1. INTRODUCTION
Having attained the status of lower middle income nation in 2011, it is anticipated that, by 2030, Zambia will be transformed into a prosperous middle income nation in line with her national vision. For this vision to be realized, there is need to invest heavily in productive capacities.

2. NATIONAL POLICIES IN BUILDING PRODUCTIVE CAPACITIES

Zambia has been implementing IPoA through its national development plans and policies. These plans and policies are in line with the National Vision of becoming “a prosperous middle income nation by 2030”.

In 2013, the country revised the Sixth National Development Plan to address the emerging challenges. The main thrust of the plan is to accelerate and sustain economic growth, diversify the economy and reduce poverty by addressing the challenges of realizing broad-based pro-poor growth, improving quality human capital, generating full and productive employment and decent work for all, particularly for the youths and women and promote rural development.

In order to promote accelerated and balanced growth, investments are targeted towards growth sectors of agriculture, energy, science and technology, and infrastructure particularly transport infrastructure. There is also emphasis on enhancing human development in the sectors of water and sanitation, education and health through skills development, improving labour quality productivity, increasing access to quality health and higher and tertiary education.

The other milestone achieved was, for the first time, the development of the Planning and Budgeting Policy. The Policy is aimed at strengthening a coordinated approach in undertaking national development planning and budgeting processes. In order to ensure that the policy is effectively implemented, the country is now in the process of developing the Planning and Budgeting Bill.

In terms of performance, the country recorded positive growth with real GDP growth estimated at 6.4 percent. This was, however, lower than IPoA’s target of 7.0 percent per annum and was also lower than the 2012 growth rate of 7.3 percent. This decline in growth rate, from 7.3 percent in 2012 to 6.4 percent in 2013 was largely due to decline in agriculture output and slowdown in the manufacturing and construction sectors.
3. BEST PRACTICES IN BUILDING PRODUCTIVE CAPACITIES

3.1 Infrastructure Development

Infrastructure development remains one of Government’s priority areas as stipulated in the R-SNDP. Poor and inadequate infrastructure coupled with inadequate capital investment funds continued to affect progress. It is in this regard that Zambia in 2012 for the first time went to the international Capital Market to raise funds through issuance of $750 million sovereign bond. Another sovereign bond amounting to US$1billion to finance infrastructure development in the energy, road and rail infrastructure among others in order to facilitate viable business environment and increased economic competitiveness was obtained early 2014.

At regional level, Zambia has continued to collaborate with its neighbouring countries in developing infrastructure thereby promoting trade and increasing revenues for countries in the Southern African Development Community (SADC).

3.2 Information, Communication and Technology (ICT)

Zambia recognises ICT as an important stimulant to improved business environment as it reduces the cost of doing business. In this regard, Government is striving to improve the legislative environment in ICT with a view to extending ICT infrastructure and services to the largely unserved, peri-urban and rural areas.

So far, policy on National Digital Migration has been drafted in order to provide policy direction. It outlines the rationale for digital migration, standards to be adopted and deployed, regulatory interventions, transition process, spectrum management and government interventions for enhancing affordability of the Set Top boxes.

Currently, Zambia is connected to the world wide undersea optic fibre cable via Namibia, Tanzania, South Africa and Mozambique which has lowered the cost of bandwidth per km from US$4,000 to US$ 1000 over the past 5 years. In view of the foregoing, the country has witnessed a gradual reduction in internet and data services cost which has ultimately contributed to lowering the cost of doing business.

3.3 Energy
Access to reliable and adequate energy greatly contributes to improved economic performance. In 2013 the performance of the energy sector was favourable as it grew by 5.9 percent compared to 4.1 percent in 2012. This was due to increased electricity generation and reliability in the supply of petroleum products.

Regarding petroleum, the supply of petroleum products continued to be influenced by crude oil prices on the international market and the exposure to exchange rate fluctuations.

3.4 Agriculture
The agriculture sector which is predominantly rain fed continued to be the largest employer absorbing about 67 percent of the available total labour force and provided a livelihood to 85 percent of the rural population and is a major contributor to Zambia’s food security and nutrition at both household and national level.

During 2013, the agricultural sector registered a negative growth of -7.4 percent from positive growth of 6.8 percent registered in 2012. This was mainly due to crop failure due to poor rainfall and infestation of army worms during the early part of the season. Despite the decline, the country was able to maintain food security and sufficient stocks to meet industrial requirements. This was as a result of stock carryover from 2012.

3.5 Manufacturing
The major project being implemented to support manufacturing sector is the Trade Capacity Building Programme Framework which is supported by the United Nations Industrial Development Organisation (UNIDO) and the Norwegian Agency for Development cooperation (NORAD). The project is aimed at enhancing the country’s capacity to integrate into global trade by addressing issues of quality in the manufacturing sector and restructuring the National quality Infrastructure. This project has contributed to improved performance of the manufacturing sector.

3.5 Mining
The mining and quarrying sector which is the country’s economic backbone continued to contribute significantly to the country’s economic growth and accounted for over 80 percent of all exports. The performance
of the sector generally improved and registered positive growth of 5.9 percent compared to the negative 2.7 percent registered in 2012.

**3.6 Private sector development**
In order to enhance private sector participation in economic development, government has continued to undertake reforms such as the Private Sector Development Reform Programme II aimed at promoting a conducive business environment that will foster both foreign and domestic investment and growth. Through this avenue the government has been addressing issues surrounding the private sector growth and increasing private sector’s contribution to the country’s development process.

During, 2013, the programme was able to, among other things:

- Reduce and in some cases amalgamate the number of licenses thereby reducing the cost and time related to licensing and making it easier for business to operate.
- Create one stop shop business registration in Lusaka and Livingstone

**3.7 Financial Sector Development**
In recognition of the importance of the financial sector in enhancing economic diversification and sustainable growth, the country continued to implement reforms under the second phase of the Financial Sector Development Programme (FSDP) with the objective of addressing weaknesses in increasing access to finance, enhancing market infrastructure and increasing competition. As a result, an increase was recorded in access to financial institutions by 13.3 percent due to rise in the number of branches of commercial banks by 57. Other reforms in the review period were modernization and harmonization of the financial sector laws and the launch of the national strategy for financial education aimed at enhancing financial literacy.

**3.8 Climate Change**
The country is in the process of accessing Green Climate Fund, a fund established as the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) to promote a shift towards low-emission and climate resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas
emissions and adapt to the impacts of climate change. The funds are meant to support our efforts towards addressing climate change, mitigation and adaptation needs. So far 3 grant agreements have been signed for Kafue and Barotse basins for the following projects:

**Kafue Basin**

a) Road rehabilitation through the Kafue National Park  
b) Community participatory adaptation projects to support livestock, fisheries, water infrastructure and pasture development

**Barotse Basin**

a) Rehabilitation of canals  
b) Community participatory Adaptation Projects-10 community projects being appraised for implementation mostly involve small canal rehabilitation

**Private Sector Initiative**

Kafue Watershed Management through Conserving Miombo Woodland involving game farm investment, agriculture material/packs for vulnerable/small scale farmers, essential oil production and export involving small scale farmers and bio-carbon. Preparation and approval processes are expected to be completed by December, 2014 and implementation will be in 2015.

**3.9 South – South Cooperation**

Zambia has been selected to champion South-South Global Assets and Technology Exchange (SS-GATE). As a pilot country, focus will be on renewable energy and climate change adaptations. The country will be responsible for nominating suitable sub-regional centre that will source viable entities and/or projects in the selected focus areas; will provide input into the technology transfer plans/strategies based on local needs and will liaise with LLDCs facility and champion transit country for project promotion on resource mobilization. South Africa will help champion the initiative for Zambia.

**4. CHALLENGES IN BUILDING PRODUCTIVE CAPACITIES**

The major challenges in building productive capacities include:
4.1 Low agricultural production and productivity partly due to declining soil fertility as a result of applying inappropriate farming methods, persistent livestock diseases, inappropriate fishing methods and adverse effects of climate variability and change. There is need to promote high value export-oriented processed food products.

4.2 Storage, processing and transportation: related to agriculture production, the storage, processing and transportation facilities for food crops need expansion to counter wastage encountered every season. Investments in storage, processing and transportation facilities can go a long way in improving the economy of the country.

4.3 Industrial expansion: Zambia has great opportunities for expanding industries. Due to rapidly changing technologies, there is need to put in place industrial structures that quickly respond to changing environment. Constant improvements of national capacity for quality control and marketing will contribute to boosting country’s industry.

4.4 Access to Cheap ICTs: Zambia can benefit from relatively cheap ICTs which facilitate business transactions and enhance connectivity. This facility is still expensive for an average citizen to participate competitively.

4.5 Access to energy: Zambia is unable to meet the energy needs due to high demand. Productive capacities are required in order to increase the supply and reliability of energy especially electricity. Development of new energy sources is also critical including new renewable energy technologies in the form of solar and biomass especially in rural areas.

4.6 Taxation systems remain a challenge especially in terms of tax evasion which is rampant. Productive capacities in this area are required.

4.7 Cooperating Partners’ commitment to pledges: Development assistance which is being delivered is lower than the commitments hence making it difficult to achieve the intended objectives.

5 STEPS TAKEN TOWARDS GRADUATING FROM LDC CATEGORY
Zambia in an effort to graduate from the LDC category has put a number of interventions in place being:
5.1 Vision 2030- this national vision is aimed at ensuring that the country becomes a prosperous middle income nation by 2030. This is being operationalized through the 5-year medium term plans, 3-year rolling plans and annual budgets.

5.2 Developmental policies: there are different development policies that have been put in place which among them includes: the Planning and Budgeting Policy, Rural Development Strategy, Industrialization and job creation strategy among others. These policies and other development initiatives are aimed at accelerating the development process sustainably.

5.3 By being declared a lower income nation, this process shows that the country is on right track to sustainable development. Among the three criteria for graduating from the LDC category, Zambia has met the GNI criteria and is working on the other two.

6 CONCLUSION
Productive capacity building and technological advancement is key to successful transformation of the country given the opportunities that exist in terms of labour and natural resources. Zambia stands to benefit from the various opportunities that exist both locally and internationally.