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GRADUATE SCHOOL OF BUSINESS
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Industrial policy, economic growth and unemployment in the wake of the 2008-2009 Global Financial Crisis:

The Zambian Perspective

A Minor Dissertation
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Master of Commerce in Development Finance Degree

by
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ABSTRACT

This paper investigates the extent to which the 2008 – 2009 financial crisis impacted economic growth and employment in developing countries, with Zambia as the entity of focus. It further examines the industrial policy strategies employed by the country before, during and after the crisis and whether they have been effective in shielding the country from external shocks and creating sustainable employment opportunities. This provides a unique perspective by evaluating policy responses to external shocks while monitoring the key economic variables highlighted. It draws from conceptual ideas and previous research around the evolution of financial crises and industrial policy. It further evaluates the way the effects of the financial crises, which originate from financial markets in developed economies, trickle down to developing nations with no solid roots in international financial markets. Furthermore, it assesses the application of the latter concept and its ability to preserve and support sustainable economic development.

The paper presents an exploratory case study analysis of Zambia which has been negatively affected by the financial crisis due to several vulnerabilities that leave the country exposed. The findings suggest that industrial policy alone cannot fully insulate developing countries from the dynamic and unpredictable external environment. However, there are several policy considerations that can be made, highlighted as concluding recommendations, to support the growth of the economy and mitigate against the impact of inevitable external shocks. It is important to note that each developing country case is unique to itself but generalized findings can still be comparable to other countries that share some fundamental demographic similarities.

KEY WORDS AND CLASSIFICATION

Keyword: Global Financial Crisis, economic growth, unemployment, industrial policy

JEL Classification: G01 (FC), O11 (EG), J21 (U), L52 (IP)

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LIST OF ACRONYMS

AfDB	African Development Bank
CSO	Central Statistical Office
CTI	Commerce, Trade and Industrial Policy
FDI	Foreign Direct Investment
FNDP	Fifth National Development Plan
GFC	Global Financial Crisis
GDP	Gross Domestic Product
GNI	Gross National Income
ILO	International Labour Organisation
IMF	International Monetary Fund
IP	Industrial Policy
JASZ	Joint Assistance Strategy for Zambia
LTV	Long Term Vision
MBS	Mortgage backed securities
MDG's	Millennium Development Goals
NDP	National Development Plan
NLTV	National Long Term Vision
NTE's	Non Traditional Exports
ODA	Overseas Development Assistance
OECD	Organisation for Economic Co-operation and Development
R&D	Research and Development
R-SNDP	Revised Sixth National Development Plan
SNDP	Sixth National Development Plan
SSA	Sub-Saharan Africa
UN	United Nations
WTO	World Trade Organisation
ZMW	Zambian Kwacha

1. INTRODUCTION

1.1. Research Context

In the past century, the world has undergone a major structural shift and turned into a global village where countries have become increasingly interdependent. As United Nations Secretary Ban Ki-moon had previously noted, it is a very wide open world but very closely connected because it is an interdependent global village (United Nations, 2009). This has brought about the need to assess economic risk and reward from a multilateral perspective as no single country can be isolated. The fact that financial crises have become a worldwide phenomenon in recent years is, therefore, an inevitable expectation. These crises not only occur in developed countries such as the United States, Japan, and in the Nordic countries, but they have been a feature of the recent economic scene in developing countries as well (Mishkin, 1996). In the case of developed countries, banking and financial crises have been costly to the economy, yet the damage that these crises seem to impose on developing countries seems to be far greater than for developed countries (Mishkin, 1996). With this in mind, there is need for more intense studies to be conducted on how a developing economy can shift dramatically from a path of reasonable growth before a financial crisis, as was the case in Mexico in 1994, to a sharp decline in economic activity after a crisis occurs that is very damaging to both the economy and social fabric of the country. Prabhakar (2010) further notes that both developing and developed countries need to build their resilience to economic shocks and ask themselves whether growth and development strategies, economic policies and institutions need a complete rethink in these turbulent times.

The most recent global financial crisis of 2008-2009 reaffirms the need to act on such recommendations as highlighted by Prabhakar (2010) above. Africa was not spared from the global recession affecting most African countries in various ways including a decline in global trade and investment and falling remittances from overseas workers to mention a few. These channels are significant components of Africa's real economy, rather than its financial sector which is still being developed in most countries (Arieff, Weiss, & Jones, 2010). At the onset of the crisis, assumptions were made about how the impact would not be as heavy as in developing and emerging economies because of the low level of financial integration which would insulate the region. However, research based on past financial crises (1976-2002) has shown that their occurrences in developed nations result in trickledown effects on these nations' trading partners in Africa. The dependence on trade finance makes African countries more vulnerable when there are resultant disruptions (Berman & Martin, 2012).

1.2. Problem Statement

Several countries in Sub-Saharan Africa, including Zambia, had been experiencing steady and robust economic growth with arguably successful policies targeted at the attainment of their Millennium Development Goals (MDGs). In December of 2015, Zambia's economy was labeled one of the fastest growing economies for the past 10 years with growth averaging around 6% per annum (Forbes, 2015). During the same period, Zambia's per capita GNI reached the US $1,160 prompting the World Bank to reclassify the country from a least developed country to lower middle-income status. In as much as it is a positive indication, this growth is refuted by a population growth rate of about 2.9% per annum and persistently high poverty levels of not less than 60.5%. It is important to note that 42% of the total population are living in extreme poverty because people are unable to meet their basic needs and do not have opportunities for decent work (Ministry of Labour and Social Security, Zambia Federation of Employers, 2013). It is for this reason that Zambia's first MDG is the eradication of extreme poverty and hunger. In a news article, the Minister of Commerce, Trade and Industry, Margaret Mwanakatwe, noted that one of the techniques the country is employing in a bid to attain the MDG is targeting all industrialization strategies toward job creation and youth unemployment (Lusaka Times, 2015).

The irony, however, is that data shows that Zambia's unemployment rate has been reducing and was last estimated at 13.3% in 2014.

Notwithstanding these positive economic trends, economic growth has not translated into significant reductions in poverty for the majority of the Zambian people. Job creation has not been commensurate with the gains registered from economic growth. The country's strong macroeconomic position which has failed to translate into a reduction in inequality reflects important macroeconomic and policy constraints. The disparity is also attributed to the fact that formal sector employment has remained almost stagnant since 1998 at around only 3.8%. Additionally, the bulk of the employment statistics accounts for growth in the informal sector of the economy accounting for up to 80% of the employed population. These figures suggest that the country has mostly witnessed capital intensive growth and as a result, the desired levels of formal job creation in the economy have not been attained (Ministry of Commerce Trade and Industry, 2013).

The sustained economic growth and overall macroeconomic stability could be attributed to comprehensive monetary and fiscal policies and the growth in exports, primarily mineral exports, and overall improvement in the investment climate. Zambia's economy has, for the past few decades, been primarily driven by the mining sector with minor contributions from the agricultural, manufacturing and construction sectors. The country's dependence on the export of copper has consistently posed a major challenge because of its susceptibility to external shocks. Zambia's vulnerability to fluctuations in external demand was exposed during the 2008/2009 global financial crisis when copper prices collapsed as a result of reduced global demand for copper. GDP growth declined and job losses occurred predominantly in the mining sector, but also in other sectors, such as tourism.

The loss of jobs reoccurred in 2015 resulting from the fall in copper prices due to reduced global demand reflecting the country's vulnerability to global conditions.

Zambia's focus on industrialization is driven by the desire to diversify the economy away from the current dependence on the mining sector and use industrialization to introduce other value chain activities for employment creation given the fact that Zambia is a resource rich country. According to (Kniivilä, 2007), the pattern of industrialization in developing countries has a remarkable impact on how the poor benefit from economic growth. Industrial policies that focus on increasing the economic returns to the productive factors that the poor possess such as unskilled labour allow for the reduction of income inequalities and improve the livelihood of people. In other words, policies that advance the use of capital-intensive methods instead of labour-intensive ones tends to increase income disparities because people are not given the opportunity to generate or increase their income by applying their skills to labour intensive processes. In the same way, employment of skill-biased technologies, where the level of education is low and human capital concentrated as is the case in Zambia, would be expected to reduce income inequalities (Kniivilä, 2007).

In lieu of the above, the overall objective of this paper is to establish the extent to which the 2008-2009 Global Financial Crisis impacted economic growth and unemployment in Zambia and whether the country's industrial policy played a role in cushioning the force exerted by the crisis.

Many studies have been done regarding the financial crisis and its impact on the respective economies of developing nations. However, there are very few studies focused on the industrial policies of these countries and strategies that can be implemented to minimize the negative impact of adverse global economic eventualities. Additionally, most of the research that has been done is generalized to the varying developing regions. However, each country has its own unique economic conditioning, varying comparative advantages as well as policy approaches. In view of this, it is important to understand the dynamics surrounding each country in order to draw lessons and recommendations based on that country's level of development. This study can then be replicated and applied to other individual countries with the goal of improving the conditioning of the global economy.

1.2.1. Research Questions

Given the problem outlined above, the main question this research will endeavour to answer is: "*To what extent did the 2008-2009 Global Financial Crisis impact economic growth and unemployment in Zambia and has the country's industrial policy been effective in insulating the economy from such exogenous shocks while creating opportunities for sustainable growth of the industry?*

Furthermore, this research will attempt to answer the following sub-questions:

1. *Research Question 1: To what extent did the 2008-2009 Global Financial Crisis impact economic growth and unemployment in Zambia*?

2. *Research Question 2: Has Zambia's industrial policy been effective in insulating the economy from such exogenous shocks while creating opportunities for sustainable growth of the industry*?

3. *Research Question 3: Has Zambia made any significant adjustments in its industrial policy specifically targeted at insulating itself from future global shocks post the financial crisis*?

1.2.2. Research Aims

The aims of this research paper are:

- *Aim **1***: To analyse the historical information on financial crises
- *Aim **2***: To assess the impact of financial crises on developing countries with special emphasis on Zambia
- *Aim **3***: To analyse trends in Zambia's economic growth and employment prior and post the 2008-2009 financial crisis
- *Aim **4***: To examine the relationship between economic growth and unemployment in the light of jobless growth and negative economic shocks
- *Aim **5***: To review Zambia's industrial policy framework
- *Aim **6**:* To examine the interaction between the financial crisis, economic growth, unemployment and industrial policy.

1.2.3. Objectives

These statements further lead to the following specific objectives:

- *Objective 1*: To critically analyse literature on financial crises to provide understanding on how the 2008-2009 financial crisis originated

- *Objective 2*: To study empirical literature and findings pertaining to the financial crisis and the impact expected on a developing country like Zambia
- *Objective 3*: To extract data on economic performance (as determined by GDP) and unemployment from periods before, during and after the 2008-2009 financial crisis from various economic reviews and other relevant documents to establish the extent to which the crisis impacted economic growth and employment in Zambia
- *Objective 4*: To utilise employment elasticity statistics to determine the responsiveness of employment to economic growth in Zambia and how the country can address the jobless growth prevailing
- *Objective 5*: To identify and extract significant industrial policy adjustments Zambia has made by reviewing publicly available policy and strategy documents to determine the effectiveness of industrial policy in creating opportunities for sustainable growth of the industry and employment
- *Objective 6*: To collectively analyse the interconnectedness of data obtained on the financial crisis, economic performance and industrial policy considerations and finally draw conclusions, report on lessons learned and make necessary recommendations.

1.3. Research Limitations

The research has a few notable limitations in that the availability of data proved to be a challenge because of the inadequate documentation processes and national database that tracks data in real time. This is largely because the potential for information, communication and technology systems has remained largely unfulfilled in Zambia (Panos London, 2011). This required the researcher to seek appointments with some Government entities in order to obtain physical documents that should ideally be publicly available. The third limitation is that of generalisation of the results. Information gathered in this report can not necessarily be generalized to future events because of the dynamic global environment. However, the method of study employed can easily be replicated and applied to other countries to understand the dynamics and emerging theme better. Additionally, in as much as it cannot precisely predict future events, it can contribute to the body of knowledge by providing policy makers with further insight from a different perspective to help deal with future occurrences.

1.4. Ethical Considerations

Consideration of ethics in all scientific research is of primary importance and are assessed via thorough reviews (European Commission, 2013). Approval to carry out this research was sought and attained from the University of Cape Town Research Ethics Committee at the proposal stage before the actual research commenced. This research did not involve human participation and so there was no need to obtain informed consent from participants. The information contained in this research was obtained from secondary data sources including publicly available documents, research reports and statistics from corporate and government institutions. To reflect honesty and integrity in the analysis and reporting of the information obtained, the researcher also clearly explains the details of the process and provides justifications for each conclusion based on available data and ensured that all the data sources have been cited and can be referred to where validation is required.

2. LITERATURE REVIEW

This chapter will begin with a discussion on financial crises, defining them and outlining their origins leading up to the occurrence of the 2008-2009 financial crisis. It then goes on to introduce industrial policy and the debate surrounding the application of industrial policy to a country's economic objectives. Because industrial policy is expected to yield industrialisation of the country applying it correctly, the discussion further outlines the rationale for industrialisation, justifying its relevance. Finally, the review discusses the concept of jobless economic growth and concludes with a discussion on the significance of this research and how the findings can be utilized.

2.1. Financial Crises

2.1.1. Defining Financial Crises

The concept of financial crises has become a global phenomenon that has seen the engagement of numerous researchers from various societal sects, including business and academia, in studies to understand its dynamics. Many attempts to answer the questions of what they are, their effects on the global society, what causes them, how can they be avoided, what are their variations, to mention a few.

Eichengreen & Portes (1987) define a financial crisis as a disturbance to financial markets associated typically with falling asset prices and insolvency among debtors and intermediaries, which ramifies through the financial system, disrupting the market's capacity to allocate capital within the economy. Based on the literature studied for this paper, Mishkin's definition is adopted. He defines a financial crisis as "a disruption to financial markets in which adverse selection and moral hazard problems become much worse so that financial markets are unable to efficiently channel funds to those who have the most productive investment opportunities. A financial crisis thus results in the inability of financial markets to function efficiently, which leads to a sharp contraction in economic activity" (Mishkin, 1991).

In the case of the 2008-2009 crisis, a housing bubble was formed (i.e. increase in prices resulting from increased demand and/or speculation about a continuous increase) in the US housing markets because the price of houses had been consistently increasing from mid-1990 to 2006. This caused the market to speculate that the cost of housing would continue to increase which increased demand and inflated prices. This further led to an increase in subprime residential (high risk) lending by the banks which exacerbated the housing bubble created. Defined simply, a subprime residential mortgage refers to loans issued to borrowers who do not qualify for market interest rates for various reasons including income level, down payment size, employment history and their credit status. These mortgages are considered more demanding because of the interest rates that are higher than the market rate. This is because, from a lenders point of view, subprime mortgages are riskier than prime mortgages with a higher associated risk of default for which the higher interest rate compensates (Petersen, Senosi, & Mukuddem-Petersen, 2013). Due to the higher yielding subprime mortgages, the demand for securitisation of these loans also increased because the action of securitization of these mortgages offered the opportunity to transform assets that were below the investment grade into triple "A" (AAA) and investment grade assets (ibid). It was this need for securitization that led to a number of financial innovations which made subprime borrowers attractive who were previously completely shut out of the markets prior to 2000. An example of innovations highlighted by Baily et.al (2008) included Adjustable Rate Mortgages (ARMs) which offered low rates and no required down payments were based on the expectation that prices would continue to rise. Another innovation that even made credit accessible by subprime borrowers was the process of securitizing mortgages. This involved "the pooling of mortgages into packages and then selling securities backed by those packages to investors who receive pro rata payments of principal and interest by the borrowers" with the objective of earning more profit (ibid, 2008). In addition to this, two government-sponsored enterprises operating with a focus on mortgage lending had in 1970 developed this financing technique and attached their guarantees to these mortgage base securities (MBS) though only restricted to prime borrowers. Later the private sector also adopted the same model of financing though it had not been actively utilized until the bubble began. Many other methods of securitization were initiated and employed enabling entities to borrow more and more without their credit worthiness being scrutinized as required and the regulators ignoring these occurrences. In 2007, however, panic settled in as uncertainty over asset prices resulted in lenders abruptly refusing to roll out their debts. Banks found themselves in over-leveraged positions and exposed to crashing asset prices and very little capital while bank runs kicked in as investors and others rushed to liquidate their investments (Baily et al., 2008).

Madan & Kaur (2013) graphically illustrate the consequences of information asymmetry that led to the culmination of the financial crisis.

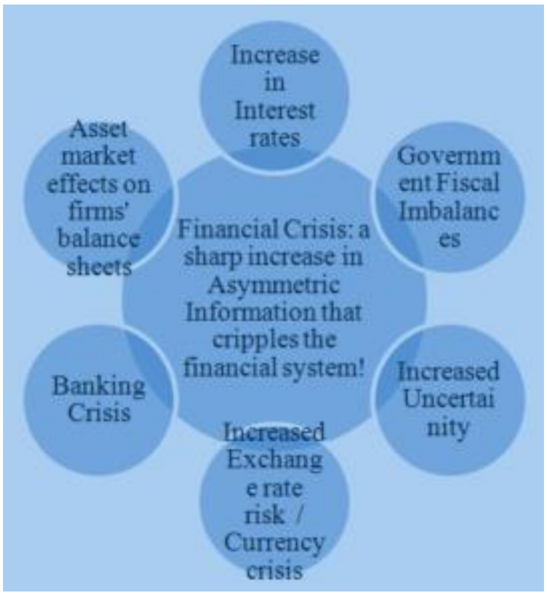


Figure 1: Consequences of asymmetric information (Madan & Kaur, 2013)

These consequences had unfortunate far reaching effects that trickled down to other developed and less developed countries around the world that did not directly participate in the activities leading to the crash.

2.1.2. Nature of Financial Crises – Historical Views

According to Balino (1987), there were two distinct schools of thought in literature with regard to financial crises which were debated only until the last two decades though there were notable overlaps between them. His research highlights the first school of thought as focussing on macroeconomic causes of financial crises. This school was further divided into two subgroupings with the first being the Monetarist view, initially advocated for by Milton Friedman and Anna J. Schwartz in the 1960's. This view linked financial crises with banking panics which were viewed as the major source of reductions in money supply which would, in turn, lead to significant contractions in the overall level of economic activity in the United States. Their view of financial crisis leads monetarists to advocate a lender-of-last-resort role for the central bank so that banking panics and the subsequent monetary instability will be avoided (Mishkin et al., 1990). This view has been criticized, with opponents noting that Central Bank intervention in such pseudo financial crises was unnecessary and also potentially harmful. This is because it could lead to some serious economic inefficiencies resulting from the bailing out of firms that deserve to fail.

Subsequently, this intervention could also lead to excessive money growth and stimulation of inflation (Madan & Kaur, 2013). The second subgroup referred to as the fragility view considered financial crises as an integral part of the business cycle, particularly a consequence of booms. Early work cites Irvin Fisher as early as 1932 who noted that financial crises are part of business cycles with an upward swing due to increases in investment opportunities resulting from exogenous factors. In that event, there is an increase of investments financed by bank credit, eventually causing over-indebtedness pushing debtors to sell their assets. Balino (1987) further explains that this distress selling can trigger a liquidity crisis which in turn can lead to a banking crisis and a recession– provided the monetary authorities do not intervene.

On the other hand, Charles Kindleberger (1978) and Hyman Minsky (1972) as cited in Mishkin et al. (1990) provide the opposing view from the monetarists. According to their school of thought, financial crises either involve sharp declines in asset prices, failures of both large financial and nonfinancial firms, deflations or disinflations, disruptions in foreign exchange markets or some variation of all of these. Because of this, they advocate for a much more significant role of the government of the country in interventions because the consequences of these occurrences (financial crises) had potentially serious consequences for the aggregate economy (Mishkin, 1991).

One problem with the Kindleberger-Minsky view of financial crises is that it does not supply a rigorous theory of what characterizes a financial crisis, and it thus lends itself to being used too broadly as a justification for government interventions that might not be beneficial for the economy. Indeed, this is the basis of Schwartz's (1986) attack on the Kindleberger-Minsky view. On the other hand, the monetarist view of financial crises is extremely narrow because it only focuses on bank panics and their effect on the money supply (Mishkin, 1991)

2.1.3. Recent views of financial crises

In more recent years, literature has seemingly been converging more and more towards the study of asymmetric information in financial locales that lead to financial crises. According to Mishkin (1991), it has been noted that this notion provides a broader view of the nature of financial crises but it supplies a theory which does not automatically justify government interventions when there is a sharp drop in wealth as the Kindleberger-Minsky view might. The literature on asymmetric information considers the impact of financial structure on economic activity with a particular focus on the differences in information available to different parties in a financial contract. In this case, it's clear to note that borrowers have more information about investment projects they intend to undertake as well as the varying levels of risk associated as compared to the lenders. This information irregularity results in the typical problem of adverse selection. The bulk of work relating to information asymmetry has been built on George Akerlof's (1970) work. In this case, a lemons problem occurs because the lenders can not directly determine good and bad risk and so charge an average rate of interest they view as reflecting the average risk of both good and bad borrowers. This can cause the high-quality borrowers to drop out if they feel that the rate charged is too high, thereby excluding potentially highly profitable investments and a resultant pool of bad investments.

Empirical evidence from studies done by Stiglitz & Weiss (1981) revealed that adverse selection that results from information asymmetry can ultimately lead to credit rationing in which some borrowers are arbitrarily denied loans. Borrowers who are willing to pay high-interest rates may be investing in high-risk projects and are willing to borrow at the prevailing rates while facing a low probability of paying back. Accordingly, higher interest rates imply higher uncertainty/risk associated with the desired investments, which could consequently lower the bank's profits. In view of this, increases in interest rates will not lead to an increase in the supply of loans (as typical demand and supply rules would dictate) but would leave excess demand for loans because of the banks lower risk appetite. Studies have shown that a small rise in the riskless interest rate can lead to a very large decrease in lending and even a possible collapse in the market (Mankiw, 1986). According to Mishkin et al. (1990), such a collapse would result from a substantial decline in investment and aggregate economic activity.

The realization that banks play a significant role in financial markets, a fact that has been deduced from this recent literature on asymmetric information and financial structure, is an important feature of these studies. (Gertler, 1988)

2.1.4. The Global Financial Crises and Economic Growth

Over the years, financial crises have had far-reaching ramifications on cross-border economic activity worldwide. According to the World Trade Organisation (WTO), the 2008-2009 global financial crises resulted in a 12% reduction in world trade flows in the year 2009. This largely exceeded the estimated 5.4% growth in world gross domestic product for the same period (Chor & Manova, 2012). It was noted that reduction in world exports was particularly critical for the small open economies because the reduction in trade contributed to the spread of recessionary pressures to countries which had little direct exposure to the US subprime mortgage market, which is where the crisis initiated as noted above. According to Joseph Stiglitz (2000), even countries with good economic policies and sound financial institutions and systems in place are not excluded for the adverse effects of financial crises. The effects that trickle down include increases in the level of unemployment as a result of reduced productive capacity due to reductions in international trade and in turn exports. In Africa, specifically, economies experienced significant reductions in investments and remittances from workers overseas as well as foreign aid.

2.2. Industrial Policy

The concept of industrial policy can be interpreted differently by different people covering micro considerations like corporate action to more large-scale considerations of regional development plans. Schultze (1983) noted that it does not refer to one specific theory but to a loose collection of similar diagnoses and proposals to attain a pre-specified set of objectives. According to the United States International Trade Commission (as cited in Tyson, 1992), it involves coordinated action by governments with the goal of directing production resources to domestic producers in selected industries in order to enhance their productivity. On the other hand, Lars et al. (2008) cites the Lisbon Agenda of the European Union who assert that the role of industrial policy is to proactively provide the right framework conditions for enterprise development and innovation in order to make the country an attractive place for industrial investment and job creation considering the fact that most businesses are small and medium scale enterprises. As is clear to see, the former definition is more sector specific as opposed to the latter which considers a broader context. This indication leads us to the to define industrial policy as the policy or set of policies that governments of countries use in an effort to shape the sectoral allocation of their respective economies (J. Stiglitz, Lin, Monga, & Patel, 2013). Because significant economic growth is the goal of every government, industrial policy can be understood as the efforts they undertake to change or improve industrial structure with the expectation that increased productivity will ultimately drive growth in the economy.

It is important to note the fact that Pack & Westphal's (1986) assertions that industrial strategies have many elements that vary from one country to the next depending on the macro and micro policy objectives that nation is trying to achieve. Some of these elements include (i) the emphasis placed on the part the government must play as already alluded to, which is sometimes referred to as market-directed and centrally-planned. Another element is (ii) the role of international trade, giving rise to outward-looking and import-substituting strategies. A third element is (iii) the priority for investment, giving rise to light-industry and heavy-industry strategies. Other elements consider more generalized characterizations would consider capital-intensive or be focussed on the provision of basic-needs, among others. It is clear to see that these considerations relate to aspects of industrialization and are consequently important for a nation to attain industrial development and contributing to social welfare.

2.3. The Industrial Policy Debate

In the past decades, industrial policy was largely associated with the development experiences of Japan and the East Asia Economies (South Korea, Taiwan and Singapore) during the period after the 2nd World War. It was during this period that the modern debate on IP began (Chang, 2009). Japan is noted to be the first country to use the term industrial policy, sangyo seisaku, specifically to mean selective industrial policy. However, by the 1980s, it came to be widely accepted that strong industrial policy was equally being applied by South Korea, Taiwan and Singapore, all of which had previously been free market economies (ibid).

According to Rodrik (2008), there are two leading objections to the employment of industrial policy. The first criticism is that it is not possible for governments to identify with any degree of precision and certainty the relevant firms, sectors, or markets that are subject to market imperfections and therefore need relevant interventions. For instance, Pack & Saggi (2006)in their research provide a detailed list of informational requirements needed for governments to be able to employ appropriate policy which would suggest the impossibility of IP. The argument here is that without all the relevant facts about all sectors in an economy, governments will almost always miss its intended targets and end up supporting activities that have no spillover effects, in turn wasting public resources. The second objection is that industrial policy paves way for corruption and rent-seeking in that, with the government being able to provide private sector support, some can seek to extract benefits from political leaders, further leading to distorted competition and transfer rents to politically-connected entities. In other words, the private sector spends more time trying to ask for favours, rather than looking for ways to expand markets and reduce their associated costs (Rodrik, 2008).

It is important, however, to note that these debates surrounding industrial policy are not about the economic merits of industrial policy but rather its relative importance and pervasiveness of the objectives highlighted above. In this regard, we have opponents saying that these objections are sufficient to completely dismiss industrial policy, and on the other hand, IP advocates flag the East Asian successes and argue that successful industrial policy can be undeniably executed. This paper will take a pro IP stance with the view that if its application was effective in East Asia by applying tailored principles, the same can be applied to Zambia after consideration of the nation's dynamics.

2.4. Evolution of Industrial Policy in Developing Countries and Government's role

It has always been the expectation that structural change favouring industry in developing countries was a necessary condition for the advancement of economic growth. The objective of the industrial policy was, therefore, to accelerate the process of industrialization in order to bring developing countries to a point where they were comparable to those countries in Europe and North America. To achieve this, policy makers considered the degree of competition to which industrial activities should be exposed during the process of structural change before any intervention was employed. Second, they assessed the extent to which market allocation mechanisms in their respective countries could be relied upon to achieve the necessary levels of industrial investment and finally the extent to which industrial development should be dependent on foreign as opposed to domestic investment and maximizing the use of local resources (Altenburg & Lütkenhorst, 2011). After taking this stance, policy makers and researchers have, over time, realized that market forces do not lead to Pareto efficient outcomes independent of intervention. This is evidenced by the global financial and economic crises that have been faced. More specifically, national policy objectives which include equal opportunities for all citizens, financial stability and inclusion, environmental protection among others, have been unattainable in markets on their own (J. Stiglitz et al., 2013). This is one of the key justifications for the applications of industrial policy by governments in both developing and developed nations. As a result, national plans became a tool for the implementation of IP with up to seventy-seven (77) out of ninety (90) low and middle-income countries elaborated development plans between 1940 and 1965. According to Altenburg & Lütkenhorst (2011), these plans targeted industrial investment and output growth while others attempted to guide the sectoral composition of industrial output. It was noted that the governments used three primary policy in efforts to drive industrial development. These were direct public investment in public and parastatal entities in key sectors where private sector investment was deemed insufficient, the licensing of private industrial activities which covered terms and conditions under which non-public investments could take place (these were mostly regulatory in nature) and finally the establishment of industrial-development banks to support various long-term investment projects.

Many analysts have argued that despite recent economic reforms, growth and development are limited in many African countries by policy choices that restrict competitiveness. World Bank statistics and reports according to Arieff et al. (2010) have indicated the African continent ranks second in the world when it comes to trade restrictiveness after South Asia. The region is said to generally display some of the worst rankings in a business environment, governance, logistics, and other trade facilitation indicators. Literature highlights the fact that the low levels of regional integration significantly contribute to the lower rates of intraregional trade in Africa compared to other world regions (Arieff et al., 2010). This arguably stems from other contributing factors such as low labour productivity and limited service provision (including but not limited to electricity and water) which tends to adversely affect the household consumption as well as the economic feasibility of private companies. All these factors provide justification for the governments' role and intervention in the economy via industrial policies and strategies.

2.5. Rationale for Industrialisation

For a long time, the term industrialization has been synonymous with development, particularly amongst classical development economists. The global desire to industrialize was regarded as a necessary condition for the different countries that desired to attain growth and increase labour productivity and socio-economic welfare (UNIDO, 2013). The dictionary definition of industrialization is the large-scale introduction of manufacturing, advanced technical enterprises and other productive economic activities which contribute to the advancement of the country's growth. It refers to the process in which a country or society transforms itself into a base of manufacturing mechanized goods and services thereby moving away from the traditional society which is typically agricultural based. Industrialization or industrial development has been said to be a vital engine for the development and growth of economies worldwide. Mehta (2016) highlights a number of contributions that industrialization makes to the growth of an economy. It is noted that industrialization is necessary for the modernisation of industry across a nation's economy. Taking agriculture for instance, traditional methods of operating have overtime decreased in efficiency and affect the level and quality of output. Tractors and chemical fertilizers, which are products of various industrial processes, contribute to improvements in yields and efficiency. In the same sector, industrialization also allows for the production of value-added products such as textiles and sugar. Industrialization helps in the formation of capital, it promotes trade and improves a country's balance of payments via value added export and it enables the full realization of value for use of natural resources for resource-rich developing countries by use of capital and industrial technology that a country does not naturally have. Of additional significance, industrialization leads to urbanization because when initiated in a remote location, it creates the need for the development of transport and communication, banking, social and health amenities, to name a few. This, in turn, creates employment opportunities for the rural and local communities thereby increasing national and per capita income, thereby reducing a country's overall poverty level (Mehta, 2016). It is for these reasons and more that the industrialization is considered one of the principal drivers of economic development especially for developing countries across the world.

2.6. Industrial Policy in Developing Countries

There have generally been discussions of the empirical evidence regarding the effectiveness of IP on infant-industry protection developing countries. But clearly, there are many other forms of IP: countries could subsidize exports across the board or in particular industries, they could impose differential taxes, as well as differentiated production, credit and R&D subsidies. Since a comprehensive review of all forms of IP is not possible, in the rest of this section we focus our discussion on export subsidies.(Harrison & Rodrígues-Clare, 2009). Consider again the case in which some sectors exhibit Marshallian externalities. An overall export subsidy would simply preserve the allocation associated with the current pattern of comparative advantage. If export subsidies are targeted to the sectors that exhibit Marshallian externalities, then they could also be effective in switching the economy to the equilibrium with higher welfare. Again, production subsidies are less distortionary than export subsidies but they impose stronger fiscal demands. Thus, for governments with great fiscal needs or where taxation is very distortionary at the margin, export subsidies could be a reasonable option, although import tariffs would be less costly.

2.7. Jobless Economic Growth

Both developed and developing countries strive to consistently grow their economies and continually improve the livelihood of their citizens. This includes providing opportunities for people to create wealth by providing opportunities for them to work. Economic growth is, therefore, a necessity to employ any individual looking to work. It should, therefore, be expected that without sufficient economic growth, these opportunities will not realistically exist. This brings us to the definition of the term 'Jobless Growth'. It refers to a situation where an increase in the level of economic output measured in terms of the country's gross domestic product does not translate into the growth of the employment level. Employment either remains stagnated, lags considerably behind GDP growth or even reduces (Datt, 1994). Literature notes that this phenomenon is not only observed in developing countries but in the industrial economies as well. According to the United Nations Development Programme's Human Development Report (1993), it was noted that in the 1980's and 90's, there was a need for a fresh approach to dealing with unemployment throughout the world. The rate of unemployment remained consistent at 6% in the 1980s and peaked at 6.9% in 1991 in OECD countries, which translated to more than 30 million people without jobs. Unemployment in the European members of OECD increased from 3% in the mid-1970s to about 10% in 1992. On the other hand, the situation was worse in developing countries. Countries in Sub-Saharan Africa had double-digit unemployment rates recorded in the period quoted. Economic comparisons between the growth in GDP and employment showed that employment was consistently lagging behind economic growth (ibid). As a result, it was concluded that employment could not be considered a derivative of economic growth as it had previously been considered. It is, therefore, important to ensure that the complementarity between labour and capital is retained and strengthened in the process of development (UNDP, 2015).

This phenomenon has in recent decades peaked researcher curiosity yielding the concept of employment elasticity of growth or output. The concept of employment elasticity is the primary method of determining the level of job creation yielded by a corresponding level of economic growth (Basnett & Sen, 2013). In other words, employment elasticity, according to Kapsos (2005), is defined as a numerical measure of how much employment growth is associated with 1 percentage point of economic growth. He further provides an interpretation of employment elasticity as follows:

Table 1: Interpretation of employment elasticities

	GDP Growth	
Employment Elasticity	**Positive GDP growth**	**Negative GDP growth**
$\varepsilon < 0$	(-) employment growth (+) productivity growth	(+) employment growth (-) productivity growth
$0 \leq \varepsilon \leq 1$	(+) employment growth (+) productivity growth	(-) employment growth (-) productivity growth
$\varepsilon > 1$	(+) employment growth (-) productivity growth	(-) employment growth (+) productivity growth

"The upper left box shows that in countries with positive GDP growth, negative employment elasticities correspond with negative employment growth and positive productivity growth. The middle-left box shows that in economies with positive GDP growth, employment elasticities between 0 and 1 correspond with positive employment and productivity growth and higher elasticities within this range correspond to more employment-intensive (lower productivity) growth. The lower left box shows that in economies with positive GDP growth, elasticities greater than 1 correspond with positive employment growth and negative productivity growth. The three boxes in the right column indicate that the interpretation of employment elasticities vis-à-vis employment growth and productivity growth is exactly the opposite in cases in which the corresponding GDP growth rate is negative" (Kapsos, 2005). These interpretations will be applied when reviewing Zambia's employment elasticity over the research review period.

Previous research carried out on the subject has shown that the impact on jobs created depends on the complementary policies implemented by responsible entities, i.e.

government policies in respective countries. Results further revealed that growth in manufacturing and services had a more significant impact on employment, relative to agriculture. Additionally, growth in non-manufacturing activities such as agribusiness and related industries were found to positively contribute to job creation (Basnett & Sen, 2013). These findings were supported by research conducted by Melamed, et. al, (2011) citing agriculture, industrial and service industries contributing to employment growth. In the light of this theory, this research will assess the sector performance and contributions to growth and employment as well as whether Zambia has policies in place to deliberately support their advancement. The paper will further examine sector contributions of manufacturing, agriculture and services to economic growth. It is important to note that even though employment elasticities have not been as widely used as other indicators, they provide some important insight into the functioning and effectiveness of labour markets allowing for the examination of how growth in economic output and growth in employment evolve together over time (Kapsos, 2005). Additionally, it is noted that employment elasticity overemphasises employment growth over productivity growth. Whereas the employment intensity of growth is a purely quantitative aspect of job rich growth, productivity growth speaks more to the qualitative aspects of growth in the number of ‘decent’ jobs (Akinkugbe, 2015). This is an important consideration given that Zambia has been experiencing increased growth and a considerable level of unemployment but significant and persistent levels of poverty.

2.8. Significance of research

The literature review that has been outlined provides several essential building blocks feeding into the main case being built here which is to answer the question; “To what extent did the 2008-2009 Global Financial Crisis impact economic growth and unemployment in Zambia and has the country’s industrial policy been effective in creating opportunities for sustainable growth of industry for employment creation amid and post the global financial crisis?” The fact that a considerable amount of research has been conducted is evident. However, most, if not all research focuses on one concept without considering the interconnectedness of the four concepts being examined. Additionally, for a country like Zambia, several independent studies have been done but no documentation or research has been conducted to fill in the gaps between the effectiveness and inefficiency of industrial policy in advancing economic growth in the country as well as its ability to withstand global shocks. The literature review, therefore, provides a good foundation or framework from which this research is built to fill in these gaps.

In as much as the research was country specific, the method of analysis can be replicated and applied to any other developing country where results yield recommendations that can be applied by way of informing a country's policy decisions and application of necessary adjustments within the influence of policy makers and enforcers for the improvement of all citizens in that respective dwelling.

3. RESEARCH METHODOLOGY

The pursuance of this study is qualitative in nature emphasizing the use of words as opposed to the quantity in the collection and analysis of data as pointed out by Bryman and Bell as opposed to quantitative research (Greener & Martelli, 2015). Qualitative research, according to Denzin and Lincoln (as cited in Norman, Vleuten, & Newble, 2002), involves an interpretive naturalistic approach to a subject matter including a studied use and collection of various empirical materials such as case studies, individual experience, interviews and visual writings which are then assessed and used to describe issues pertaining to lives of individuals and society at large. This paper involves the study of the impact of global phenomena on the dynamics of a country's economy which are difficult if at all possible to control because of constant changes in the global environment. This can be likened to studies involving human organizations and behaviour explained by Greener & Martelli (2015) which cannot be isolated because of the constant change and varying presentations of self to different audiences.

Qualitative research has, however, been criticized by opponents strongly positing that it is impressionistic and subjective and therefore lacks precision for a scientific process (Murphy, 2004). Other arguments include Guba & Lincolns' (1994) suggestion that there is a positive relationship between scientific maturity and a higher level of quantification. However, of the classifications shown in Figure 1 below, this research is explorative because it seeks to answer questions whose answers will shed light on phenomena and can, in turn, be used to form hypotheses for future research as opposed to descriptive research. It is for this reason that this type of research uses an inductive approach where research questions are used to narrow the scope of the study, considered a bottom-up approach as opposed to the deductive approach where hypotheses are first stated then tested (defining the deductive research process).

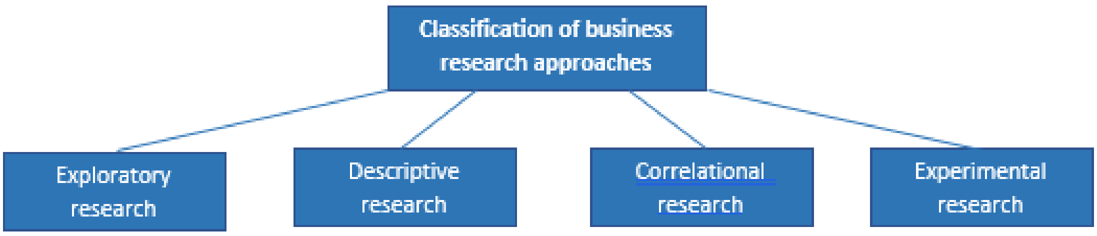


Figure 2: Classification of business research (Greener & Martelli, 2015)

In addition, this approach explores new phenomena or alternatively examining existing phenomenon from a new perspective (Gabriel, 2013). This, therefore, makes the qualitative exploratory research approach the most appropriate method given what this study is attempting to achieve.

Because some of the variables being assessed are quantitative in nature, i.e. economic growth as measured by gross domestic product (GDP) and the unemployment rate, the researcher will give graphical representations of data where necessary to provide a complete analysis and acceptable result that will enhance understanding of the subject. The other qualitative variables being examined in this study is the industrial policy of Zambia and the global financial crisis.

3.1. Research Design

A case study is the research design employed in this research after careful consideration of the objectives and how best they can be attained. There are quite a considerable number of ways in which case studies have been defined by different researchers. Some refer to it as a qualitative method with a small-N, some that it is research considered ethno- graphic, clinical, participant-observation in nature while others assert that the research investigates the properties of a single case or perhaps that the research investigates a single phenomenon. Gerring (2004) notes that most of these definitions can actually be considered as sub-components of a case study. He further defines is as ‘an intensive study of a single unit in order to provide an understanding of a larger class of similar units’. It is a method for in-depth understanding of phenomenon context which is used to contribute to knowledge by relating findings to generalizable theory (Cavaye, 1996).

The case study approach to research has been criticized over the years for its lack of rigour and the tendency for a researcher to have a biased interpretation of the data obtained. It is considered a poor basis for generalization because of the number of objects in the sample (Fletcher et al., 1997). However, even in the face of this opposition, researchers still apply case study research especially in real life situations governing social and economic issues and these are widely used and reported in the literature. This paper adopts the scientific definition posited by case study proponent Robert Yin (1984) which states that a case study is “an empirical inquiry that investigates a contemporary phenomenon within its real-life context when the boundaries of the phenomenon and context are not clearly evident”. Yin (as cited in Bergen & While, 2000) further elaborated this definition in a second set of conditions emphasising that the enquiry deals with technically distinctive situations where there are many more variables of interest to be considered than the data points while relying on several sources of evidence, with data converging in a triangulating fashion. Case study research also benefits from the prior development of theoretical propositions to guide data collection and analysis (Bergen & While, 2000).

In view of these facts, the research design was also supported by the fact that the literature review shows gaps in actual cases to show the linkages between a country's industrial policy choices and its utilization in counteracting the effect of financial crises occurring externally. The case study method was also most appropriate because of the specific attributes inherent compared to other designs. The researcher defines the topic with the goal of understanding the context to contribute to knowledge with no intention of inference on phenomenon but rather to relate findings to the theory that can be generalized (Cavaye, 1996). After comparing the different qualitative designs, the researcher established that the attributes of a case study where most appropriate as indicated in the table below.

Use of case method	**Case research**	**Field studies**	**Action research**	**Application description**	**Ethnography**
Aims for understanding of concept	X	X	X	X	
Topic defined by researcher	X		X	X	X
No intent of interference in phenomenon	X	X		X	X
Attempts to contribute to knowledge	X	X	X		X
Relates findings to generalizable theory	X	X	X		
Interpretation from researchers point of view	X	X	X	X	

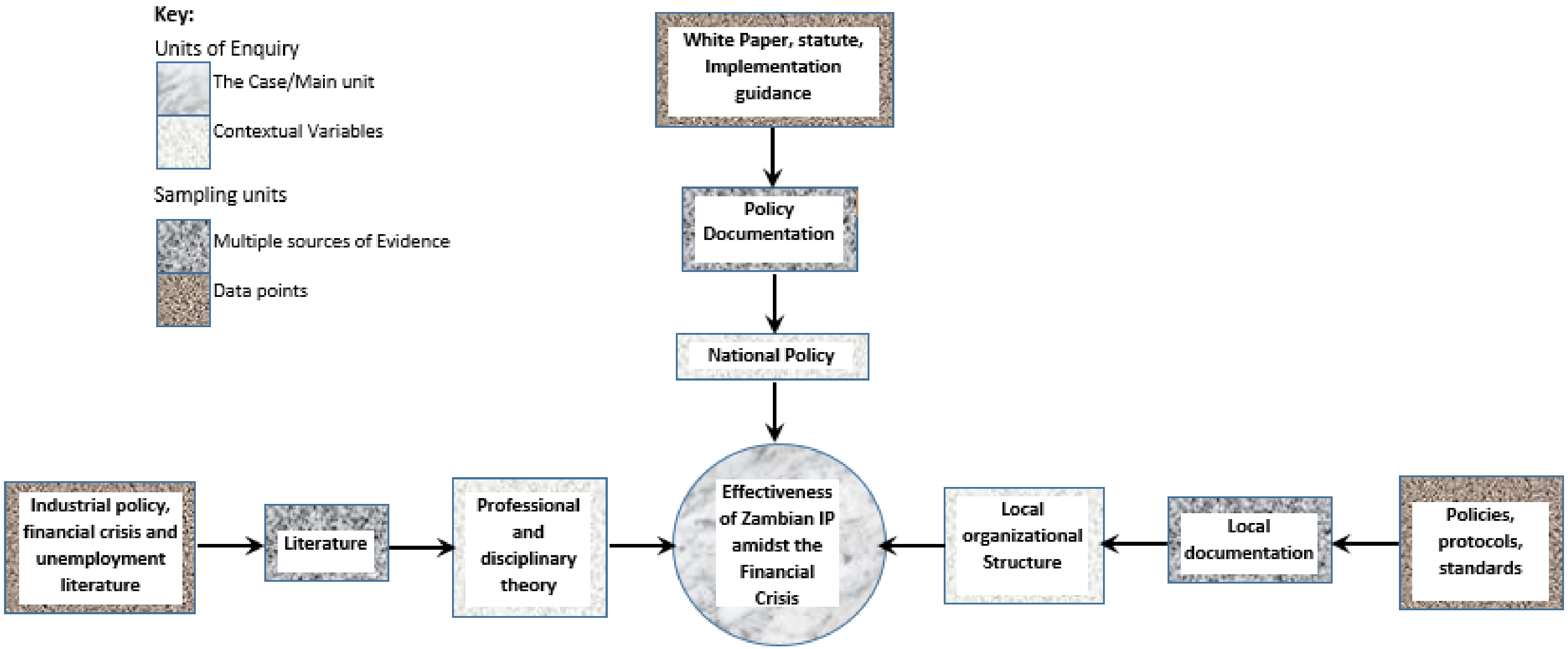
Table 2 – Attributes of research designs (Cavaye, 1996)

3.2. Data Choice, Collection and analysis

Only secondary data, which is simply information obtained by studying the work of others was used, in this research. This was the most realistic type of data to use because of the scope of the research, spanning time, distance and international comparisons. Secondary data arguably be considered a slightly more superior type of data scientifically because a researcher is unable to manipulate or control the data being analyzed. A collection of publicly available documents was used in this case obtained from various sources which included Ministries, Research Centres, Institutional libraries as well as the internet. The selection of documents and sources was done systematically by carefully considering the main themes or components of the research question, in this case, the global financial crisis, industrial policy, economic growth and unemployment, and looking at the entities in Zambia that directly deal with these issues and documents them.

Because the research is assessing the impact of the 2008 global financial crisis on the noted economic variables as well the policies that were in place at the time, the analysis will cover a fifteen (15) year period beginning in the year 2000 to 2015 to provide a more holistic view of events as the have unfolded to date and based on available. That is to say, the analysis will assess the periods prior, during and post the financial crisis.

Figure 3: Case compilation process flow



To analyze the data collected, this case research adopted Robert Yin's notion (as cited in Bergen & While, 2000) of designating a unit smaller than the case for purposes of analysis in order to build up the entire picture for the full case research. In other words, the case is subdivided into various constituent parts and as such is referred to as the "main case" which is "the effectiveness of Zambian IP amid the Financial Crisis". The contextual variables, in this case, are those looking to explain the main case which are economic growth, unemployment rate, industrial policy and the GFC. The data points represent the sources from which data for the purpose of this resource was generated and finally, the multiple data sources represent where the data was retrieved (Bergen & While, 2000). This data was then individually examined and gradually synthesized to come up with one main case as illustrated by Bergen & While, (2000).

4. DATA ANALYSIS AND DISCUSSIONS

This research focused on the period beginning from the year 2000 to 2015 in order to give an indicative picture of the period before and after the 2008-2009 financial crisis. A brief assessment of the period prior to the new millennium will be made to give a better understanding of the developments that led to the policy choices and decisions from 2000 onwards. The paper will then examine the trend in economic growth and unemployment as the GFC set in, including other variables that have been found to be significant contributors to growth in Zambia. The country's policy framework will then be reviewed and discussed accordingly then contextualized with the financial crisis and relevant variables.

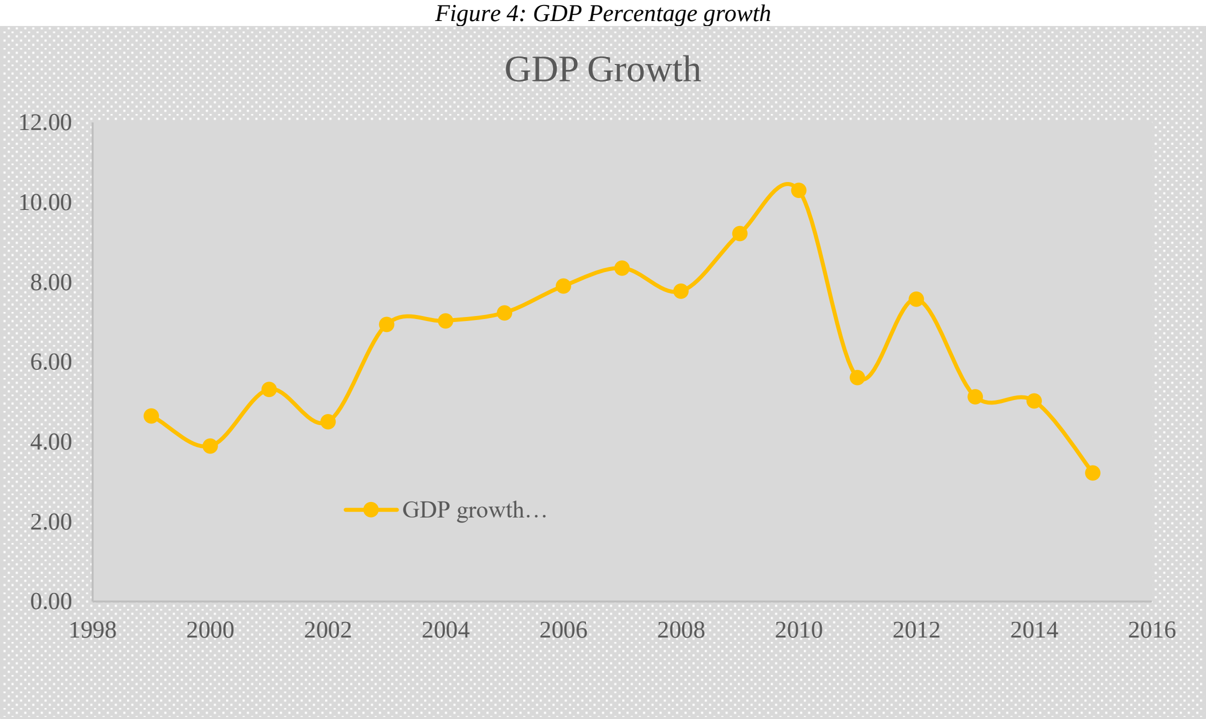
4.1. Zambia's Economic Performance prior to the GFC

The new millennium brought Zambia a renewed sense of hope with numerous possibilities regarding economic growth and stability. According to research done by Central Statistical Office (2011), public and private sector reforms employed after the change in the governing authority in the early 90's paved way for increases in productivity and output. This was primarily owed to the construction, mining and agriculture sectors. Mining has for the longest time been the cornerstone of the Zambian export economy. Copper production increased steadily after the mines were privatized in the 90's, which was a relief to the government because of the massive losses that had been incurred in the periods leading to privatization. This gave the industry a much-needed boost because this reform allowed new private investment which increased copper production, along with high copper prices, which brought the mines back to significant levels of profitability and in turn positively impacted on the growth of the economy since 2004 (ibid, 2011).

The Zambian economy has continually relied on copper extraction as its primary export product, a fact that has always been a cause for concern. Looking back as far as 2003, the African Development Bank (AfDB) and Organisation for Economic Co-operation and Development (OECD) noted that reducing copper dependency was a matter of urgency. It was proposed that this could be curbed by promoting private sector investment in export oriented agriculture, light manufacturing, small-scale mining as well as tourism (Kumo, Omilola, & Minsat, 2003). Many recommendations such as this have been given to the Zambian policy makers who have been making plausible attempts to change this. Despite the fact that the country runs democratic elections and has seen changes in Government, all share the same general view (aside from policy differences) and have carried on attempts to promote economic development that is led by the private sector, implementing various policies and programmes to promote diversification of the country's economy, and importantly, exports and development of infrastructure in the country, especially in rural areas (Central Statistical Office, 2011).

Zambia had hit a cyclical growth path between 1999 and 2003, first hitting a trough in 2000 at 3.90% growth then peaking at 6.94% growth in 2003. The growth trend onwards was consistently upward, increasing to 8.35% in 2007. It is important to note that over this period, real GDP had grown by almost 50% from K 2,499 million in 2000 to K 3,737 million (rebased) in thy year 2008. The economy grew at an average annual rate of 4% between 2000 and 2003, increasing to 5.6% between 2004 and 2008. The GDP per capita also increased significantly from UD$ 315 in 2000 to US$ 918 in the year 2007 (Ndulo, Mudenda, Ingombe, & Muchimba, 2009)

Figure 4: GDP Percentage growth



Source: Authors estimates based on World Bank Data

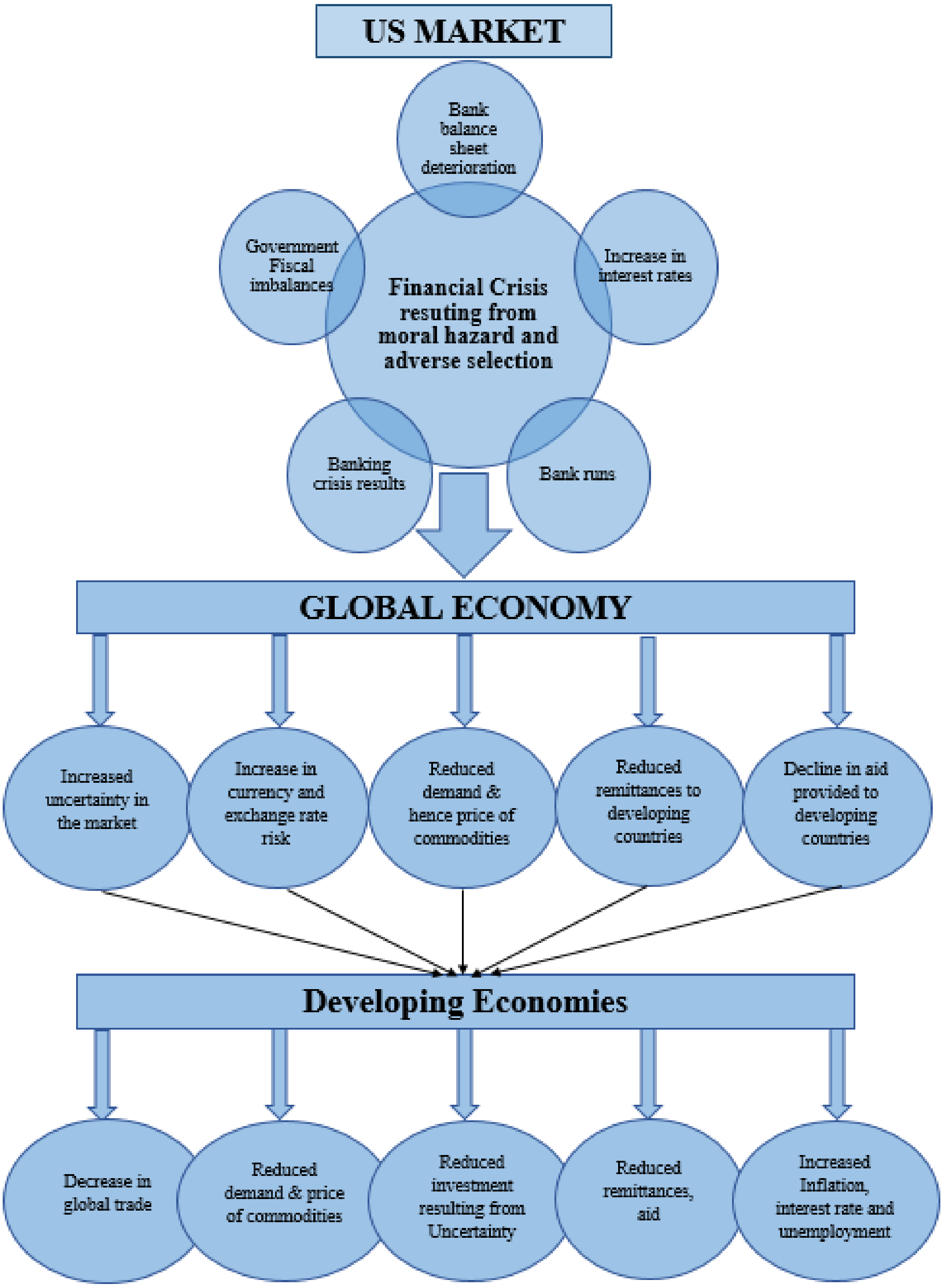
Over the decade leading to 2008, the services sector was the lead contributor to economic growth (66% in 2008) and employment. This was followed by the agricultural and manufacturing sectors who contributed 12% and 10% respectively while mining lagged to

8% in the same year. It is important to note that according to Central Statistical Office (2014) data, the services sector accounted for 70% of formal sector employment. Further to this, between 2000 and 2008, the agro sector grew owing to an increase in private sector investment and good weather with a positive result of generating 13% of total formal sector employment. In the same period, manufacturing grew by 3.5% while mining contribution to GDP increased significantly from 6.4% to 8.4% in 2008 (Mudenda et al., 2009). On the macroeconomic front, the country attained single digit inflation in 2006 for the first time in 25years. Exchange rate stability was also attained and the interest rates fell from as high as 40% to a significant low of 18% in 2007.

4.2. Impact of the Global Financial Crisis

With the setting in of the banking and financial crisis in 2008, Arieff et al. (2010) noted that economists and other analysts were of the view that the impact of the financial crisis on SSA and Africa as a whole would be negligible at most. This conclusion was equally assumed for Zambia based on the fact that these countries in the region were among the least exposed to the global financial system and the African banks held very few of the supposedly “toxic assets” that exacerbated the crisis. This perception seemed justified at the time based on the fact that South Africa is the only country in SSA considered by the IMF (as cited in Arieff et al., 2010)as an emerging market economy with a full range of financial institutions that are integrated with the global economy. However, the financial crisis culminated into a global economic recession which impacted negatively on these trade-dependent economies. Reverting to the Zambian case, the graph shows a decline in the economic growth rate realized in 2008. The following figure illustrates the generalized impacts on developing countries as they were realized in different countries. A discussion of the impacts as they applied to Zambia will then follow:

Figure 5: Tickle down effects of the Global Financial Crisis



Source: Authors synthesis of (Arieff et al., 2010; Madan & Kaur, 2013; Silumbe, 2010)

Making reference to Madan & Kaur's (2013) depiction of the consequences of the financial crisis indicated in 2.2.3 in the literature review, the factors that have a direct bearing on the global economy have been indicated in the figure above. To elaborate further, the continued uncertainty about the asset prices discussed in literature caused the banks to abruptly stop lending. This led to bank runs because of panic from the market whose reaction was to retrieve their investments from the banks. The banks, however, found themselves in an overleveraged position and were not able to pay back their investors while facing crashing asset prices (Baily et al., 2008; Madan & Kaur, 2013). Increased interest rates ensued in response to increased demand for loans which impacting directly on the global economy because the United States Dollar is one of the primary reserve currencies in the world. Bank balance sheets consequently began and continued to deteriorate yielding significant fiscal imbalances at country level. These occurrences led to increased uncertainty in the local and international market, increased currency and exchange rate risk, reduced demand and the resulting reduction of commodity prices. These factors also contributed to the reduction in remittances and aid to developing countries because of the reduced capacity of foreign entities (and uncertainty) in the developed world to support developing economies as before (Arieff et al., 2010).

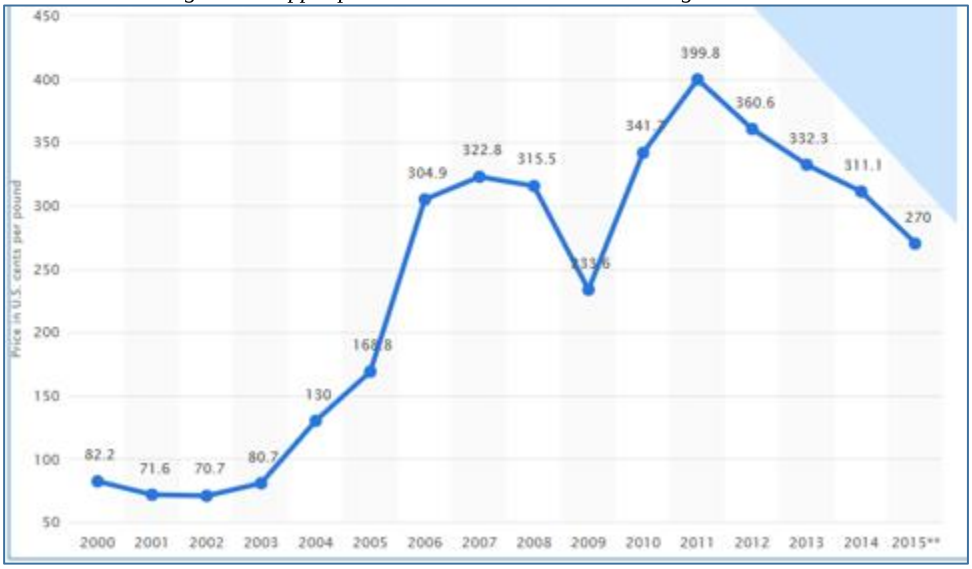
4.2.1. Impact of the Global Financial Crisis – Macroeconomy

Most African countries were not spared by these effects. As the financial crisis led to a global recession, the events in the global economy resulted in a decline in global trade and investment in addition to the reduction in revenue from falling remittances from overseas workers and foreign aid cuts. These factors had a significant impact on developing economies because these channels are largely connected to their “real” economy as opposed to the financial sector. Narrowing the scope to Zambia, the impact of the GFC started to set in around the 3rd quarter of the year 2008. Economic performance changed drastically because of three issues. Firstly, increased food and fuel prices increased the rate of inflation, second the level of uncertainty and expectations about the economy drastically increased after the death of the country’s President, Levy P. Mwanawasa and finally, the heaviest economic shock was the collapse in copper prices.

The collapse of the copper price 2008, as shown in figure 6, is alluded to as the heaviest shock because copper represented an average of 70% of Zambia’s export earnings. It is for this reason that the trade sector was one of the primary ways in which the financial crisis was transmitted to Zambia (Ndulo, Mudenda, Ingombe, & Muchimba, 2010). The price has increased from as low as US$ 0.707 per pound (i.e. US$ 1,560 per tonne) in 2002 to US$

3.228 per pound (i.e. approx. US$ 7,120 per tonne). However, the GFC led to a fall in price to as low as US$ 2.336 per pound (US$ 5,150 per tonne) on 2009 having a significant negative effect on the country's export earnings. As a result, the country's trade balance reduced significantly from ZMW 2,453,844 (rebased) in 2007 to as low as ZMW 176,520 in 2008 (Central Statistical Office, (2014) refer to Appendix II). However, it was not long before the price of copper started to recover in the second quarter of 2009.

Figure 6: Copper prices on the London Metal Exchange



Sourced from www.statista.com

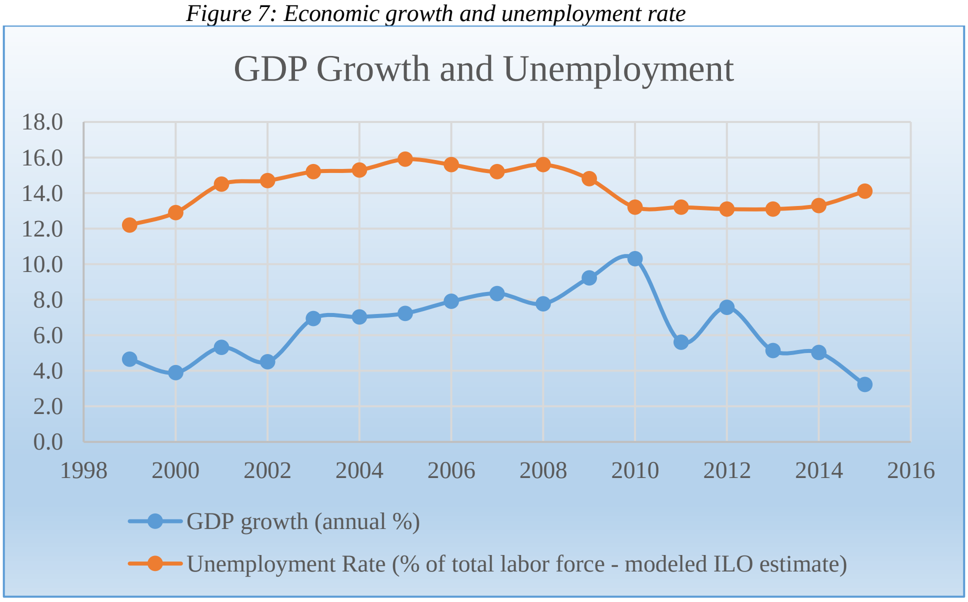
With regard to remittances to Zambia, the GFC had no significant impact because due to the fact that the country has a relatively small diaspora compared to other African countries like Ghana, Nigeria and Kenya. The country actually recorded an increase in remittances in the first part of the year 2009 compared to same period in 2008. In the same vein, there were no noticeable differences in the Overseas Development Assistance (ODA) as the pledges made by foreign entities to the 2009 and 2010 national budgets were not significantly revised. It was noted, however, that some bilateral donors, e.g. Sweden, were suspended due to the Zambia's failure to meet governance requirements stipulated in the Joint Assistance Strategy for Zambia (JASZ) Framework. Other bilateral commitments were delayed for the same reason awaiting clearance by Zambia officials or entities responsible (Mudenda et al., 2010).

On the macroeconomic front, copper prices in the country and exchange rate were found to have a strong positive correlation. As a result, the increased copper price yielded a continuous depreciation of the kwacha from mid-2008 to the 2nd quarter of 2009 when the rate started to appreciate and the copper prices dropped. The inflation rate was equally driven up by increased prices in food and energy tariffs in addition to the effects of currency depreciation. Inflation had already started to increase in 2007 from single to double digits (Prabhakar, 2010) at 10.69% and increasing further to 12.4% in 2008 and 13.46% in 2009 before reducing to single digit inflation of 8.2 % in 2010 (Central Statistical Office, 2014).

4.2.2. Impact of the Global Financial Crisis – National growth and employment

As noted in 4.1 and in figure 7, the economy had been on a steady growth path until the year 2007 when the growth rate started to slow down. At the climax of the GFC in 2008, the growth rate slowed as expected given the number of economic variables being affected negatively as discussed. Simultaneously, the graph shows a slight increase in the rate of unemployment recorded. This is well aligned due to the fact that a number of job losses were recorded as a result of the reduction in economic activity, especially in the mining sector. Prabhakar (2010), noted that in Zambia, nearly one in four of the workers in the mining sector lost their jobs in 2008. This was the major impact on the country as a whole. The mining sector was the first to realize job losses, followed by the industries that support mining activities like construction, mine suppliers and export oriented agricultural activities. A total of up to 8500 jobs were estimated as lost between July 2008 and April 2009 resulting from mine closures and scaling down of operations and investments (Ndulo et al., 2010).

Figure 7: Economic growth and unemployment rate



Source: Authors estimates based on World Bank Data (UR- modelled ILO estimates)

According to Prabhakar (2010), growth prospects of some countries like Zambia were affected less despite the impact of the global financial crisis on core sectors. Ndulo et al., (2010) further asserted that the reduced growth rate in Zambia was modest compared to other African countries like Ghana whose GDP growth fell from 9.15% in 2008 to 4.85% in 2009 and Botswana whose growth fell from 6.25% to -7.65 in the same period. It is also noted that before the crisis set in, Zambia was growing at about the same rate of about 6.2 – 6.9% per annum as other countries in sub-Saharan Africa. The crisis further reduced the expected growth rate in 2009 to 4.3% for Zambia and 1.1% for Sub-Saharan African countries (IMF, 2009).

However, observing the graph post the economic crisis, it is clear to see that the economic situation in Zambia has considerably worsened reaching new lows of only 3.2% in 2015. This is mainly attributed to the fact that copper price has been in a free fall since 2011 as indicated in figure 6. Maverick (2015) assets that given all the changes the country has undergone over the years, these recent occurrences show just how much has remained the same. This decrease in the growth rate resulting from the falling price shows just how much the country's economy remains dependant on copper, still accounting for 70% of export revenue as was the case in 2009. If not dealt with accordingly, the country will remain vulnerable to changes in price and other unforeseen global economic shocks that will yield more damaging results.

4.3. State of Jobless Economic growth

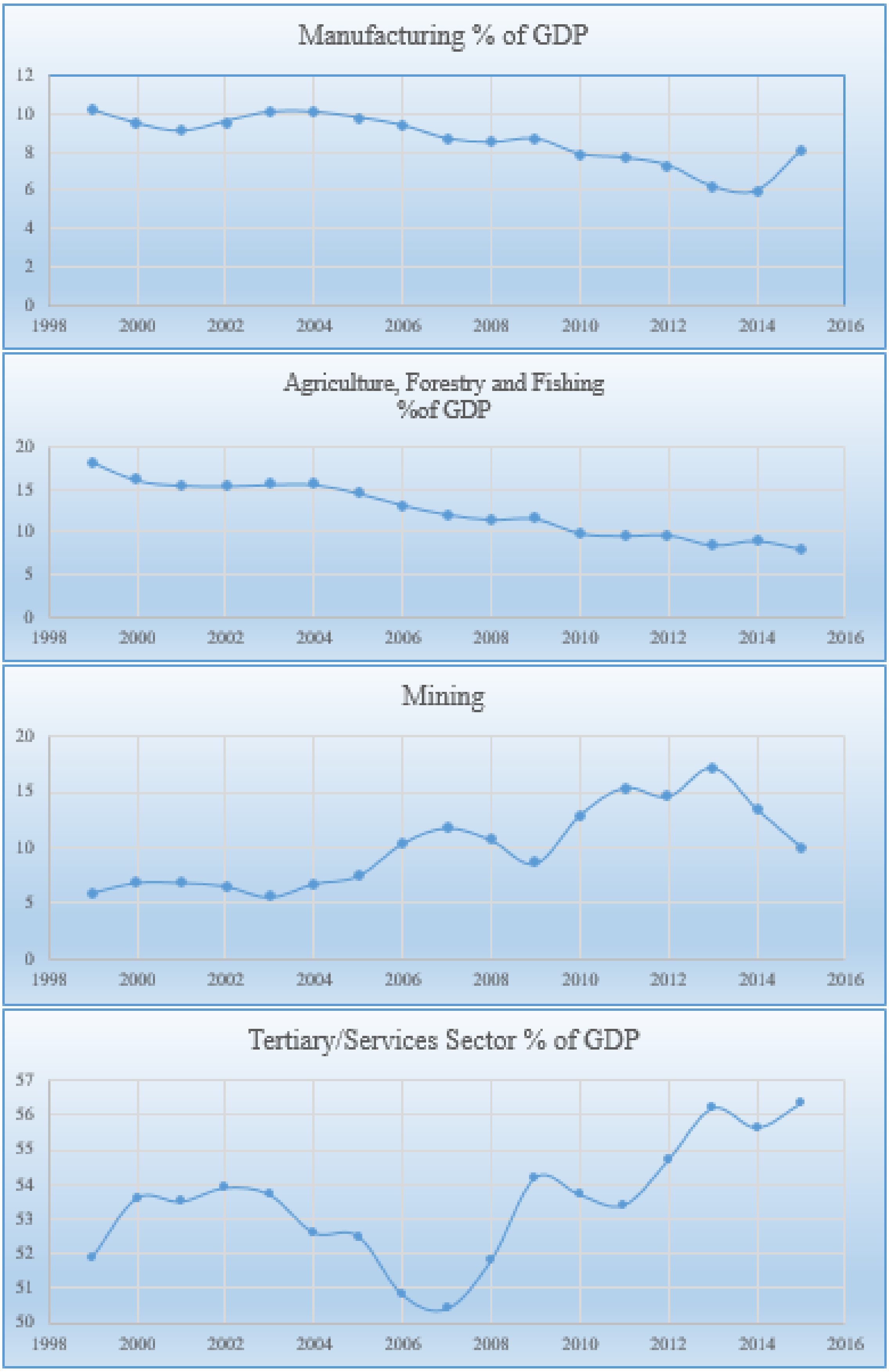
The upward trajectory the country's economic growth is owed to the mining, agriculture, construction, transport and communication sectors. In 2010 the real GDP growth was 7.6 percent which was the highest growth rate recorded according to the Central Statistical Office. The rate of inflation also declined significantly from 30.1% to 7.9% between 2000 and 2010 respectively. The average rate of inflation recorded in 2012 was 6.6% (Central Statistical Office, 2013). Despite the plausible economic gains and improvements over the period, statistics showed that the country population living below the poverty line had reduced from 62.6% in 2006 to 60.5% in 2010 implying a marginal decrease of 2.3%. This showed that the level of poverty was still extremely high with the extremely poor accounting for about 42% of the total population (Central Statistical Office, 2012). In 2015, the Living Conditions Monitoring Survey report revealed that this percentage had reduced from 60.5% to 54.4 % of the total population. This level is still significantly high with the majority of 76.6 % being in rural areas and 23.4 % being captured in urban areas (Central Statistical Office, 2015). Given that the country recorded an unemployment rate of 13.1% in 2012, the level of poverty still prevailing was difficult to comprehend. It was the realized that economic growth was not yielding jobs and reduction of poverty for most Zambians. The Ministry of Commerce Trade and Industry (2013) reported that job creation has not been commensurate with the gains registered from economic growth. Although the share of formal employment in total employment increased slightly between 2005 and 2012, from 12% to 15.4% this automatically meant that nearly 85% of the employed population were in the informal economy earning very little with no social protection and representation. According to CSO, the informal sector accounted for about 34% of total value added in 2010 (Harasty, Kwong, & Ronnas, 2015). This scenario clearly shows a disconnection between growth and productive job creation translating into ineffective attempts to reduce poverty levels.

Drawing on the concept of employment elasticity, research has shown that between 2008 and 2012, employment elasticity in Zambia was 0.58. Because employment elasticity is defined as the growth in employment resulting from a 1% in increase in economic growth, this implies that for every 1% increase in GDP, there will be a corresponding increase in employment of 0.58% (Harasty et al., 2015). According to Kapsos' (2005) interpretation, this level of employment elasticity corresponds with positive employment and productivity growth. It is noted that the higher elasticities in the range $0 \leq \varepsilon \leq 1$ correspond to economic growth that is more labour intensive. This, therefore, implies that an elasticity of 0.58 is low considering the fact that the Zambia has a labour surplus economy (Harasty et al., 2015). This further shows that there is a need for growth to be more labour intensive. As indicated in the literature review, research has indicated growth in manufacturing and services had a more significant impact on employment, relative to agriculture. Additionally, growth in non-manufacturing activities such as agribusiness and related industries were found to positively contribute to job creation (Basnett & Sen, 2013). This was supported by Melamed, et. al, (2011) cited agriculture, industrial and service industries as contributing to employment growth.

Research conducted by Akinkugbe (2015) on the subject of employment elasticity in the period prior to the 2008 financial crisis, i.e. between 2000 and 2008, yielded the same conclusion. It was discovered that the services sector, construction/industrial agriculture and mining were sectors that consistently showed relatively high employment elasticity over the review period. In as much as the elasticities were high, statistics still revealed that Zambia's economic growth was not translating into significant poverty and unemployment reductions and the trend has continued post the financial crisis. This is a clear indication that Zambian growth needs to be more inclusive and "job rich".

Figure 8 shows the composition of each of these sectors in Zambia's GDP.

Figure 8: Sectoral contributions of Agriculture, Manufacturing, Services and Mining to GDP



Source: Authors estimates based on World Bank Data

From the figure, there has not been any substantial development with the contribution of the manufacturing sector reducing until it spikes in 2015. This is a cause for concern because of the potential the sector holds in playing a strategic role in sustainable growth and employment creation in the country. Sustainable job creation will require the increased production of value-added products and the exploitation of export markets in which Zambia has a competitive advantage. The manufacturing sector will need to play a key role in this process and four core subsectors have been identified as having the best potential to achieve this objective, namely; the agro-processing subsector, wood subsector, the engineering products subsector, and the pharmaceutical subsector (Ministry of Commerce Trade and Industry, 2013).

Agriculture's share of GDP, comprising both crop and livestock subsectors, has also been reducing significantly. The sector provides livelihood to more than 50% of the population. It is the main source of income and employment for most Zambians. Agriculture is predominantly rain-fed and therefore, the sector's performance is determined by rainfall patterns. The irrigation potential is estimated at 430,000 hectares of which only 100,000 hectares are developed this shows the investment potential (Ministry of Commerce Trade and Industry, 2013). Mining has contributed cyclically more that the manufacturing sector and in some years more than agriculture. However, from the graph, it is seen that the contribution dropped significantly during the 2008-2009 GFC. Its contribution has dropped further post 2013 due to the falling copper prices on the global market. The need for economic and export diversification cannot be overstated. Finally, the services sector which encompasses tourism, wholesale and retail trade, financial intermediaries, real estate, among other sub-sectors, contributes over 50% of the country's GDP. There is, therefore, a need to actively engage both Government and private entities in advancing these sectors.

4.4. The Zambia Policy Framework

4.4.1. Evolution of Policy Framework

According to the Ministry of Commerce, Trade and Industry, (2009), in the 1990's Zambia's policy framework was designed to incorporate the structural adjustment programs that had been introduced in addition to the liberalization of trade and finance. This was partly effected through the privatization of a considerable number of state-owned enterprises. It was expected that these adjustments would ultimately lead to the growth of the economy and reduction of poverty as a result. The immediate economic response was a reduction in inflation, increase in non-traditional exports and diversification of agricultural production. However, in as much as several improvements in the economy were realized from the structural adjustment programs, they were not permanent. Economic liberalization also yielded a contraction in the country's industrial output because of the increased access to imports. The country could take full advantage of the integration into the region due to the fact that its export supply capacity was not adequate (Ministry of Commerce Trade and Industry, 2009). It was not until 1994 that the Government introduced the Commerce Trade and Industrial Policy which outlined the Government's long-term vision (LTV) for the industrial sectors, domestic trading activities, and Zambia's participation in international trade arrangements. This long-term vision is expected to provide a basis for various strategies to be implemented in order to realize outlined objectives (Ministry of Finance, 2005). The LTV is further fragmented into 5 years National Development Plans (NDP) which have focused policy objectives and strategies to urge the country closer to attaining the Vision 2013. To give an indication of the industrial policies put in place, key policy actions and goals reviewed (with economic focus) are extracted from the general policy documents tabulated as follows:

Period	Policy Document	Description	Policy Focus	Summary of Key Objectives
1994	Commerce Trade and Industrial Policy	This policy document was the Governments response to the weak industrial sector, export growth and low level of investment in the domestic economy which was expected to be naturally dealt with after liberalization of trade in 1991. It had been noted that, for the country to truly benefit from international trade, there was a need for domestic policies and investment to be aligned with the trade reforms that had been implemented. The overall goal of industrial policy at this time was "to develop a competitive, export-led manufacturing sector that contributes 20 percent of GDP by 2015". (Ministry of Commerce Trade and Industry, 1994).	• Outward looking • Sector specific	• To stimulate and encourage value-addition activities on primary exports for increased national export earnings and creation of employment opportunities • To stimulate investment flows into export-oriented areas in which Zambia has comparative advantages as a strategy for inducing innovation and technology transfer in the national economy; • To support the effective development and utilization of domestic productive capacities • To facilitate the acquisition of modern technology to support value-adding, industrial processes by domestic firms; • To facilitate public and private investments in testing infrastructure to support improvements in the quality and standards of Zambian products • To assist domestic firms to increase their levels of efficiency and competitiveness, and therefore withstand increasing competition in domestic and international markets. • To provide targeted incentives and supervision of six priority sectors (i.e. processed foods, textiles, engineering products, gemstones. leather, wood and their products) (Ministry of Commerce Trade and Industry, 1994)
2005 – 2013	Vision 2030	This is Zambia's first long-term plan articulating the appropriate the country's national and sector goals intended to be	• Outward looking • Sector specific	• Economic objectives include attaining and sustaining annual economic growth rates of above 6% while maintaining moderate inflation of 5%

		accomplished by the year 2013. The vision alluded to is for Zambia to become "A prosperous Middle-Income nation by 2030". This NLTP is based on policy-oriented research on key national strategic issues and on a process of discussion with key economic players and/or stakeholders including the private sector, civil society and the general citizenry on the long-term goals and future of Zambia. The plan outline all relevant sectors, the vision for each sector and the desired goals to be attained by 2030 (Ministry of Finance, 2005).		• To create an environment and investment climate that is consistent with economic and social objectives such as financial inclusion, improve performance of government agencies servicing private investors • Improving regulation, supervision, and enforcement to increase efficiency • Facilitate the establishment of a private sector led gem exchange to foster the creation of a fair value marketing system (Ministry of Finance, 2005)
2005 – 2010	Fifth National Development Plan (FNDP)	After the abandonment of the Fourth NDP in 1991 in favour of the open market system following trade liberalization, the Fifth NDP was formulated after the realization that planning for development was still necessary to guide resource allocation to priority areas. These priority areas were outlined in this document. It is noted that the implementation of the policies defined in this document would be guided by the Sector Advisory Groups that had been established. (Ministry of Finance and National Planning, 2006)	• Economic infrastructure and human development resources • Sector specific	• To enhance agriculture production and participation by investing in rural irrigation, provision of microfinance, maintain existing infrastructure (develop feeder roads) to facilitate easy access to markets • To create an environment that supports private-sector growth creating a supportive macroeconomic environment facilitated by reduced inflation and interest rates, effective public expenditure and revenue management, stable and competitive exchange rate. • To improve business and investment climate while strengthening financial sector (Ministry of Finance and National Planning, 2006)
2009	Commerce Trade and Industrial Policy	Following the first Commerce, Trade and Industrial Policy of 2002, this document provides a platform to take stock of the progress made and challenges faced since the introduction of the initial policy document. This would allow for the application of lessons	• Outward looking • Sector specific	• As above (CTI of 2002)

		learned in the formulation of future policies and strategies. It further discusses the various strategies and measures that were to be implemented by the Government in the next decade to support the growth of a competitive, export-led, Zambian economy. (Ministry of Commerce Trade and Industry, 2009)		
2011 – 2015	Sixth National Development Plan (SNDP)	This policy document was written as the successor to the FNDP in a bid to actualise Vision 2030. This plan focussed on policies, strategies, and programmes that were expected to contribute significantly to address growth that was pro-poor, the creation of employment opportunities and human development to attain the plan's objectives. (Ministry of Finance and National Planning, 2011).	• Sector specific	• To accelerate infrastructure development, economic growth and diversification • To promote rural investment and accelerate poverty reduction and enhance human development. • Sectors targeted included transport, energy, housing, health, education and skills development, water and sanitation, agriculture, livestock and fisheries, mining, tourism and manufacturing as main considerations. (Ministry of Finance and National Planning, 2011)
2013 – 2016	Revised Sixth National Development Plan (R-SNDP)	Simply a revision of the FNDP, the RSNDP is primarily an investment plan which contains quantifiable programmes to inform sector planning and budgeting processes. The revision as necessitated the change in Government administration that occurred after the 2011 elections bringing the need to refocus priorities and align them to the new administration's manifesto. The key difference is that its focus is on capital investment with a strategic inclination towards rural development and creation of employment (Ministry of Finance, 2012).	• Sector specific	• To employ a phased approached to development of sectors given the large requirements that cannot be met in the 5 years planned period • To promote employment and job creation through targeted and strategic investments in selected sectors i.e., Agriculture, Energy (increasing power generation capacity), Infrastructure Development, • To promote rural development by promoting agricultural development, rural enterprises and providing support infrastructure in rural areas; • To enhance human development by investing in the social sectors i.e. Science and Technology, Health, Education and Water and Sanitation

				• To accelerate infrastructure development to enhance the growth potential of the economy by expanding the interprovincial and district road network and existing airports as well as rail network • To measure key performance indicators (KPI's) on an annual basis and key result areas (KRA) at the end of the planned period. (Ministry of Finance, 2012)
2013	Strategy Paper on Industrialization and Job Creation	Despite the consistent positive economic growth that Zambia has realized in the past decade, job creation was not corresponding to the level of economic growth. Statistics showed that unemployment fluctuated between 12 and 15 percent though over 80% of the employed population was engaged in the informal sector. This was because the economic growth attained was capital intensive. The realization that formal employment had stagnated in the past decade was the motivation behind the development of this strategy document. (Ministry of Commerce Trade and Industry, 2013)	• Sector specific	• To use international best practices in the development of sectors and sector performance. • To recognize attitudes and cultural aspects that inhibit a positive public response to government policy and interventions. • To seek active private sector participation and private sector led development initiatives to ensure successful implementation of the Strategy. • To ensure macroeconomic stability (i.e. characterised by strong growth in real GDP, single digit inflation rate, a low and sustainable fiscal deficit, a strong external sector position characterised by a positive current account balance, a sustainable external debt position and maintain a competitive exchange rate that will stimulate Non-Traditional Exports (Ministry of Commerce Trade and Industry, 2013)

4.4.2. Discussion of Policy Framework

It is clear to see that Zambia has put in place and varied a considerable number of policies to facilitate the overall development of different aspects of the economy and more specifically, the development of the industry. It should be noted that the initial industrial policy documentation had a more generalized view, setting general cross-cutting policy objectives with the first Commerce trade and Industrial Policy. What was clear in both CTI of 1994 and 2009 was an emphasis on sustained growth of the country's non-traditional exports (NTE's) for the achievement of economic diversification. It is noted, however, that this policy was not as aggressive or as strategically focussed as subsequent policies. The oncoming of Vision 2030 gave the country a much-needed sense of direction and provided footing on what steps to be taken in improving the general livelihood of all citizens. All the policies employed are sector specific and outward looking. To give an appreciation of the difference between outward and inward looking policies the key attributes are tabulated below:

Table 3: Outward and inward looking Industrial policy:

Outward policies	**Inward Policies**
• focus on increasing international trade	• focus on building and improving domestic industries
• Reduce trade barriers	• High protective trade barriers
• removing subsidies to domestic firms	• high tariffs on imported goods and subsidies on local firms with the hope of achieving economies of scale for lower production costs
• encourage high levels of FDI	• low level of FDI which is long term
• focus on exporting goods and services in which the country has a comparative advantage (more exports improve the value of the currency)	• does not support efficient resource allocation and creates a loss to society
• successfully applied Hong Kong, Singapore and Taiwan	• Applied in India in the 1990's and achieved only 2% growth per year at the time

Source: (Brainwise, 2012)

With the coming of the FNDP, the policy objectives set here incorporated the realization that it was necessary to direct resources to key priority sectors in order to realize meaningful impact. In this case enhancement of agricultural production and improvement of infrastructure to facilitate access to markets came out as primary themes after the discovery that agriculture was one of the key sectors that would provide employment to the average Zambian. This was in addition to improving the business investment climate as a key outward looking strategy. The application revised five-year plans are highly warranted and commendable because it has allowed for the necessary adjustments to policy based on lessons learned in attempting to implement the development plans in respective periods. That said, the SNDP, being the FNDPs successor, took into account a number of considerations that had not been accounted for prior. The development of the SNDP came in the period just after the Global Financial Crisis. It was made apparent that there was a desperate need for the country to diversify its exports based on the experience during the crisis. The key lesson learned here was that the collapse of copper prices and the manner in which the trade sector reacted was the main transmission mechanism of the GFC impact into the country because of the heavy dependence on copper as the leading export commodity (accounting for 70% of export revenue). This fact reinforced the urgent need for Zambia to diversify its export portfolio. This fact is visibly incorporated in the SNDP as one of the key policy objectives outlined is economic diversification. The policy document clearly indicated that while mining would remain important and would be continually promoted, there was a need to aggressively diversify the economy to other sectors, in order to cushion against the negative effects of external shocks as experienced two years prior (Ministry of Finance and National Planning, 2011).

As the policy framework evolves with time, the research found that the structure of industrial policy becomes more and more refined. The R-SNDP brings into a perspective capital investment that the Government would undertake in the coming period with a strategic inclination towards the rural development of the country and employment creation. This adjustment in policy focus incorporates due attention to the phenomenon of jobless growth realized in 2011/2012. Harasty et al., (2015) highlights the fact that thrust of the R-SNDP is to accelerate growth further and promote viable livelihoods for Zambian people, especially in rural areas. This would be achieved through investment in key growth sectors which were selected based on the potential to create employment, facilitate rural development and inclusive growth. The sectors identified with the highest potential to achieve this are agriculture, manufacturing, energy, construction, tourism and mining. Most importantly it includes Governments intended policy actions for implementation, for example providing support infrastructure and investment in social sectors.

As a follow up to pursuing the objectives outlined in R-SNDP, the Strategy Paper on Industrialization and Job Creation was developed as a response to the challenges in creating formal sector employment. This would be attained through both foreign and local investment. The Strategy was developed with reference to international best practices in the development of sectors, the recognition of attitudes and cultural aspects that impede a positive public response to government interventions, fostering an active private sector, emphasis on strengthening existing Government programmes and sustained macroeconomic stability(Ministry of Commerce Trade and Industry, 2013). It was noted that at the time this document was being formulated, the bulk of FDI was being channeled to mining, manufacturing, wholesale and retail trade but unfortunately created very few formal sector jobs. This led to the conclusion that other sectors that were more labor intensive had not been exploited. The sectors identified as having the highest labour requirement and potential to be competitive were noted as Agriculture, Tourism, Construction and Manufacturing sectors. The key objective of that resulted was the creation of 1,000,000 new formal sector jobs over the next five years in the four growth sectors. This would promote growth, employment, value addition and expansion of Zambia's economic base with private sector participation (ibid, 2013). The policy outcome modelled after international best practices in addition to other factors was the incorporation of the Industrial Development Corporation as the implementing entity of this mandate. This entity would act as an active shareholder and investor on behalf of the Zambian Government.

5. RESEARCH FINDINGS AND CONCLUSIONS

This research set out to answer the question: "To what extent did the 2008-2009 Global Financial Crisis impact economic growth and unemployment in Zambia and has the country's industrial policy been effective in insulating the economy from such exogenous shocks while creating opportunities for sustainable growth of industry?" To this effect, the question was broken into the following sub-questions:

i). To what extent did the 2008-2009 Global Financial Crisis impact economic growth and unemployment in Zambia?

ii). Has Zambia's industrial policy been effective in insulating the economy from such exogenous shocks while creating opportunities for sustainable growth of the industry?

iii). Has Zambia made any significant adjustments in its industrial policy specifically targeted at insulating itself from future global shocks post the financial crisis?

After carrying out a thorough literature review and analysis of data collected, this paper has succeeded in meeting the aims and objectives that had been laid out. The key finding is that Zambia was indeed affected by the global financial crisis of 2008-2009 but to a lesser extent when compared to other countries in the Sub-Saharan African region and in Africa as a whole. The main entry point to the Zambian economy was through the country's dependence on a single commodity export, copper. Once the price of copper fell drastically as a result of the chaos in the global market, the country's trade balance was immediately affected. The negative impact of a reduced trade balance yielded a significant reduction in the amount of foreign currency in the country both in terms of reserves and in circulation. The demand for foreign exchange then exerted pressure on the kwacha forcing the local currency to depreciate and while interest rates increased. However, by the second half of 2009, the state of the economy started to improve as the country regained economic stability. It was noted that the level of unemployment also increased as a result, primarily in the mining sector as some mines closed down while others laid off their employees. Other jobs lost were in the sectors directly linked to mining such as construction.

Previous research introduced the concept of employment elasticity resulting from the situations where economic growth, as consistently experienced by Zambia, does not automatically translate into employment creation. It was found that Zambia's employment elasticity is very low given the fact that it is a labour driven economy. It was discovered that sector-based employment elasticities indicated that agriculture, manufacturing and the services sector exhibited high employment elasticity to show that more employment in created in these sectors per percentage increase in growth in these respective sectors. The country was right to prioritize some of the growth sectors prioritized by its policy.

It was discovered that Zambia is actively engaged in laying out its industrial policy framework. The country adjusts its policies periodically to allow for the incorporation of new priorities and lessons learned from previous periods to make it more relevant and practical. It moved from having broadly generalised policy objectives to strategic and action investment oriented objectives. Some aspects of policy constantly emphasise the need to diversify the economy to non-traditional exports and engage the private sector. All policies employed are sector specific and outward looking. However, it is important for the country to employ some aspects of inward looking policies. A specific example is that of the textile industry. Trade liberalisation led to the import of cheap alternatives from China as well as the import of "salaula" (referring to second-hand clothing) which ultimately led to the collapse of the textile industry altogether. With the prioritization of textiles as a subsector of manufacturing, policy considerations must be made to support its growth internally. Lessons can be derived from the Singaporean development success story whose industrial structure has progressed from labour-intensive export manufacturing to capital and technology intensive manufacturing and high value added services. One of the key policy adjustments was to employ import substitution and export oriented industrial policy (Yue, 2005). Zambia can be considered a bit more liberal in this regard and would need to deliberately apply relevant policies to attain this. Singapore also benefited from the combination of service and manufacturing industry which reaffirms the strong linkages between the two sectors and Singapore's need for a broad economic base to reduce vulnerability (ibid, 2005).

It was also discovered that industrial policy alone cannot realistically shield a country's economy from exogenous shocks because successful implementation of policies and investments assume stable macroeconomic and economic environmental conditions (Ministry of Finance and National Planning, 2011) which cannot be controlled internally. Because negative exogenous shocks affect the cost structure in the business environment, the impulsive reflex if for industry players to lay off workers to cut costs are they tend to increase faster than the revenues can be generated. Because of this, policy makers can enforce a regulation that involves close monitoring of the global and local market environment. The ability to anticipate external shocks will help industry players brace themselves and take necessary action before the effects set in. Another measure that can be put in place with regard to preserving employment and the well being of employees is unemployment insurance. This protects both the industry players and their employees when faced with inevitable external shocks.

6. RECOMMENDATIONS FOR FUTURE RESEARCH

As this research, did not include a quantitative study of the economic variables employed, it would be advisable to take the study further and conduct regular research on employment elasticity. There are quite a significant number of sectors that could be effective in adding value to the economy while creating job opportunities.

Additionally, there would be value in conducting an in-depth comparative study of other countries within the Sub-Saharan Africa region like Botswana and Tanzania have grown to be more competitive in terms of industrial capacity and are advancing at a much faster rate in spite of global uncertainties. This will provide more insight on how industrial policies can be formulated and implemented better in the future.

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APPENDIX I

Table 4: Sector contribution to GDP

Year	GDP growth (%)	Agriculture, Forestry and Fishing	Mining	Manufacturing	Tertiary/Services Sector
1999	4.65	18.2	6	10.2	51.9
2000	3.90	16.1	6.9	9.5	53.6
2001	5.32	15.5	6.9	9.1	53.5
2002	4.51	15.4	6.6	9.6	53.9
2003	6.94	15.6	5.6	10.1	53.7
2004	7.03	15.6	6.8	10.1	52.6
2005	7.24	14.6	7.5	9.8	52.5
2006	7.90	13.2	10.4	9.4	50.8
2007	8.35	12.1	11.8	8.7	50.4
2008	7.77	11.5	10.7	8.5	51.8
2009	9.22	11.6	8.6	8.7	54.2
2010	10.30	9.9	12.9	7.9	53.7
2011	5.62	9.6	15.4	7.7	53.4
2012	7.57	9.7	14.6	7.3	54.7
2013	5.13	8.5	17.2	6.2	56.2
2014	5.02	9.0	13.5	6.0	55.6
2015	3.22	8.1	10.1	8.1	56.3

Sourced from the World Bank Database

APPENDIX II

Table 5: Trade balance statistics

Trade Statistics

Table 13: Total Exports, Domestic Exports, Re-Exports And Trade Balance (K' Million), (1964-2013)

Year	Total Exports	Domestics Exports	Re-Exports	Imports	Trade Balance
1996	1,105,746	1,095,682	10,064	959,261	146,485
1997	1,478,080	1,478,080	0	1,316,594	161,486
1998	1,901,036	1,901,036	0	2,024,947	(123,911)
1999	2,327,901	2,316,855	11,046	1,673,817	654,084
2000	2,716,558	2,680,167	36,391	2,751,563	(35,006)
2001	3,537,207	3,523,389	13,818	3,900,497	(363,290)
2002	4,069,917	4,045,881	24,036	4,732,882	(662,965)
2003	4,642,040	4,614,121	27,919	7,439,867	(2,797,828)
2004	7,526,280	7,460,408	65,872	10,279,303	(2,753,023)
2005	9,612,909	9,564,985	47,925	11,466,669	(1,853,759)
2006	13,410,945	13,388,136	22,809	11,049,771	2,361,174
2007	18,399,134	18,301,278	97,855	15,945,290	2,453,844
2008	18,653,009	17,951,198	701,812	18,476,489	176,520
2009	21,364,760	20,312,467	1,052,294	18,941,137	2,423,623
2010	34,500,051	32,876,096	1,623,956	25,507,487	8,992,564
2011	42,915,039	37,914,339	5,000,699	35,440,939	7,474,099
2012	48,206,166	44,580,859	3,625,307	45,275,939	2,930,227

Source: External Trade Statistics, (Central Statistical Office, 2014)

APPENDIX III

Table 6: GDP Growth and Unemployment Rate

Year	GDP growth (annual %)	Unemployment Rate (% of total labour force)
1999	4.7	12.2
2000	3.9	12.9
2001	5.3	14.5
2002	4.5	14.7
2003	6.9	15.2
2004	7.0	15.3
2005	7.2	15.9
2006	7.9	15.6
2007	8.4	15.2
2008	7.8	15.6
2009	9.2	14.8
2010	10.3	13.2
2011	5.6	13.2
2012	7.6	13.1
2013	5.1	13.1
2014	5.0	13.3
2015	3.2	14.1

Sourced: World Bank Database 2016 (Unemployment rate is a modelled ILO estimate)