier development programs and incentive structures. Encouraging joint ventures and partnerships can lead to knowledge sharing and technology transfer, which can enhance Zambia's technological capabilities and foster innovation. These collaborations should be structured to ensure that benefits are shared equitably between local and foreign entities, promoting a win-win situation for all stakeholders.

To leverage the opportunities presented by the African Continental Free Trade Area (AfCFTA), Zambia should strategically align its local content policies with regional trade goals. This includes emphasizing the importance of improving the quality of local products to compete effectively within AfCFTA markets. Zambia should actively engage in trade negotiations within AfCFTA to safeguard its local industries while participating in regional trade. Learning from successful models in other African countries, such as Botswana's approach to diamonds, can provide valuable insights into balancing trade agreements and supporting local industries. Encouraging local consumption can further align with AfCFTA objectives without violating trade policies, promoting the consumption of high-quality local products, and supporting the local content agenda.

Limitations

While the findings from our stakeholders provide valuable insights into local content policies and their implications for Zambia's development, several limitations can be identified:

- **Lack of Precise Definition:** The absence of a precise definition for "local content" in the Ministry of Commerce, Trade, and Industry's strategy (MCTI) may lead to ambiguity and differing interpretations, making it challenging to formulate effective policies and assess their impact accurately.
- **Enforcement Challenges:** The slow materialisation of results and the lack of enforcement of local content policies point to a significant limitation. Without robust enforcement mechanisms, it is difficult to ensure compliance and maximise the utilisation of local resources and skills.
- **Policy-Implementation Gap:** The need for greater transfer of skills from international experts to local professionals highlights a policy-implementation gap. While initiatives and collaborations with educational institutions are in place, policy-level interventions and stronger corporate commitment may be necessary to bridge this gap effectively.

- **Trade-Local Content Balance:** While leveraging the African Continental Free Trade Area (AfCFTA) is a potential strategy, there is a challenge in striking the right balance between participating in regional trade agreements and promoting local content. The potential perception of local content as a trade barrier requires careful consideration.
- **Complex Interactions:** The interaction of various factors, such as foreign investment, collaboration, and incentive structures, is complex and context dependent. The findings suggest that the existing strategy may not fully align with on-the-ground realities, highlighting the need for a more refined understanding of these interactions.

Scope for Further Studies

Even though this study has helped to shed light on how Zambia's local content policies affect structural change, there are still several areas that may be investigated further:

- **Long-Term Impact Assessment:** To determine the long-term effects of local content Policies, long-term studies must be conducted. This could include monitoring changes over a long period of time in order to get an in-depth understanding of how these policies have altered and affected economic indicators over time.
- **Policy Implementation Dynamics:** It could potentially be helpful to investigate the dynamics of policy implementation, especially at the local level. By doing this, more successful methods may be influenced by knowing how policies are put into practice on the ground and locating any implementation impediments.
- **International Trade Implications:** Considering regional trade agreements such as the AfCFTA, future studies may examine how local content policies affect commerce internationally. It would be helpful to know how these measures support or contradict larger trade agreements.
- **Technological Transfer and Innovation:** To improve technical capacities, future research should concentrate on the factors behind the innovation and transfer of technology brought about by local content policies. Examining case studies of effective technological uptake and adaptation by regional industries may be one way to achieve this.

Concluding remarks

Ultimately, while Zambia's journey towards economic diversification and structural transformation is ongoing, the effective implementation of local content policies can play a pivotal role in achieving these goals. There is a need for policymakers to address the identified limitations and act upon the policy implications and recommendations outlined in this research.

By doing so, Zambia can move closer to realising the full potential of local content as a catalyst for economic growth and empowerment of its citizens and businesses.

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APPENDIX

List of Acronyms

AfCFTA:	Africa Continental Free Trade Area
CoM:	Chamber of Mines
FDI:	Foreign Direct Investment
GDP:	Gross Domestic Product
ISI:	Import-substitution industrialisation
ICT:	Information, communications, and Technology
IPDC:	Industrial Parks Development Corporation
MSMEs:	Micro, Small & Medium Enterprises
NSE:	New Structural Economics
NIS:	National Innovation Systems
PACRA:	The Patents and Companies Registration Agency
R&D:	Research and Development
SMEs:	Small and Medium Enterprises
ZABS:	The Zambia Bureau of Standards
ZRA:	Zambia Revenue Authority
ZAM:	Zambia Association of Manufacturers
ZCCM:	Zambia Consolidated Copper Mines
ZMLCI:	Zambia Mining Local Content Initiative