THEME: “STIMULATE ECONOMIC RECOVERY AND BUILD RESILIENCE TO SAFEGUARD LIVELIHOODS AND PROTECT THE VULNERABLE”

PMRC 2021 ZAMBIA NATIONAL BUDGET ANALYSIS

October 2020
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Theme: “Stimulate Economic Recovery and Build Resilience to Safeguard Livelihoods and Protect the Vulnerable”
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## ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>CFTA</td>
<td>Continental Free Trade Area</td>
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<tr>
<td>COMESA</td>
<td>Common Market for East and Southern Africa</td>
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<td>DIS</td>
<td>Direct Input Supply</td>
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<td>FISP</td>
<td>Farmer Input Support Programme</td>
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<td>FRA</td>
<td>Food Reserve Agency</td>
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<td>FSP</td>
<td>Food Security Pack</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GSB</td>
<td>Government Service Bus</td>
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<td>ICT</td>
<td>Information Communication Technology</td>
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<td>IDC</td>
<td>Industrial Development Corporation</td>
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<td>MFEZ</td>
<td>Multi Facility Economic Zones</td>
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<td>MoA</td>
<td>Ministry of Agriculture</td>
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<td>PAYE</td>
<td>Pay As You Earn</td>
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<td>PMRC</td>
<td>Policy Monitoring and Research Centre</td>
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<td>PPPs</td>
<td>Public Private Partnerships</td>
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<tr>
<td>PSPF</td>
<td>Public Service Pensions Fund</td>
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<tr>
<td>SADC</td>
<td>Southern African Development Community</td>
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<tr>
<td>SCT</td>
<td>Social Cash Transfer</td>
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<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>STEM</td>
<td>Science Technology Engineering and Mathematics</td>
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<tr>
<td>VAT</td>
<td>Value Added Tax</td>
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<tr>
<td>ZDA</td>
<td>Zambia Development Agency</td>
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<tr>
<td>ZMD</td>
<td>Zambia Meteorological Department</td>
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<td>ZRA</td>
<td>Zambia Revenue Authority</td>
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On 25th September 2020, the Minister of Finance Dr. Bwalya Ngandu delivered a **K 119.6 billion** budget under the theme **“Stimulate Economic Recovery and Build Resilience to Safeguard Livelihoods and Protect the Vulnerable.”** The 2021 budget is aimed at steering the nation towards a path of economic recovery amidst the devastating effects of the COVID-19 pandemic. This budget has been formulated amidst constrained global and domestic economy. The global economy is projected to contract by 4.9% due to the adverse effects of the COVID-19 pandemic. For Zambia, disruptions in supply chains and containment measures have had a severe impact on sectors such as tourism, construction, wholesale and retail trade as well as manufacturing. The budget outlines several cushion and intervention measures aimed at enabling sectors, SME’s and several businesses to set out on a path to recovery.

This PMRC budget analysis highlights several key aspects of the 2021 National Budget. It begins by providing an overview of global and domestic developments as well as the performance of the 2020 national budget. Further, it highlights the COVID-19 pandemic, its impact on the economy and cushion measures that were instituted by the Government to fight the pandemic. Thereafter, expenditure, revenue targets, macro economic targets and a detailed discussion of highlights under the budget context are provided.

### GLOBAL AND DOMESTIC ECONOMIC OVERVIEW

#### A. Global Economic Developments

- The global economy is projected to contract by **4.9%** due to the adverse effects of the COVID-19 pandemic.

- In Sub-Saharan Africa, economic activity is projected to contract by **3.2%** from a positive out-turn of **3.1%** in 2019.

- Commodity prices have been volatile in 2020. For instance, during the first half of the year, copper prices averaged **US$5,500 per metric tonne** compared to **US$6,200** in the corresponding period in 2019. Over the same period, crude oil prices averaged **US$41 per barrel** compared to **US$66**. The fall in copper and crude oil prices was mainly on account of reduced global demand. For crude oil, excess supply and lack of storage capacity exacerbated the decline in prices.

#### B. Domestic Economic Developments

- Real GDP growth is projected at negative **4.2% in 2020**, the first recession since 1998.

- Almost all the sectors are expected to record negative growth. Disruptions in supply chains and containment measures have had a severe impact on sectors such as tourism, construction, wholesale and retail trade as well as manufacturing.

- In addition to the effects of the COVID-19 pandemic, electricity rationing has contributed to the contraction of overall economic activity.
Execution of the 2020 Budget has been challenging mainly due to the impact of COVID-19 pandemic.

Revenues and grants amounted to **K42.8 billion** during the period January to August 2020 which was **7.7%** below the target of **K46.4 billion**.

The underperformance is on account of subdued economic activity. Revenues and grants are projected at **K65.9 billion** by the close of 2020, which is **12.0%** below the target of K75.0 billion.

For the period January to August 2020, total expenditure, including amortization, amounted to **K72.1 billion** and was 27.2% below the target of K99.0 billion.

By the end of year, total expenditure is projected to be **K111.9 billion**, representing **5.6%** above the target of **K106.0 billion**. The higher than planned expenditure is mainly attributed to COVID-19 mitigating measures and agricultural related expenditures.

Due to the fall in revenues and grants and the increase in spending, the fiscal deficit, on a cash basis, is expected to rise to **11.7%** of GDP by the end of 2020 against the target of 5.5%.
THE IMPACT OF COVID-19 ON THE GLOBAL ECONOMY

The Coronavirus pandemic poses the following impact on the global economy:

**Slow Down in Global Growth:** Preliminary assessments by the International Monetary Fund (IMF) indicated a substantial slowdown in global economic growth in 2020 compared to 2019.

**Drag in Global Trade:** Global trade had slowed down following closure of borders and the lockdown in major economies.

**Plummeting of Commodity Prices:** Commodity prices had drastically reduced. Copper prices opened the year at US$6,165 per metric tonne closed at US$4,754 per metric tonne as of Wednesday the 25th of March, 2020. Stocks on the London Stock Market had surged to about 225 thousand metric tonnes from about 145 thousand metric tonnes in January 2020.

**Capital Flight in the Financial Markets:** The international economy saw investors diverting their funds from traditional assets such as stocks to safe havens that included the US Dollar causing its appreciation against other currencies.

THE IMPACT OF COVID-19 ON THE ZAMBIAN ECONOMY

**Tourism:** Disruptions in international air transport have had an adverse effect on tourist arrivals. Some hotels and lodges had reported significant reductions in bed occupancy rates, to less than 20 percent from an average of 50 percent for the same period last year.

**Mining:** Copper prices had declined by 23% to US$4,754 per metric tonne as at 25th March, 2020 from US$6,165 per metric tonne in January 2020.

**Fiscal Revenues** under the 2020 budget were projected to be lower on account of the slowdown in economic activity. Collections under VAT, Customs Duties, Income Tax and Mineral Royalty were expected to decline. In February 2020, revenue and grants collections were recorded at K4.6 billion, which was 4 percent below the target. Collection from mining company tax and overall VAT were below target by 32 and 13 percent, respectively. Revenue collected in March 2020, stood at K2.7 billion against the target of K4.5 billion. The depreciation of the Kwacha against major currencies resulted in higher debt service than programmed.

**Trade:** COVID-19 has disrupted international trade in terms of both volumes and commodity prices. Collections of trade taxes were expected to be lower than projected in the first quarter of the year and most likely, beyond.

**Exchange Rate Depreciation:** The Kwacha depreciated by more than 20 percent to around K17.50 per US dollar.
Inflation: Annual inflation was projected to remain above the target range of 6-8 percent. Inflation for March 2020 stood at 14%.

Financial Sector: The broader impact on the financial sector is likely to be observed with lags as the economy faces various challenges which translate into rising non-performing loans.

MEASURES TAKEN TO MITIGATE THE IMPACT OF COVID-19

Funding towards COVID-19 Response
Government had taken the following measures:

i. Setting up an Epidemic Preparedness Fund under the Ministry of Health amounting to K57 million;

ii. Cabinet approved a COVID-19 Contingency and Response Plan with a budget of K659 million under the Disaster Management and Mitigation Unit;

iii. The Government mobilized funds through the budget and engagement with various local and international stakeholders.

Resources available from Multilateral Organisations
- Government made applications to multilateral partner organisations for COVID-19 support.
- The International Monetary Fund made available a total of US$50 billion to affected countries via rapid disbursement of emergency facilities while the World Bank Group approved support of up to US$14 billion under a fast track COVID-19 Facility.

Easing Liquidity
Government planned to release K2.5 billion to:

i. Reduce domestic arrears owed to domestic suppliers of goods and services;

ii. Reduce outstanding arrears to pensioners under Public Service Pension Fund and retirees under Ministry of Justice;

iii. Reduce outstanding third-party arrears and other employee related commitments. In addition, K140 million was planned to be released to pay local contractors in the road sector.

Tax Relief
Government:

i. Suspended excise duty on imported ethanol for use in alcohol-based sanitizers and other medicine related activities subject to guidelines to be issued by ZRA;

ii. Removed provisions of SI 90 relating to claim of VAT on imported spare parts, lubricants and stationery to ease pressure on companies;

iii. Suspended import duties on the importation of concentrates in the mining sector to ease pressure on the sector;

iv. Suspended export duty on precious metals and crocodile skin.
Financial Sector Measures

Government through the Bank of Zambia has taken measures to encourage the use of digital financial services. These are:

a) Waived charges for person to person electronic money transfers of up to K150. These transactions are now free of charge;

b) Revised upwards transactions and balance limits for individuals, small scale farmer and enterprises to give agents more float to deal with transactions. This is made to decongest banks;

c) Removed the transaction and balance limits on agents and corporate wallets; and

d) Reduced the processing fees for Real Time Gross Settlement System;

- Government will issue an SI for Classification and Provisioning of Loans Directives to encourage financial service providers to provide relief to the private sector and facilitate long term lending to productive sectors of the economy.

Business Continuity

Government has put in place measures to enable:

- Continuity of its operations by making it possible for officers to work remotely in services such as; the Single Treasury Account, the Integrated Financial Management Information System (IFMIS) and Payroll Management and Establishment Control (PMEC).

- The Minister of Commerce, Trade and Industry will work with the Ministry of Finance to engage major retail outlets to support local producers and domestic value chains of consumer goods.
In the 2021 Budget, Government proposes to spend K 119.6 billion or 32.6% of GDP compared to 32.4% of GDP in 2020 and 28.9% of GDP in 2019.
<table>
<thead>
<tr>
<th>Department</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
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<tbody>
<tr>
<td><strong>GENERAL PUBLIC SERVICES</strong></td>
<td><strong>K 57.8 Billion (48.3%)</strong></td>
<td><strong>K44 Billion (41.6%)</strong></td>
<td><strong>K31.2 Billion (36.03%)</strong></td>
</tr>
<tr>
<td><strong>ECONOMIC AFFAIRS</strong></td>
<td><strong>K21.5 Billion (18%)</strong></td>
<td><strong>K21.8 Billion (20.6%)</strong></td>
<td><strong>K20.6 Billion (23.79%)</strong></td>
</tr>
<tr>
<td><strong>EDUCATION</strong></td>
<td><strong>K13.8 Billion (11.5%)</strong></td>
<td><strong>K13.1 Billion (12.3%)</strong></td>
<td><strong>K13.2 Billion (15.29%)</strong></td>
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<tr>
<td><strong>HEALTH</strong></td>
<td><strong>K9.7 Billion (8.1%)</strong></td>
<td><strong>K9.4 Billion (8.8%)</strong></td>
<td><strong>K8 Billion (9.3%)</strong></td>
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<tr>
<td><strong>DEFENCE</strong></td>
<td><strong>K5.6 Billion (4.7%)</strong></td>
<td><strong>K6.5 Billion (6.2%)</strong></td>
<td><strong>K5 Billion (5.84%)</strong></td>
</tr>
<tr>
<td><strong>PUBLIC ORDER &amp; SAFETY</strong></td>
<td><strong>K3.1 Billion (2.6%)</strong></td>
<td><strong>K4 Billion (3.8%)</strong></td>
<td><strong>K2.8 Billion (3.3%)</strong></td>
</tr>
<tr>
<td><strong>HOUSING &amp; COMMUNITY AMENITIES</strong></td>
<td><strong>K2.2 Billion (1.9%)</strong></td>
<td><strong>K3.4 Billion (3.3%)</strong></td>
<td><strong>K2.23 Billion (2.58%)</strong></td>
</tr>
<tr>
<td><strong>SOCIAL PROTECTION</strong></td>
<td><strong>K4.8 Billion (4.0%)</strong></td>
<td><strong>K2.6 Billion (2.4%)</strong></td>
<td><strong>K2.1 Billion (2.52%)</strong></td>
</tr>
<tr>
<td><strong>ENVIRONMENTAL PROTECTION</strong></td>
<td><strong>K 956 Million (0.8%)</strong></td>
<td><strong>K611.7 Million (0.6%)</strong></td>
<td><strong>K875 Million (1.01%)</strong></td>
</tr>
<tr>
<td><strong>RECREATION, CULTURE &amp; RELIGION</strong></td>
<td><strong>K151 Million (0.1%)</strong></td>
<td><strong>K383 Million (0.4%)</strong></td>
<td><strong>K297 Million (0.34%)</strong></td>
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**Legend**

- **Blue**: 2021
- **Black**: 2020
- **Green**: 2019
The specific macroeconomic objectives for 2021 will be to:

- Achieve a real GDP growth rate of at least 1.8 percent;
- Reduce the inflation rate towards the 6-8 percent medium-term target;
- Increase Gross International Reserves to at least 2.5 months of import cover;
- Reduce the fiscal deficit to 9.3 percent of GDP; and
- Achieve domestic revenue collections of not less than 18.0 percent of GDP.
THE 2021 ZAMBIA NATIONAL BUDGET

The theme for the 2021 Zambia National Budget is “Stimulate Economic Recovery and Build Resilience to Safeguard Livelihoods and Protect the Vulnerable.”

PILLAR ONE: ECONOMIC DIVERSIFICATION AND JOB CREATION

From the budget, there is a clear emphasis on economic diversification and job creation as the key pillars in supporting our economic recovery. In this regard, agriculture, mining, tourism and industrialisation are identified as sectors to drive growth while energy and infrastructure development are identified as key enablers.

Agriculture

Despite the negative growth in most sectors, the agricultural sector is projected to register positive growth in 2021. This is attributed to favorable weather conditions and early distribution of farming inputs in the 2019/2020 agricultural season. For most crops, the country recorded an increase in production. For instance, maize production recorded a 69% increase to 3.4 million metric tonnes from 2.0 million in the 2018/2019 farming season.

Notwithstanding the increase in output, productivity among small-scale farmers remains low. Government intends to strengthen extension services and is committed to ensuring that all Farmer Input Support Programme beneficiaries adopt climate smart agriculture technologies and practices. Besides promotion of climate smart agriculture technologies and practices in order to adapt to climate change, PMRC has also been calling for the need to adequately fund the Zambia Meteorological Department (ZMD). This would assist Ministry of Agriculture (MOA) to adequately package early warning information on climate change and disseminate it to farmers that would be the most affected by crop failure.

Government also intends to migrate all beneficiaries under the Farmer Input Support Programme to the cost-effective e-voucher system. In this regard, the proportion of beneficiaries on the e-voucher (FISP) system will be increased to 100% over the medium-term. **Electronic-FISP will help the treasury to save on logistical costs (such transportation and distribution) associated with DIS given constrained fiscal space amidst the COVID-19 pandemic.** In this regard, the Economic Affairs function has been allocated a total of K21.5 billion and one of the notable expenditures include K5.7 billion on the Farmer Input Support Programme (FISP), targeting one million farmers across the country. Further, for the country to be food secure, Government proposed to set aside **K517.5 million for the national strategic food reserves.** PMRC has been of the view that Government needs to ring fence funds for the purchases of the strategic food reserves by Food Reserve Agency (FRA). Poor households that produce enough to sell to the FRA need to be incentivised to produce more by prompt payments as opposed to the frequently long and uncertain
delays in payments when farmers deliver their maize to the FRA.

To promote the livestock subsector, Government will continue with the Livestock Stocking and Restocking Programme out of which at least 30 percent of the beneficiaries are youths. In the first half of 2020, a total of 3,100 households benefited from the Programme. With regards to animal health, a total of 283,000 animals have been vaccinated out of the 2020 target of 290,000 under the Livestock Vaccination Programme.

- Government is implementing the Zambia Aquaculture Enterprise Development Project aimed at stimulating a viable aquaculture subsector. In 2020, the Project, through the Citizens Economic Empowerment Commission, has disbursed loans worth K6.3 million to 637 aquaculture entrepreneurs. These loans are targeted at empowering youths and women.

- To promote linkages between agriculture and manufacturing, the Industrial Development Corporation intends to establish a tomato and fruit processing plant in 2021. To support the scaling up of agricultural productivity through mechanization, Government has further proposed to zero rate all tractors for Value Added Tax purposes. Currently, only tractors up to 90 Horse Power are zero rated.

- To provide relief to the horticulture and floriculture subsectors, Government proposes to increase the number of years for claiming the 10 percent development allowance to 5 years from the existing 3 years. This allowance is applicable to persons growing rose flowers, tea, coffee, banana plants or citrus fruit trees or other similar plants or trees.

PMRC notes that despite favorable climate, good soils and plenty of arable land, Zambia has continued to import significant quantities of vegetables and fruits. The subsector has the potential to create wealth and income for smallholder farmers if these imports were substituted for local production and increased exports. Imports have continued to grow mainly because of low investment by the private sector for improved production of quality horticultural products. The increase in the number of years for claiming the 10 percent development allowance to 5 years is welcome but should be backed by smallholder farmer cluster development through incubation that provides support services and addresses the risks and major constraints faced by smallholder farmers in horticulture.
To further revamp the horticulture and floriculture subsectors and to promote other non-traditional exports, the 2021 Budget proposes to:

a) Suspend import duty on biological control agents;
b) Remove import duty on greenhouse plastics;
c) Reduce import duty to 15 percent from 25 percent on selected bulb plants and seedlings;
d) Reduce import duty on secateurs and pruners to 15 percent and 25 percent, respectively; and
e) Remove import duty on selected agricultural clippers.

**Infrastructure Development**

Infrastructure development remains very important for the nation on this path of sustainable development. It is especially critical as we prepare for the upcoming implementation of the Continental Free Trade Agreement (CFTA). Several projects are currently being undertaken but the key is to ensure that alternative financing is sourced, so as to provide some relief for the treasury. Further, PMRC still calls for the inclusion of more local contractors in these projects, as it has a positive bearing on liquidity in the domestic economy. Additionally, Public Private Partnerships (PPPs) remain a viable avenue through which Government can continue to engage with the private sector in delivering commitments as set out in the national development plan. Below are updates from the 2021 National Budget on the progress made under infrastructure projects;

**ENERGY:** The construction of Kafue Gorge Lower Power Station is almost complete and will add 750 megawatts to the national grid. It is expected that 300 megawatts will come on board by the end of the year.

**ICT:** So far, 774 communication towers out of a target of 1,009 have been constructed, bringing the total network coverage to 91 percent.
Regional and International Trade

The African Continental Free Trade Area (ACFTA) has been held as a possible means to assist African countries recover from the economic disruptions that have arisen from COVID-19. Trade under the CFTA was set to commence on 1st July 2020, but as a result of the COVID-19 pandemic this date was postponed to 2021. The primary objective of the CFTA Agreement is to create a single market for goods and services, which also allows for the free movement of business and natural persons. PMRC believes that the CFTA presents a huge opportunity for enhanced trade and growth especially if the nation prepares adequately for participation therein. Therefore, we note with optimism that Government, as stated in the 2021 National Budget, intends to consolidate its position and participation in the African Continental Free Trade Area and reposition to take advantage of the expanded market to the rest of Africa.

It is important that Zambia views the delay to trade under CFTA caused by COVID-19 as an opportune time to define the modalities of the agreement and to begin to plan for implementation.
within the key players, manufactures, businesses and private sector. The often-ambitious targets of regional integration initiatives have a poor implementation record and efforts to integrate across the continent have been slow. This is an opportunity to break that pattern. If possible, the Government should even seek to continue tariff negotiations via online platforms. The COVID-19 pandemic should not slow the momentum that has been generated in getting the CFTA to its present state.

With the need to ratify the Agreement comes the need for increased sensitization. PMRC has previously urged Government to focus its efforts on raising awareness about how the Agreement can benefit Zambian producers and businesses as well as what risks come with it. There is particular need to be prepared for the increase in competition that would arise once trade under the CFTA begins. This kind of support would ensure that Zambian producers and businesses are not crowded out by firms from countries with larger economies such as South Africa and Nigeria. Additionally, support would ensure that the private sector is able to harness the opportunity of the Agreement, to grow their business and access the market as stated in the 2021 budget speech.

Zambia should also work at identifying the product and commodity categories in which we have comparative advantage. These are the goods that the country must focus on producing once trade in the CFTA begins to take place. These product categories present opportunities for joint-production among member states. Discussions regarding strategy and co-operation in these areas could also begin during the current delay.

**Multi-Facility Economic Zones**

Multi-facility Economic Zones (MFEZs) are designed to attract foreign direct investment, accelerate industrialization and create jobs. Zambia presently has 8 MFEZs across the country with several more scheduled to be constructed. However, the MFEZs have been operating below their expected potential and have yielded a mixed bag of results up to this point. In the 2021 budget address, Government highlighted the following tax incentive: reduce the investment threshold for a Zambian citizen to qualify for tax incentives under the Zambia Development Agency Act No.11 of 2006 to US$100,000 from US$500,000 for those intending to operate in a priority sector, a multi facility economic zone or industrial park. PMRC welcomes this policy decision as it could attract more local investors to move their operations to any of MFEZs across the country. The Government must be commended for this demonstration of commitment to make the MFEZ initiative a success. However, PMRC also believes that more can be done in order to maximize the performance of the MFEZs. More investigations need to be instituted so as to understand why the uptake of investments in the MFEZ has been low. To this end, PMRC will be conducting an extensive study to examine the performance and impact of Multi-facility Economic Zones in Zambia. The results from this study will be used to provide recommendations to Government for further incentives and interventions to address the challenges experienced by investors operating in the MFEZs.
Stimulating Manufacturing

The following measures are observed from the 2021 budget aimed at stimulating local manufacturing:

◊ To enhance the market opportunities for the local industry, Government has presented a Bill to Parliament to repeal and replace the Public Procurement Act No. 12 of 2008. This is aimed at promoting local content and also stimulating local manufacturing. PMRC has been calling for these reforms especially aimed at enhancing the public procurement process.

◊ The construction of industrial yards across the country to further promote industrialisation has advanced. Construction of Chipata, Kasama and Mongu industrial yards has been completed and will be operationalised in 2021.

◊ To promote linkages between agriculture and manufacturing, the Industrial Development Corporation (IDC) will establish a tomato and fruit processing plant in 2021. Within the confines of the IDC, there is an opportunity to still partner with the private sector and embark on several processing plants with the aim of prompting value addition of agricultural produce. To this end, a strategy should be developed by the IDC that details how the agricultural value chain can be enhanced overall.

◊ To support the scaling up of agricultural productivity through mechanization, Government proposes to zero rate all tractors for Value Added Tax purposes. Currently, only tractors up to 90 Horse Power are zero rated. This pronouncement is also welcome. PMRC further recommends that farmer categorization should be considered and incentives designed per cluster.

Government has further proposed the following measures aimed at supporting local production, building resilience and mitigating the revenue loss arising from the aforementioned measures:

a) Increase import duty to 40 percent from 25 percent on agro products such as beef and beef processed products, pork and pork processed products, chicken and chicken processed products as well as fish imported from outside the SADC and COMESA regions;

b) Introduce excise duty at the rate of K1.50 per litre on reconstituted milk;

c) Harmonize import duty rate on reconstituted milk with other forms of milk at 15 percent;

d) Adjust the specific excise duty rate on cigarettes to K302 per mille from K265;

e) Introduce a surtax at the rate of 20 percent on imported un-denatured ethyl alcohol of an alcoholic volume strength of 80 percent or higher;

f) Introduce excise duty on plastic flat bags at the rate of 30 percent; and

g) Harmonize the import duty rates of cotton and polyester fabric at 15 percent ad valorem rate or K1.82 per kilogram whichever is higher.
PILLAR TWO: POVERTY AND VULNERABILITY REDUCTION

Social Protection Programmes

Social protection is a key intervention for poverty reduction and vulnerability that continues to be prioritized. The key programmes are the Social Cash Transfer (SCT), Public Service Pension Fund (PSPF) and the Food Security Pack (FSP). In the 2021 National Budget, a total of K4.8 billion has been allocated to social protection. Under the SCT, 994,000 beneficiary households have been targeted for the K2.3 billion allocated to the programme. This is an increase from the 700,000 households under the 2020 National Budget. However, no update is provided on how the Electronic Cash Transfer has fared considering that it was raised in the 2020 National Budget as a major shift in disbursement. Government is urged to provide a clear roadmap to address the issue of delays in disbursement of funds.

The budget allocation for Public Service Pension Fund (PSPF) and Farmer Input Support Programme (FSP) are K1 billion and K1.1 billion respectively. There has not been an increase in the allocation towards the payment of retirement benefits in the past two years. Recently held sit-in protests about delayed payments due to non-availability of funds are evidence that this is a cause for concern. Inflation is a real concern and the plight of retirees still remains a concern that should be addressed. For FISP, this is a nominal increase from K1 billion in 2020.

The effects of climate change continue to be a source of concern, with extreme weather conditions being evident. In 2020, Zambia experienced floods amidst unpredictable rainfall patterns. Government commits to accelerate the climate change programme by completing the legal framework through enacting legislation on climate change. PMRC emphasizes focus on climate smart agriculture practices and re-alignment of spending in the agricultural sector to focus on key drivers of growth in the sector.
During the official opening of the Fifth Session of the Twelfth National Assembly on 11th September 2020, President Edgar Lungu reiterated Government’s commitment to continue working towards reducing developmental inequalities. Of particular concern was the rural-urban divide as well as income and gender inequalities. As remarked in the 2021 budget address, key interventions include the construction of roads to facilitate market linkages between urban and rural areas and the electrification of rural areas.

In the 2021 budget, Government has committed to continue with the Improved Rural Connectivity Project. Once it is fully implemented, the project will cover 3,375km across the country. To date, 501km have been contracted out of which 82km have been rehabilitated.

Regarding rural electrification, 12 grid extension projects have been completed out of the 25 that are being implemented. The construction of Kasanjiku Mini Hydro Power Station in North-Western Province as well as the Lunga and Chunga Solar Mini Grids in Luapula and Central Provinces, respectively, have also been completed. To this end, in the 2021 budget, Government has allocated K 307,199,557 million to the Rural Electrification Fund. This represents an 85% increase from the amount allocated in the 2020 budget. PMRC notes that this is a significant step in seeking to improve the quality of life for people in rural areas and ultimately bridging the rural-urban gap.

In 2021, Government has allocated K 2,172,274,286 billion towards water supply and sanitation. This represents a decrease of about 17.1% from K2,620,137,161 billion that was allocated in 2020. The decrease in allocation towards water supply and sanitation is of concern because access to safe quality water and sanitation is key to reducing developmental inequalities and promoting healthy lifestyles. Although not specified in the budget, a significant proportion of the amount allocated should be targeted towards rural areas in order to further bridge the rural-urban divide.
PILLAR FOUR: ENHANCING HUMAN DEVELOPMENT

a. Education and Skills Development

The COVID-19 pandemic, which has been destabilizing economies since late 2019, has had negative impact on Zambia’s education sector. From the onset of the pandemic early this year, Government expressed concern about its spread and announced the indefinite closure of schools and higher learning institutions as a means to slow down the spread of the disease. This resulted in the disruption of the school calendar and learning outcomes. Attempts were made to reduce these disruptions through the adoption of online learning which was a relatively new concept for many learners. Major challenges were established such as; a lack of access to ICTs among learners and schools, inadequate infrastructure and skills to support modern learning. This highlights the need for Government to invest more in these programmes and ensure affordable access to ICTs and Internet facilities necessary to modernise the education sector.

Despite the current fiscal challenges, Government aims to enhance development of requisite skills for the labour market in the 2021 National Budget. With an allocation of K13.7 Billion (11.5%) from the K13.1 Billion to the education sector in the 2020 budget, emphasis has been placed on programmes aimed at advancing science literacy and promoting the next generation of innovators and critical thinkers through the establishment of Science, Technology, Engineering, and Mathematics (STEM) schools of excellence in all the 10 provinces. Furthermore, STEM programmes have been introduced at Mukuba, Chalimbana and Kwame Nkrumah Universities in order to improve the quality and number of teachers to deliver this mandate. This is critical in advancing science, technology and innovation as key development drivers of the economy.

However, Government has not provided a clear roadmap on how it intends to invest more in ICT infrastructure given the recent challenges in the sector. There is need for the allocation under infrastructure projects (K1.2 Billion) to be channelled towards the continuous implementation of ICTs in schools across the country. Additionally, a skills audit among teachers would be critical given the recent challenges that the COVID-19 pandemic highlighted in administering modern teaching methods and technological advancements in the sector.
b. Health

Since the onset of the COVID-19 pandemic in country early this year, there has been a strain on the public healthcare system. However, Government adopted a robust approach through various interventions that included; refinancing the sector to account for unplanned expenditure needed to curb the spread of the disease and developing a multisectoral approach to this effect.

In the 2021 National Budget, the health sector has been allocated K9.6 Billion (8.1%) from K9.3 Billion in the 2020 National Budget. So far, **439 health posts out of 650 have been completed and are operational and 24 mini hospitals out of 108 have also been completed**. Concerted efforts have been made to strengthen the referral health system. This has been noted with the construction and operationalisation of the Chinsali and Kalindawalo General Hospitals as well as the upgraded Levy Mwanawasa University Teaching Hospital. Notable projects under construction include the Lusaka Specialist Hospital, surgical wards at the University Teaching Hospital, Bangweulu General Hospital and the expansion and modernisation of Maina Soko Military Hospital.

The 2021 budget allocation to infrastructure development in the sector stands at K1.7 Billion and is a significant investment in the sector. However, Government is urged to continue to strive to meet the 15% threshold set by the Abuja Declaration in health financing. Funding to the health sector in the 2021 budget is proposed at K9.7 Billion (8.8% of the budget). Similarly, there is need to prioritise specialist healthcare infrastructure across the country in order to reduce the strain on Hospitals such as the University Teaching Hospital by patients seeking specialist care. Furthermore, notable investments need to be made in diagnostic infrastructure such as special testing laboratories in order to ensure quick turnaround time in the testing and treatment of various diseases across the country. This will help reduce the delays in accessing critical care, diagnostic and preventative care services among patients. This need has been further heightened by the COVID-19 pandemic in which Government had to invest in laboratory facilities in selected parts of the country to enhance its response towards the pandemic.

Other critical areas for investment in the sector are the **provision of medical supplies which has been allocated K1.3 Billion and hospital operations standing at K627 Million**. In a Parliamentary Submission to the Committee on Health, PMRC noted the need for Government to invest more in these critical areas of the sector in order to enhance the provision of services by well trained, qualified personnel and specialist health care personnel. To this end, there is need to continuously develop the skills of medical personnel to take up specialist fields in order to increase the number of specialized healthcare experts in the country. This may be a means of attracting patients seeking specialist care within the region. Thus, Zambia needs to position itself as a hub of excellence in the medical field.

**Key Recommendations:**

- There is a need for continued investment in ICT infrastructure to support modern learning and teaching methods.
- There is a need to conduct skills development audits in the sector aimed at improving the provision of modern teaching methods among teachers.
- There is a need for continued investment in the provision of STEM in all schools across the country in order to stimulate innovation and uptake of science and technology to drive development across various sectors.
Key Recommendations:

- There is need for continued investment in developing health infrastructure particularly, for diagnostic and specialist healthcare provision across the country.

- There is need for advanced training of specialist healthcare personnel in order to position the country as a hub of excellence in the region.

- The Government is urged to strive to meet the 15% threshold set by the Abuja Declaration in health financing. The proposed allocation in the 2021 National Budget falls short at 8.1%.

c. Water Supply and Sanitation

In the 2021 National Budget address, Government announced the progress made in improving coverage, quality and efficiency of water supply and sanitation through the implementation of the National Urban and Rural Water Supply and Sanitation Programmes. These developments are being implemented in the Kafue, Nakonde, Chinsali, and Chongwe Water Supply Projects as well as the Lusaka Water Supply Sanitation and Drainage Projects targeted to benefit 90,000 residents where progress stands at 90% to completion. Other similar projects are being implemented in Kafualafuta, Serenje and Mufumbwe districts. Government aims to complete the Kafualafuta Water Supply System Project in 2021 and it will supply water to more than one million people in Ndola, Luanshya, Masaiti and Mpongwe. In the same regard, the Rural Water and Sanitation Programme, has made progress with six piped water schemes in Central, Southern, Luapula and Western Provinces having been completed, and benefiting more than 155,000 people. In addition, 432 boreholes have been drilled and 107 rehabilitated.

Government intends to continue with the implementation of water and sanitation programmes in 2021. With a budget allocation of K2.1 Billion, these projects are commendable in achieving Sustainable Development Goal No. 6 on clean water and sanitation. Given the current COVID-19 pandemic, access to safe and clean water is critical in curbing the spread of the disease and various communicable diseases that the country is susceptible to and there is need to prepare in order to avert the adverse effects of future pandemics.

Key Recommendations:

- Government is encouraged to expedite the implementation and completion of various water and sanitation projects across the country in order to achieve equitable access to clean water and decent sanitation for all.

- Government is urged to strengthen advocacy on the proper management of sanitation services across the country in order to curb various communicable diseases.
Government remains committed to achieving economic recovery and building resilience to safeguard livelihoods and protect the vulnerable, more so in the view of the impact of the COVID-19 pandemic. To achieve this, a combination of policy, regulatory and structural reform is required. Major reforms are proposed to support efforts in Domestic Resource Mobilisation, Management and Public Procurement. Government proposes to raise K65.9 billion from domestic tax revenues of the K119.6 Billion. However, there are some crucial factors threatening this projection.

Below is a compilation of the highlights of the proposed measures to enhance Domestic Resource Mobilisation (DRM):

### Domestic Resource Mobilisation

- Modernise tax administration by providing **innovative technical** solutions such as Tax-On-Phone, Tax-On-App and WhatsApp payment.
- Improve compliance through enforcement.
- Develop centralised data analysis and segmentation.
- Appoint local authorities as tax agents to collect turnover tax, base tax and withholding tax.
- Mandatory use of Electronic Fiscal Device from accredited suppliers in line with SI. No. 33 of 2020.
- Digitise more public services on the Government Service Bus (GSB) and the Payment Gateway.
- Conduct law reform to support Domestic Revenue Mobilisation through review of ZRA Act Chapter 321 of the Laws of Zambia.
- Establish Fund to enhance trade facilitation.
- Review existing tax incentives to re-invigorate economic activity.

Some of these measures outlined above are carried over from the 2020 National Budget, hence updates should have been provided on their performance in the 2021 National Budget.
Debt Management Policy

Government strategy to contain debt in the 2021 National Budget;

- Contraction of new commercial debt **halted**.
- **US$1.1 Billion** pipeline loans cancelled.
- **US$280 million** will be saved from re-scoping of projects.
- Liability Management Strategy being devised.
  - Under G20 Debt Service Suspension Initiative, MoU entered into with Paris Club creditors; **negotiations on-going for debt relief** during the suspension period being May – December 2020.
  - Other requests for debt service suspension have been made.
  - Review existing tax incentives to re-invigoration economic activity.

Strategy on Domestic Debt

i) Alter domestic debt portfolio from shorter to long-term instruments.
ii) Reduce domestic arrears.

Public Procurement Reforms

- Public Procurement Bill introduced before the House to repeal and replace Public Procurement Act No.12 of 2008. One of the objectives of the Bill is to make use of the Electronic Procurement System mandatory.

Review of legislation was addressed last year and has been tabled again in the 2021 budget. The need to seal revenue leaks and wasteful expenditure remains a concern and it is hoped that the Bill will address some of these shortcomings.

Energy Sector Reforms

- Commencement order issued for Electricity Act No.11 of 2019 which regulates generation, transmission, distribution and supply of electricity.
- Comprehensive review of electricity supply chain and re-negotiation of tariffs with Independent Power Producers
- Government policy on petroleum is that fuel pricing should be cost-reflective through periodic reviews of pump prices.

Electricity supply continues to be erratic and the budget did not elucidate any measures aimed at mitigating the negative impact this is having on production. The National Policy on Climate Change of 2016 recognises the challenges posed by climate change on the power sector. In 2020, the National Budget proposed
zero rating of gas stoves and cookers to mitigate the impact of climate change. Electricity tariffs were increased in early 2020 but load shedding continues to affect the larger population. There are calls to revisit the Electricity Act and consider separation of the monopoly areas by the utility company in order to make it more efficient. In the 2020 budget, reference was made to the suspension of import duty on the importation of machinery for processing of solid waste to generate electricity and produce organic fertilizers. This issue should be actively dialogued further as a viable alternative to the current power crisis.

Monetary and Financial Sector Policies
Bank of Zambia will continue to pursue regulatory policies to strengthen financial sector.

• Financial stability and financial inclusion are the two main focus areas in the 2020-2023 strategic plan.
• Targeted Medium-Term Re-financing with initial amount of K10 Billion which allows financial service providers to access funds at low interest rates of 8.0% for on-lending to businesses and households was released.
• Facility under review to address challenges experienced.
• National Strategy on Financial Education in progress.
• Review existing tax incentives to re-invigoration economic activity.

Public Investment Management Reforms
Bank of Zambia will continue to pursue regulatory policies to strengthen financial sector.

• Public Investment Board operational.
• Spending agencies mandated to submit public investment proposals for approval prior to inclusion in the Budget.
• Only public investment projects that are viable are to be included in the Budget for implementation.

Census of Population and Housing
Due to COVID 19, this will be conducted in 2021.

PMRC reiterates the need for a Citizen’s Budget to promote and support participation in the budgetary process in order for it to be considered credible and owned by citizens. Public participation is enshrined in Article 205 of the Constitution Amendment Act No. 16 of 2016, obligating public participation at all levels of Government in the formulation of financing frameworks, development plans and the preparation of annual budgets. This is more so because domestic revenue is expected to be a major component of the resource envelope for 2021.
Revenue Measures Analysis

Government is expected to raise a total of K119.6 Billion to finance this Budget.

- Out of this amount, K65.9 Billion will be raised from domestic revenues of which K53.3 Billion will be raised from taxes
- K12.7 Billion will be from non-tax revenues.
- K2.0 Billion will be grants from our Cooperating Partners.
- The balance will be financed through borrowing, K17.4 Billion from the domestic market and K34.2 Billion will be from external sources.

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<thead>
<tr>
<th>Table 1: Total Domestic Revenues, Grants And Financing</th>
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Direct Taxes

Government has proposed to increase disposable income of employees by raising the exempt threshold for Pay-As-You-Earn to K4,000 from K3,300 per month and adjust the income tax bands accordingly. This measure will result in K455.6 million additional incomes in the pockets of the Zambian workers. **PMRC is of the view that raising of the exempt threshold for Pay-As-You-Earn is a good and timely response with the escalating cost of living occasioned by rising inflation and the depreciation of the Kwacha.** The tax bands are now as follows:

<table>
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<tr>
<th>Current Regime</th>
<th>Proposed Regime</th>
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<tr>
<td>Income Band</td>
<td>Tax Rate</td>
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<tr>
<td>0 – K3,300 per month</td>
<td>0%</td>
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<tr>
<td>K3,301 – K4,100 per month</td>
<td>25%</td>
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<tr>
<td>K4,101 – K6,200 per month</td>
<td>30%</td>
</tr>
<tr>
<td>Above K6,200</td>
<td>37.50%</td>
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Other Direct Tax Measures

In order to encourage employment of differently abled persons, the 2021 Budget proposes to increase the amount allowed for deduction by an employer for employing a person with a disability to K2,000 per annum from K1,000 per annum. Further, to help cushion the suffering of the differently abled persons in our society, Government also proposes to increase the tax credit for individuals to K500 per month from the current K250 per month. **PMRC is of the view that these measures are in line with incentives and other safeguards proposed in the Persons with Disability Act of 2012 aimed at promoting the right of employment of persons with disabilities in both the private and public sectors. To further improve accessibility of services related to education, health, social protection and employment, PMRC calls for increased budgetary support to people with disabilities.**

To harmonize the Presumptive Tax structure for the gaming and betting industry, the Minister of Finance has proposed to increase the tax rate on betting to 25 percent from 10 percent of gross takings. This measure will generate an extra K59.3 million. *Zambia, which has traditionally been known for its mining and tourism businesses, is witnessing tremendous growth in its gambling industry. Both bookmakers as well as land-based casinos are registering record revenues by offering various types of gambling services to the locals. PMRC is of the view that this measure is an effort by the Government to increase revenue from an ever-growing gaming industry while, at the same time, ensuring that the measure streamlines access to burgeoning gambling industry with anticipated associated negative social impact if not well regulated. This increment of ‘sin tax’ on betting will effectively make betting out of reach for some. If not well regulated gambling can ruin social relationships, misapplication of money and distract people from more important things.*

Value Added Tax (VAT)

To support the scaling up of agricultural productivity through mechanization, Government has proposed to zero rate VAT all tractors. Currently, only tractors up to 90 Horse Power are zero rated. This will help to bridge the labor gap in agriculture production among small & medium scale farmers through mechanization. **This measure is commendable since the identification of appropriate support for mechanization has been crucial in many African countries with potentially assorted needs. This measure will help the majority of smallholders who use simple technologies (hand hoes and oxen). However, information on how best farmers can access funds to buy machinery in order to transform their farming activities has also been lacking. To make this measure even more effective, additional funds need to be allocated to agricultural mechanization financing in addition to zero rating all tractors for Value Added Tax purposes.**

To combat the spread of COVID-19, the 2021 Budget proposes to zero rate equipment used for full body sanitization. The Value Added Tax measures will result in a revenue loss of K5.1 million. **This measure is an effort to prevent further spread of coronavirus. The full body sanitization equipment sanitizes people head to toe by disinfectant, killing bacteria on people’s bodies and clothing.**

In the Mining sector, the progress being made with the Zambia Gold Company Limited to spearhead gold mining and trading activities in the country is also encouraging. This must be pursued and we encourage Government to continue enhancing the regulatory framework in the sector in order to enhance returns from our mineral wealth. **In it’s pre-2021 Budget expectations, PMRC was of the view that Government needed to support the Mining industry’s cash flow. Measures should include extensions of deadlines, offsets and deferrals of tax payments and review of the tax measures including VAT. The expectation is that introduction of these relief measures would help with**
sustaining operations and facilitation of advance buying to forestall supply chain interruptions. PMRC proposed that Government put in place a fiscal regime that would attract the necessary investment, so that the mining sector could make a quick recovery, as it did in 2009 after the last global crisis. It is recommended that this should be put in place in 2021.

To further stimulate economic activity, in the 2021 Budget, Government proposes the following measures:

a) Remove import duty on copper ores and concentrates to encourage local processing;
   In 2019 Government imposed a new 5% duty on copper concentrates imports that led to closure of ERG’s Chambishi Smelter and reduced output at Vedanta’s Nchanga Smelter, due to the impact on the profitability of these operations. Zambia’s copper output has plunged as a number of unplanned outages hit operations. The Zambian Government raised mining royalties and import duties on copper concentrates, which also disrupted production. PMRC is of the view that removal of import duty on copper ores and concentrates will certainly encourage local processing.

b) Suspend import duty on importation of refrigerated trucks to support the domestic and export markets;

c) Reduce import duty to 5 percent from 25 percent on selected trimmings to promote the local garments and textile industry; and

d) Lower import duty to 15 percent from 30 percent on electric motor vehicles to reduce the use of fossil fuel.

To support local production, build resilience and mitigate the revenue loss arising from the aforementioned measures, the 2021 Budget proposes the following:

a) Increase import duty to 40 percent from 25 percent on agro products such as beef and beef processed products, pork and pork processed products, chicken and chicken processed products as well as fish imported from outside the SADC and COMESA regions;

b) Introduce excise duty at the rate of K1.50 per litre on reconstituted milk;

c) Harmonize import duty rate on reconstituted milk with other forms of milk at 15 percent;

d) Adjust the specific excise duty rate on cigarettes to K302 per mille from K265;

e) Introduce a surtax at the rate of 20 percent on imported un-denatured ethyl alcohol of an alcoholic volume strength of 80 percent or higher;

f) Introduce excise duty on plastic flat bags at the rate of 30 percent;

g) Harmonize the import duty rates of cotton and polyester fabric at 15 percent ad valorem rate or K1.82 per kilogram whichever is higher; and

h) The 2021 Budget also proposes to exclude high value motor vehicles from the definition of used motor vehicles and subject them to ad valorem import duty.

In the pre-budget expectations, PMRC submitted that the tourism sector needed to be availed with a set of cushion and relief measures in the short and medium term that would allow the sector to rebound amidst the prevailing challenges. It is laudable to observe and note the various measures that have been instituted in the 2021 Budget aimed at cushioning the sector and ensuring it rebounds. Added to this, we still call for an enhanced domestic tourism strategy and campaign to
commence the recovery process in the sector. To resuscitate the tourism sector and promote local tourism, the 2021 Budget proposes the following measures:

a) Reduce corporate income tax rate to 15 percent from 35 percent on income earned by hotels and lodges on accommodation and food services;
b) Suspend import duty on safari game viewing motor vehicles, tourist buses and coaches;
c) Suspend license of renewal fees paid by hotels and lodges;
d) Suspend the retention fees paid by tourism enterprises; and
e) Suspend registration fees for hotel managers.

The Minister proposed further tax incentives as follows:

a) Introduce a local content allowance for income tax purposes for utilization of selected local raw materials to encourage local content and value addition.  
   This measure will encourage business houses to use a certain percentage of local inputs and products in the production and provision of goods and services. Effectively this will promote inclusive and sustainable growth through increased use of locally-available goods and services in development sectors.

b) Reduce the investment threshold for a Zambian citizen to qualify for tax incentives under the Zambia Development Agency Act No.11 of 2006 to US$100,000 from US$500,000 for those intending to operate in a priority sector, a multi facility economic zone or industrial park.

Domestic Resource Mobilization Strategy

Government is committed to undertake reforms in the areas of domestic resource mobilization. Government will continue to implement measures aimed at enhancing the domestic resource envelope. To this end, the following measures will be undertaken in the medium-term:

a) Modernising tax administration by providing innovative technological solutions such as Tax On-Phone, Tax-On-App and WhatsApp payment to reduce the cost of compliance;

b) Improve tax compliance through enforcement of mechanisms for identifying tax evaders, stiffen the reprimand for tax offenders and strengthen the penalty regime to deterrent levels;

c) Improve compliance levels of tax payers in identified risk areas by developing centralized data analysis and segmentation;

d) Appoint local authorities as tax agents to collect turnover tax, base tax and withholding tax, on a commission basis, in their areas of jurisdiction;
   This a commendable move as PMRC has consistently called for the appointment of Revenue Collecting Agents to improve revenue collection. This is required especially in the informal sector which is large and hard-to-tax to consolidate the country’s fiscal position. The informal sector’s tax potential in Zambia is about 42% of total tax revenues per annum.

e) Enforce the mandatory use of Electronic Fiscal Devices from accredited suppliers following the issuance of Statutory Instrument No. 33 of 2020; and

f) Digitise more public services to run on the Government Service Bus (GSB) and the Payment Gateway to provide efficiency, accountability and monitoring of revenues.
To support the domestic resource mobilisation measures, the Zambia Revenue Authority Act, Chapter 321 of the Laws of Zambia will be amended to improve tax administration. Further, the Government will provide for the establishment of a fund that will improve and develop infrastructure at our borders to enhance trade facilitation and border processing efficiency. The Government will put in place measures to manage container scanners in a sustainable manner in order to effectively fight smuggling among other vices. Government will conduct a thorough review of existing tax incentives to make them more effective in reinvigorating economic activity.

The measures announced by the Minister in an effort to boost revenues are welcome. Zambia’s tax revenue declined from 30 percent of GDP in the 1970s to percentages below 20% in recent years. Over the medium term, Government will continue to enhance domestic resource mobilization strategies so as to increase the contribution of domestic revenue to not less than 18 percent of GDP by 2021.

**Other Strategies to Increase Tax Compliance**

1) Equip revenue administrators with knowledge and tools to raise revenues in hard-to-tax sectors and reduce the size of the shadow economy.

2) Fight tax evasion through early detection, smarter auditing, and effective investigation and prosecution that holds evaders accountable and thus create public confidence in the tax system.

3) Increase taxpayers’ voluntary compliance with tax laws through outreach and education to increase collection and address informality.

4) Close wasteful loop holes and reduce unwarranted tax exemptions for investors.

5) Promote knowledge exchange on country experiences and increased sensitization on the importance of taxation to the general citizenry to boost the tax morale.

**Other Strategies to Broaden the Tax Base and Increase Revenue**

1) Government needs to upscale the monitoring and enforcement of the austerities as announced by the Republican President.

2) Prioritize diversification within the agriculture and manufacturing sectors, in terms of value addition, which could lead to increased revenue collection.

3) Invest in other forms of cheaper transportation such as rail for heavy vehicles to reduce on the costs of road maintenance.

4) Massive Land Titling Programme which can enhance payment processes for the collection of ground rates.
CONCLUSION

In conclusion, the 2021 National Budget has attempted to respond to the theme by proposing measures aimed at stimulating economic recovery through practical and tangible support to businesses. The call now remains for all players in the economy to collectively harmonise strategies and efforts in order to contribute towards the implementation of the budget. PMRC has had majority of its expectations covered in the budget and to this end we are committed to play our critical role towards its successful implementation. Further, the implementation of the Economic Recovery Programme will be very key as the nation sets out on a path of strict adherence to resolutions, strategies and measures all aimed at steady recovery process.
The specific macroeconomic objectives for 2021 will be:

i. Achieve a real GDP growth rate of at least 1.8 percent;

ii. Reduce the inflation rate towards the 6-8 percent medium-term target;

iii. Increase Gross International Reserves to at least 2.5 months of import cover;

iv. Reduce the fiscal deficit to 9.3 percent of GDP; and

v. Achieve domestic revenue collections of not less than 18.0 percent of GDP.

Pillar One: Economic Diversification and Job Creation

- Agriculture, mining, tourism and industrialisation are expected to drive growth while energy and infrastructure development will be key enablers.
- Government will continue to diversify the mining sector from copper to other minerals particularly gold.
- To promote linkages between agriculture and manufacturing, the Industrial Development Corporation will establish a tomato and fruit processing plant in 2021.
- With the coming into force of the Africa Continental Free Trade Area Agreement in 2021, Zambia will reposition itself to take advantage of the expanded market to the rest of Africa.
- To support the growth of small medium scale enterprises, Government will provide financing through a facility at the National Savings and Credit Bank and continue to dismantle arrears to local contractors and suppliers.

Pillar Two: Poverty and Vulnerability Reduction

i. Social Protection Programmes

- Social Cash Transfer beneficiaries will increase from the current 700,000 to 996,000 households in 2021.
- The amount per household to increase from K90 to K110 per month.
- Food Security Pack beneficiaries to increase from 80,000 in 2020 to 288,492 in 2021.
- Beneficiaries of the Girls Education and Women’s Empowerment and Livelihood Programme to increase to 208,400 over the medium-term in 2021.
- 129,400 women and girls have benefited from this Programme.

ii. Climate Change

- Government will implement climate change programmes such as the US$100 million Transforming Landscapes for Resilience and Development Programme.
- Legislation on climate change will be developed as a legal framework for the National Climate Change Policy of 2016.

Pillar Three: Reducing Developmental Inequalities

Key Government interventions aimed at reducing developmental inequalities include:

- 3,375 kilometres have been targeted under the Improved Rural Connectivity Project over a period of 5 years.
- 24 mini hospitals out of 108 were completed.
- 501 kilometres have been contracted out of which 82 kilometres have been rehabilitated.
- Under rural electrification, 12 grid extension projects have been completed out of the 25 targeted.
- Construction of Kasanjiku Mini Hydro Power Station in North Western Province and Lunga and Chunga Solar Mini Grids in Luapula and Central Provinces have been completed.

Pillar Four: Enhancing Human Development

- Government will prioritise education and skills development, health and water and sanitation.
- Under health, due to COVID-19, Government realigned the 2020 budget to provide more resources to health care system, 2,232 health care workers were recruited and 439 health posts out of 450 were completed and are operational.
- Under water and sanitation, 650 were completed and are operational.
- 24 mini hospitals out of 108 were completed.
- Under water supply and sanitation, Government is implementing the National Urban and Rural Water Supply and Sanitation Programme.

Pillar Five: Creating a Conducive Governance Environment and Inclusive Economy

- Modernise tax administration by providing innovative technical solutions such as Tax-On-Phone, Tax-on-App and Whatsapp payment and develop centralised data analysis and segmentation.
- Appoint local authorities as tax agents to collect turnover tax, base tax and withholding tax.
- Public Procurement Bill introduced before the House to repeal and replace Public Procurement Act No.12 of 2008. One of the objectives of the Bill is to make use of the Electronic Procurement System mandatory.
- Under energy sector reforms, Government will conduct comprehensive review of electricity supply chain and re-negotiation of tariffs with Independent Power Producers.
Unlocking Zambia’s Potential
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