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Zambia Budget Highlights 2023

Looking towards growth

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Contents

Executive Summary

The 2023 National Budget has been issued against a backdrop of a much improved macro-economic environment, which is reflective of the significant strides that have been achieved since the New Dawn Government, came into office just over a year ago:

- Inflation at the end of September 2022 was down to single digits at 9.9 percent from over 22 percent a year ago. Although inflation remains above the 6 – 8 percent Bank of Zambia target range, the significant reduction achieved over the past year, is commendable.
- The Kwacha, which hit a low against the United States Dollar of ZMW22 at one point, mid last year, is currently trading at just under ZMW16, on account of increased inflows from higher copper mining prices and receipts, a notable improvement in positive sentiment as well as sound monetary policy management by the Bank of Zambia.
- Commercial lending rates are poised to embark on a down trajectory, underpinned by a marked decline in yields on Government securities – the weighted average Government bond yield rate at the end of June 2022 was approximately 21%, down from a peak of 33% in 2021.

The above gains, coupled with the sealing of the Extended Credit Facility from the International Monetary Fund, set a strong foundation for enhanced economic activity and more inclusive growth, going forward.

Zambia's economic and social growth over the coming months and years will likely be driven by a combination of factors including the following:

- Consolidating the positive achievements attained over the past year on the macro-economic front, by continued prudent management of the affairs of the country from both a fiscal and monetary perspective.
- Leveraging the country's vast mining potential. Mining will continue to remain an important part of Zambia's economic activity. In this regard, it is noteworthy that in his 2023 National Budget announcement, the Minister of Finance and National Planning, has re-affirmed Government's plans to

grow the country's copper output from the current 800, 000 metric tonnes to 3 million metric tonnes, in the next 9 years. Attaining this will be contingent on a number of factors, including:

i. Maintaining a stable and predictable mining tax regime

ii. Prompt resolution of the challenges surrounding Mopani Copper Mines PLC and Konkola Copper Mines PLC; and

iii. Significant enhancement of exploration activities across the length and breadth of the country.

- Increased private sector participation. The new administration has outlined a number of incentives and initiatives across various sectors aimed at reviving the economy through increased private sector participation.
- Focus on job creation. This will be pivotal in supporting demonstrable human and social development.
- Remaining alert to the potential for external risks crystallising and having in place suitable response plans, to mitigate against any adverse impacts that might derail Government's well intended internal plans e.g. risk of higher energy prices on account of the Ukraine war, tighter global financial conditions as countries in the west seek to get a handle on rising inflation, copper price volatility etc.

GDP growth for 2022 is forecast to be 3 percent, rising to 4 percent in 2023. Given our annual population growth rate is estimated at approximately 2.8 percent, it is our hope that over the coming years, Government will aim for more ambitious growth in GDP, to truly make a mark in the fortunes of the country in per capita terms.

Finally, please enjoy the insights on the 2023 National Budget that we present in this thought piece and feel free to get in touch with us should you require further information, clarification or other support.

Humphrey Mulenga
Country Managing Partner
Deloitte Zambia

Economic Commentary

Economic Commentary

Macroeconomic Landscape

Under the theme: “Stimulating Economic Growth for Improved Livelihoods,” the 2023 National Budget was presented to Parliament by the Honourable Minister of Finance and National Planning, Dr. Situmbeko Musokotwane on Friday 30 September 2022. Against the backdrop of recent improvements in the country’s macroeconomic environment and promising social sector imperatives, the Minister stated that “the UPND Government has laid a firm foundation for restoring debt sustainability. The stability of the exchange rate of our currency has convincingly been restored. On top of that, we have lowered inflation and… there is now budget credibility. In simple terms, this means that Government is now spending in accordance with what Parliament approves with only minimal deviations.”

There is little doubt that the Zambian economy demonstrated significant resilience during the last one year, attributed to a number of factors, including the shift in policy stances and the new Administration’s re-prioritisation of Government’s expenditure pattern. A closer look at the growth levels suggests positive outlook for 2023 and beyond. The following point to positive growth trends:

a. The economy has continued to grow albeit at a slower rate. GDP is anticipated to grow by 3.0 percent by end of 2022 compared to 4.6 percent in 2021.

b. Inflation has declined significantly. The month of September 2022, for example, posted inflation growth of 9.9 percent, compared to 22.1 percent in September 2021.

c. There has been improved gross international reserves, exceeding the Government target for the year. Gross international reserves, for example, were US$3 billion at the end of August 2022, which amounts to 3.5 months of import cover.

d. On a year-to-date basis, the Kwacha has appreciated by 5.2 percent to K15.79 per US dollar, driven by the improved supply of foreign exchange primarily by the mining sector, in addition to positive sentiments about Zambia as a good destination for investments.

The global environment is providing both challenges and opportunities...

A number of factors, both external and domestic have contributed to the slower than expected growth levels. On the external side, global economic activity growth has slowed to a 7-quarter low mainly due to reduced global demand, which in itself is further explained mainly by worsening inflationary pressures. The tightening of financing conditions at a global level have continued to undermine credit growth and business supply chain especially against the backdrop of the Russia-Ukraine war. Intensifying debt stress in emerging and developing economies has also contributed to the slower global growth rate, coupled with the recurrence in COVID-19 cases, particularly in China. In 2020 after two decades of robust growth and development, Africa experienced its first recession and currently risks losing some of the hard-fought development gains that were previously achieved. The COVID-19 pandemic and its associated after-shocks, including supply chain and trade disruptions, has resulted in severe commodity supply and price imbalances. These challenges also resulted in major food and energy insecurity, capital outflows from developing regions, and reduced access to capital markets.

Notwithstanding the challenges, Africa's growth prospects have remained intact. The continent has emerged in the past two decades to become an investment destination with vast business and trade opportunities, thanks to strong economic and political reforms in some of the countries despite a number of setbacks over the years, such as the 2007/8 global financial crisis and the commodity price shocks of 2016/17. Thus, in 2021, the continent's GDP growth rebounded to about 6.9 percent following the COVID-19-induced recession of 2020. Africa's growth outlook for 2022 remains positive at around 4 percent albeit the evident slow down occasioned by socio-economic fallout from the various shocks. The intensifying global macro-economic imbalances, particularly high interest rates, escalating inflation and significant capital outflows from emerging markets collectively reduce the speed of Africa's economic recovery. All these regional and global challenges, to varying degrees, affected Zambia's growth prospects.

On the domestic front, significant growth anticipation is real...

While the Minister of Finance was spot-on with respect to the good prospects for 2023, a host of challenges, if not adequately managed, could derail some of the positives that the 2023 National Budget aims to address.

Firstly, the 2022 budget deficit, which was projected at 6.7 percent of GDP, is now estimated to be higher at 9.8 percent of GDP, a state of affairs that could dampen the attainment of the 2023 budget objectives that the Minister of Finance outlined in his Budget Speech (see below).

Secondly, the debt challenge still remains real and its effects on growth and social sector improvements should not be under-played. At the end of June 2022, Zambia's stock of public external debt was US$14.87 billion (both official debt and guarantees). The good news that should bring significant hope - and thanks to the tremendous effort of the New Administration - is that Government has secured the Extended Credit Facility arrangement with the IMF, which will anchor the debt restructuring process under the G20 Common Framework for debt treatment. It is noteworthy that the Government is now engaging all the creditors (both official and private) on reaching consensus regarding the terms and conditions of debt restructuring. This is a laudable achievement, having reached this far after many years of seeking the same under the previous Administration. What is now needed urgently is putting in place an enforceable and bankable debt management strategy and oversight mechanisms that would ensure that Government policy and commitments at this level are adhered to.

Thirdly, domestic debt is also high and deserves to be adequately addressed. The Minister of Finance reported that the stock of domestic debt (Treasury bills and Government bonds) increased by 5.3 percent to K203.9 billion as at end August 2022. In the same vein, the challenges around domestic arrears have remained real and require urgent action. The Minister reported that the stock of domestic arrears (i.e. pending bills excluding fuel and electricity) decreased by 8.4 percent to K44.0 billion as at end-June 2022. While this progress in dismantling areas is commendable, Government is urged to ensure that the speed with which this problem is addressed ought to be hastened as this is key for economic rebound, particularly for the small- and medium-scale economic operators who heavily depend on the payment of what is due for their survival – and who have suffered significantly from Government failures at this level in the past several years. Hence, the same amount of zeal to address the external debt complications ought to be mirrored at the domestic level. This is also because a Government-induced financial crisis for local industry due to non-payment dues has a cascading effect of crippling the anticipated growth prospects especially when companies are made to fold up and/or forced to significantly scale down their business activities, with adverse employment and poverty implications as well.

Is the 2023 Budget likely to alter these challenges?

Prior to 2021, Zambia suffered significant economic distress largely due to a combination of factors that included weak fiscal management; significantly low foreign direct investment inflows; serious slump in imports due to the disruptions in the supply value chain (partially due to COVID-19); unsustainable external debt growth and increased inability to service this debt, which resulted in debt defaults; a sharp rise in the stock of domestic arrears; and a decline in economic growth. The heightened fiscal and debt unsustainability has resulted in reduced revenue collection and increased debt servicing costs, which had led to dwindling fiscal space. These developments have, up to now, resulted in higher cost of living and associated socio-economic hardships for the average Zambian.

Against the above background, the 2023 National Budget has attempted to cover a wide range of macroeconomic and social sector fundamentals which, if supported by sufficient political will to change and implementation capacity at different levels within and outside Government, should result is significant transformation of the country's development landscape. At the level of macroeconomic objectives, the Minister of Finance outlined the following as the 2023 Budget Objectives:

a. Attain a real GDP growth rate of at least 4.0 percent;

b. Reduce inflation to within the target band of 6-8 percent by the end of the year;

c. Maintain international reserves above 3 months of import cover;

d. Mobilise domestic revenue to at least 20.9 percent of GDP;

e. Achieve a fiscal deficit of not more than 7.7 percent of GDP; and

f. Limit domestic borrowing to not more than 3.0 percent of GDP.

The above-listed objectives arefairly realistic and, broadly, achievable. A modest 4 percent GDP growth for 2023 has evidently taken into account the institutional and structural challenges that are yet to be addressed after over a decade-long of poor economic performance. It is also prudent that the Minister retained the 6-8 percent inflation growth rage, which the Central Bank has maintained over the past couple of years. The Minister would

"The 2023 National Budget has attempted to cover a wide range of macroeconomic and social sector fundamentals which, if supported by sufficient political will to change and implementation capacity"

have done better by clearly specifying the targeted level of import cover with respect to international reserves instead of leaving it open-ended ('above 3 months'). Being more specific is essential for improved monitoring and tracking of performance. The limitation of borrowing to not more than 3 percent of GDP is particularly noteworthy and ought to be hailed as such fiscal prudence is essential to ensure that the State does not unduly crowd-out private sector players in the market. Essentially, the Government needs to tame its appetite for contracting domestic debt to avoid actions that could potentially adversely affect the other Budget objective of GDP growth and economic stabilization.

Are the growth poles adequately targeted to achieve the macroeconomic targets?

The answer to this question is generally in the affirmative. A closer look at two strategic sectors is suffice to give a picture of potential progress.

Beginning with the **agriculture sector**, the Minister made an important acknowledgement that "...agriculture, livestock and fisheries sector remains the main source of livelihood for the majority of our people. It is the largest employer of our population, provides food, raw materials to industry and earns the country foreign exchange." This underscored the importance of this sector and yet it has remained the worst managed sector for many decades and has never run short of costly 'political experiments' that have crippled its growth prospects and poverty-reducing effects. Firstly, the 2023 National Budget target of improving extension services for small-scale farmers is commendable. The planned recruitment of extension officers and associated requisites such as kits, motorbikes and housing is, therefore a step in the right direction. Considering the breadth of the country, the size of recruitments, planned at only 256 extension workers may need to be upscaled to ensure the Government effectively achieves its objectives.

Similarly, the commitment in the 2023 National Budget to the expansion of irrigation development is commendable given how drought prone the country has been over the years and the degree to which food security and improved livelihoods have been adversely affected. Again, the planned number of 16 dams to be constructed during 2023 could be significantly up-scaled if a model that focuses on private sector and community partnership is crafted, which would reduce significant dependence on the Treasury. Private Public Partnerships (PPP) and community alliance models for irrigation dam construction are, therefore, recommended to supplement and compliment Government efforts at this level. The poor showing of the Farmer Input Support Programme (FISP) (in both its traditional and e-voucher variants) ought to be reviewed and it is commendable that the Minister has mooted in his 2023 Budget Speech that a new expanded programme is in the offing and presumably to replace or subsume FISP and to be called Comprehensive Agriculture Support Programme (CASP). It is noteworthy, though, that the Minister hinted in the 2022 Budget that FISP was to be overhauled. 2022 is coming to an end soon and there has been little or no progress on that commitment. The Ministry of Agriculture is, thus, urged to ensure that CASP, as a revolutionary, promising and more inclusive approach, does not face the same challenges as FISP. Smart partnerships with the private sector in the crafting of CASP (including addressing how best to target the beneficiaries) may be the surest way to roll-out the new programme as early in 2023 as possible. The back, thus, stops at the Ministry of Agriculture and its leadership.

The Minister of Finance spent some time on demonstrating the value of farm blocks development by the Government and that a US$300 million load for this purpose has been secured on concessional basis with attractive repayment conditions. While this is commendable, a word of caution ought to be shared on the potential pitfalls of this approach. As previously indicated, when this idea of large-scale estate production was first presented to Parliament in the 2022 National Budget, the Government needs to tread cautiously here:

While the enthusiasm and spirit with which this planned policy direction are understandable given the high unemployment levels in the country, the new Administration is cautioned to trend carefully with this approach for a host of reasons. Firstly, Zambia has had experience with government-supported large-scale estates and farming blocks and the record of success has been quite marginal and, in some cases, regretted. Unless carefully crafted, out-grower schemes here in Zambia and elsewhere in developing countries have had a checkered record not least because of the unfair contractual relationship between the contracted farmers and

"The expansion of irrigation development is commendable given how drought prone the country has been over the years and the degree to which food security and improved livelihoods have been adversely affected. "

agribusiness…Thus, although the promotion of government-supported large estates could be one of the solutions to the challenges of unemployment and improvements of rural livelihoods, it has to be approached with caution…Secondly and, perhaps more importantly, instead of the Government pouring Treasury-sourced huge investments into "the necessary infrastructure for farm blocks," the same results could be achieved more cost-effectively through smart partnership with the private sector using commercial principles…Without relying on market forces, poor targeting of such schemes has often resulted in imprudent application of scarce public resources with marginal benefits to the intended and targeted beneficiaries. The Public-Private Partnership approach, with the private sector (not the State) taking the lead, thus, seems to hold greater promise for an otherwise well-meaning intention on the part of the New Administration.

With respect to the **mining sector**, the Minister of Finance's 2023 National Budget has more than met the expectations of the sector players, which is commendable.
The Minister noted that "the mining sector continues to be a major driver of the economy, accounting for 17.5 percent of GDP and over 70 percent of foreign exchange earnings in 2021. Production has, however, stagnated at an annual average of 797,000 metric tonnes in the last 5 years." To buttress the Minister's concerns, Zambia has abundant mineral resources most of which remain undiscovered and, thus, unexploited. Current statistics show that only 55 percent of the country has been geologically mapped. The mining and quarrying industry experienced an average annual growth of only 1.4 percent from 2011 to 2021. Three episodes of declines were recorded in 2014, 2019 and 2021 mainly attributed to unfavourable copper production due to operational challenges arising from lack of recapitalisation largely because of an unattractive mining fiscal regime, low ore grades and depleting ore reserves. In 2021, the mining sector was the largest contributor to both GDP growth and foreign exchange generation. Similarly, the sector is the largest single contributor to tax revenues by industry and continues to account for the largest inflows of foreign direct investment (FDI). It also provides high-quality jobs and economic opportunities through its numerous multiplier effects. The mining sector is also the single largest purchaser of goods and services in the Zambian economy. It is also the largest spender on compensation/ salaries of employees. Outside of the Central Government, it is one of the major formal sector employers. All these considerations make the sector an important player in the Zambian economy.

Why did the Minister of Finance have to move more decisively on this sector? The average annual price of copper is at its highest since 2009 and breached the US$10,000 per metric tonne in 2021. This is due to increased demand from China and also the metal's utilisation in new 'green' technologies such as electric vehicles (EVs). In his

Budget address, the Minister stated that "Zambia has been left behind this potential boom because of the unstable investment climate, especially the frequent arbitrary changes in taxation, that reigned in the past decade. This demotivated potential investments." And he is right: In 2019, the previous Administration instituted a barrage of new fiscal measures targeting the mining sector. While maintaining the price-based royalty, they increased mineral royalty rates by 1.5 percentage-points at all levels of the existing scale and introduced a fourth-tier rate at 7.5 percent when the copper price is between US$7,500 and US$9,000 per tonne, and a fifth-tier rate at 10 percent, when the copper price goes beyond US$9,000 per tonne. Mineral royalty tax was also made non-deductible for income tax purposes. The overall effect of the 2019 mining tax regime has been to significantly raise the tax burden on mining companies to unsustainable and uncompetitive levels. Prior to this new fiscal regime, Zambia's mines already faced some of the highest effective tax rates in the world, which partially explained why and how DRC overtook Zambia as the highest copper producer in Africa. Together with the high tax rates and unstable tax environment, the high-cost profile of the average Zambian mine makes for a challenging place to do business, resulting in an ever-diminishing investment climate. Currently, Zambia has the highest tax burden, by a comfortable margin, of all comparable mining countries. Under the 2019 fiscal regime for the mining sector, the effective tax rate – the average rate at which pre-tax profits are taxed – would vary between 86.3 percent and 105 percent depending on the copper price.

The effects of the 2019 measures have already been felt. The mining industry has, for example, reacted to the increase in costs and reduced profitability through a range of cost-saving measures that included reducing manpower shift patterns; deferral of mine development; and freezing of capital expenditure. While necessary to avoid job losses, each one

of these measures has been damaging to both the short- and long-term health of the mining sector, which would ultimately have a negative effect on how much the Government will collect from the industry in terms of tax. It was, therefore, not surprising that one of the very first decision the current Administration took in the 2022 National Budget was to make MRT deductible in the computation of tax. It was logical, as obtains in other mining jurisdictions, that MRT should be deductible for purposes of computing company income tax as making it non-deductible (as the previous Administration strangely did) amounted to taxation on revenue not yet received and raised the tax burden to unsustainable levels. This change by the new Administration, thus, brought Zambia back in-line with international best practice.

In the 2023 Budget, the Minister proposed "...to restructure the mineral royalty (MRT) regime with respect to copper. The tax will now apply on the incremental value in each adjusted price band as opposed to the aggregate value when the price crosses the respective price threshold. I further propose to reduce the lowest marginal rate to 4.0 percent from 5.5 percent." These are important policy measures that aim to encourage significant expansion in investment in the critical mining sector, which will bring the country at similar level of attractiveness with comparator countries. An effective and efficient mineral tax regime that aims to attract FDI should seek to adequately compensate the country while remaining internationally attractive and competitive. Overtaxing the mines today will discourage the development of existing and new mining projects, which translates into low tax receipts tomorrow. In this regard, to address the anomalies presented by the sliding scale, it makes sense that the rates for each higher band above the lowest marginal rate

should apply only to the incremental difference in price above the previous band, exactly like in the PAYE formular. This is exactly what the Minister has commendably done.

Lastly, how private sector-friendly is the 2023 Budget?

Apart from the tax incentives extended to the mining sector, the Minister of Finance has made significant concessions to private sector operators in various areas of economic activity. In addressing the infrastructure deficit while relieving pressure on the Treasury, the Minister proposed the following tax incentives to attract Public-Private Partnership in infrastructure investment:

"(a) The tax payable by a Special Purpose Vehicle under the Public-Private Partnership shall be reduced by 20 percent for the first five (5) years that the project makes a profit; (b) allow a Special Purpose Vehicle to claim wear and tear on a straight-line basis at an accelerated rate, up to 100 percent. This is in respect of any implement, plant and machinery acquired and used by the project for the purposes of that project; (c) Remove customs duty and exempt from Value Added Tax, at importation; plant, machinery and equipment acquired for use in a project; and (d) Allow a Special Purpose Vehicle to claim input Value Added Tax, where applicable, before the commencement of commercial operations."

For the **tourism sector,** the Minister has proposed to "suspend for three years customs duty on imports of selected fixtures and fittings, capital equipment, machinery, and safari game viewing vehicles. For **agro-processing**, and with a view to attracting investment into corn starch processing, the Minister has proposed to introduce income tax concessions for 15 years on income generated from local sales of corn starch by agroprocessing businesses operating in Multi-Facility Economic Zones, Industrial Parks or rural area as follows: (a) zero percent corporate income tax for charge years 2023 to 2033; (b) 50 percent relief on corporate income tax for charge years 2034 to 2036; (c) 25 percent relief on corporate income tax for charge years 2037 to 2038; and (d) zero percent withholding tax on dividends declared on profits for charge years 2023 to 2033."

The above-catalogued tax incentives should contribute positively to private sector growth and development. What is also important is to put in place institutional, structural and legislative and regulatory environment that would enable economic players to take advantage of these attractive tax incentives. Access to finance, in particular, is key in this regard considering the existing challenges associated with financial inclusion in the country. Presently, Zambia suffers from low financial intermediation; inadequate financial services, particularly in rural areas; high bank charges and account KYC requirements; poor credit culture; inadequate opportunities for long term

funds; weak regulatory framework for non-bank financial institutions (NBFIs); fragmented financial sector laws; under-developed financial market; and limited market knowledge of financial services and products.

The core responsibility of addressing these challenges of financial inclusion reside primarily in the private sector while the role of the Government is to create a conducive and enabling environment for this to happen. To facilitate this, a dependable dialogue structure between the private sector and Government ought to be developed. The apparent teething problems that seem to have slowed down the enthusiasm that greeted the launch in April of the Public Private Dialogue Forum ought to be addressed urgently to ensure that the private sector play their strategic role in ensuring that the implementation of the 2023 National Budget succeeds.

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Sectoral Analysis

Sectoral Analysis

ECONOMIC TRANSFORMATION AND JOB CREATION

Agriculture, Livestock and Fisheries

Government has maintained that the agriculture, livestock and fisheries sectors are the main source of livelihood and employment for many Zambians and as a key priority for enhancing the non-copper economy especially the development of the agro-industry. The sector has a relatively short gestation period with low capital requirements, readily available labour, abundant water resources and arable land.

The sector however faces a number of structural and other impediments to the realisation of its full potential. These include low productivity, limited market access, underdeveloped value chains, dependence on rain fed agriculture and challenges with the current Farmer Input Support Programme.

In order to provide the sector the much needed lift and address the challenges above, the Government is planning to undertake the following measures:

- Reform the current Farmer Input Support Programme (FISP) to a Comprehensive Agriculture Support Programme (CASP). The new expanded programme will provide farming inputs, enhance extension services, improve market access, providing financing to farmers and develop irrigation systems;
- Revival of the farm block development programme to promote diversification, value addition and jobs in the agri-food sector;
- Recruit extension officers by improving extension service delivery to increase crop productivity among small scale farmers;
- Recruit extension officers, procure motor bikes and equipment to improve service delivery in the fisheries and livestock sub-sector;
- Construct forty dams across the country over the medium term, with sixteen to be constructed in 2023;
- Establish storage facilities and a youth skills development centre;

- Support the aquaculture value chain players through the Aquaculture Seed Fund and promotion and enforcement of sustainable fishing practices in the capture fisheries;
- Develop a robust animal identification and traceability system, to reduce the levels of stock theft; and
- Enhance surveillance, prevention and control interventions through construction of bio-security infrastructure on trunk roads and completion of laboratories.

The above measures will be complemented by creating an enabling environment that will reduce the cost of doing business to attract investment in the sector.

"The CASP has committed to transform the FISP programme that previously focused on providing fertilizers and seeds to farmers at the expense of agriculture productivity enhancing programmes. In particular, the programme will introduce the previously neglected and yet important elements of agriculture that include investments to strengthen markets, irrigation development and extension services. These are important ingredients for improving agricultural productivity especially among the small-scale farmers that form the bulk of the farming community. Extension services are critical for promoting adaptation to climate change, technologies, disease control and overall agriculture practices. The envisaged-out grower schemes around planned large-scale farm blocks will similarly contribute to employment generation and incomes among rural communities.

The initiatives to integrate production and agro-processing will promote value addition that has previously lagged. These initiatives will also contribute to agriculture transformation in the economy.

While these efforts are laudable, the intra-sector resource allocation remains biased towards the core FISP programme. The number of beneficiaries is expected to increase in 2023. With the introduction of productivity enhancing complementary services, we would expect farmers to begin to graduate from the support and not to continue receiving subsidies indefinitely. It is therefore important for policy makers to devise strategies for farmers to graduate from the programme as their productivity and income rise.

Further, investment in research and development (R&D) is important in the development of good agriculture practices and technologies necessary for improved productivity and diversification. At the same time investment in sanitary and phytosanitary systems is essential for market access within the regional and international markets. These have remained neglected in the past."

Dr. Dale Mudenda,
Researcher & Head of Economics Department at the University of Zambia

Tourism

The Tourism sector remains pivotal in the stimulation of economic growth. To stimulate growth in the sector, Government plans to increase spending on marketing and infrastructure development to enhance the visibility of Zambia as a tourist destination. Government intends to:

- Develop several other parts of the country by establishing the necessary infrastructure and regulatory framework to attract private investment in tourism facilities. Tourism related projects will include the developments at Kasaba Bay and the Liuwa National Park. In this regard, Government is in discussions with the World Bank for a USD100 million funding line, to support this initiative;
- Suspend customs duty on imports of selected fixtures and fittings, capital equipment, machinery and safari game viewing vehicles for a period of three years, up to 31 December 2025; and

Waive visa requirement for tourists to facilitate increase in tourist arrivals.

"The Government's effort to incentivize the sector by investing in direct marketing of the tourism services and diversification of destinations within the country has potential to increase tourist arrivals and length of stay. Effective marketing of the country is important if the country is to be internationally competitive in the global market and attract more tourists and from more diversified source countries.
The waiver of the visa requirements is important in this regard. This incentive package has potential to increase the demand for tourism services, create jobs and enhance spillovers in the food value chains through the multiplier processes.

These efforts should be complemented by development of local level transport infrastructure and more tourism products ranging from culture, historical sites and integrated potential new experiences such as mine tours. It is also essential that government provides a two-tier system to promote domestic tourism (possibly extended to tourists originating from members of the African Continental Free Trade Area) which complements international tourism and could serve as an alternative in times of exogenous shocks as experienced during the COVID-19 pandemic."

Dr. Dale Mudenda,
Researcher & Head of Economics Department at the University of Zambia

Mining

The mining sector continues to be a major driver of the economy, accounting for 17.5 percent of GDP and over 70 percent of foreign exchange earnings in 2021. Production has, however, stagnated at an annual average of 797,000 metric tonnes in the last 5 years.

The Government's plan is to attain a production of 3 million metric tonnes in the next nine years. This will result in more jobs being created. To achieve this, a number of initiatives are planned:

- Opening new mines at Kitumba Copper Project in Mumbwa, Kashime in Mkushi and Mwekera Copper Mines in Ndola;
- Urgently resolving the challenges at Konkola and Mopani Copper Mines;
- Maintaining consistent policy and tax for the sector. This will drive powerful mining expansions such as the US$1.35 billion Kansanshi Project and development of brand-new Enterprise Nickel Project which will be the largest in Africa; and
- Embarking on attracting private sector explorations to unlock the unexploited mining potential.

The Government wants to diversify the mining sector through the new nickel mine in Kalumbila commencing production in 2023, coal production at two sites in Southern Province and manganese production in Chipili District of Luapula Province have also commenced.

To enhance regulatory oversight in the sector, Government will establish a mining regulatory institution. Further, Government has enhanced reporting requirements of production, costs and mineral content. Given the importance of the mining sector to the economy, Government will enhance its strategic involvement by enhancing its participation through acquisition of golden shares while attracting vital largescale capital, technology and international experience.

To promote artisanal and small-scale mining, Government will implement measures to formalise their operations and support them with the necessary equipment and training to increase production. The formalisation will also assist artisanal and small-scale miners to access affordable capital and also to partner with potential foreign investors through joint ventures.

Further, Government will empower Zambians with mining licences, create offtake market opportunities and streamline the taxation system. Government will also licence buyers of gold and other precious minerals so that the trade is formalised.

"The proposed measures are aimed at ensuring a stable and conducive mining environment with reduced production costs. Although others argue that the tax concessions are likely to erode government revenue, the reforms are commendable as they are likely to improve the competitiveness of the country as an investment destination thereby attracting more investment in the sector and broaden the tax base, and though the multiplier effects, the mining supporting activities and employment.

The proposal to diversify the mining sector by promoting other minerals like precious metal, gold and manages will not only increase the job opportunities and revenue for the country but also foreign exchange earning that could help cushion the country in times of copper price instability.

The proposed creation of the mining regulatory institution could also help to improve oversight and allay the fears of capital flight that characterize the sector. These measures should be complemented by capacity building in the oversight institutions and in mining operations audit and out to detect any possible illicit capital flows."

Dr. Dale Mudenda,
Researcher & Head of Economics Department at the University of Zambia

Manufacturing

The manufacturing sector remains pivotal in accelerating economic growth and the attainment of value addition. Government, however, recognises that the sector's contribution to GDP of 9.4% is relatively low and presents some limitations in the achievement of economic transformation.

In order to promote growth in the sector and expand the country's manufacturing base, Government will continue to support multi facility economic zones. Most notably in 2022, the Lusaka South Multi Facility Economic Zone attracted a total of $230 million from over 30 companies, wherein an estimate of 4,000 jobs will be created.

The Government's plan to turn Kalumbila into a mining oriented industrial city have been enhanced by the establishment of a multi facility zone which is expected to promote both mining and non-mining linked manufacturing for the Zambian and Congolese markets. Furthermore, the Government intends to support real estate development in Kalumbila.

Government made the following key pronouncements that are intended to enhance the performance of the manufacturing sector:

- Promotion of manufacturing of electric car batteries on the Copperbelt Province;
- The commencement of the operations of a newly established Fertiliser Company in Chilanga District with an investment value of $138 million aimed at improving the local supply of fertiliser. The Company is expected to produce 700,000 metric tonnes of Compound D and 300,000 metric tonnes of urea annually and is estimated to create 600 jobs when operating at full capacity; and
- The review of the Zambia Development Agency Act which subsequently led to the development of two Bills namely, the Zambia Development Agency Bill and the Investment, Trade and Business Development Bill. The Bills will aim to confront operational and administrative matters and promote trade investment and business development respectively.

"The continued focus on industrialization is important for Zambia's diversification efforts and employment creation. The incentives are likely to promote back and forward linkages in the economy which are essential for long term growth.

Government should, however, balance the incentives with its revenue needs. In addition, it is important that clear and comprehensive rules for geographical location and operation of MFEZ are formulated. This will facilitate the monitoring and evaluation mechanisms and the provision of support infrastructure and services such as a single window for their operations and management which is currently lacking.

Government could also extend incentives to promote employment especially among the youth (such as removal of minimum wages), R&D for diversified products and skills development in general and technology to foster the fourth industrial revolution.

To further support the above initiatives, the Government will need to align requisite service sectors such as the financial and telecommunications sectors to the industrial policy to lower production costs and make the products competitive in the national and international markets."

Dr. Dale Mudenda,
Researcher & Head of Economics Department at the University of Zambia

Small and Medium Enterprise Development

Small and Medium Enterprises (SMEs) play a vital role towards employment, productivity and income generation as they represent 90% of all businesses in the country and are therefore the largest employer.

The Government acknowledges that the growth of SMEs is typically confronted by several limitations including lack of affordable financing, access to markets and inadequate business skills. To address these challenges, Government intends to enhance the following interventions:

- Empowerment of SMEs through the Constituency Development Fund, which is expected to present numerous opportunities, relating to the construction of schools, teachers' houses, water wells and clinics;
- Employment of the Citizens Economic Empowerment Commission which currently has seven empowerment products valued at K365 million;
- Increasing budgetary allocation to the Zambia Credit Guarantee Scheme;
- Collaborations between Bank of Zambia and Cooperating Partners to introduce a credit guarantee scheme to be piloted in 2023 through the financial sector. Cooperating Partners have so far committed $20 million to the scheme; and
- Improving access to markets by implementing the Zambia Agri Business and Trade Project in conjunction with the World Bank an initiative primarily aimed at linking emerging farmers and agri-business SMEs to more advanced markets.

"The essence of the incentives to the SMEs is to promote job creation and through business activities among the citizens. This is a commendable effort by government and is likely to increase economic activities throughout the country and promote balanced growth across regions especially rural areas.

The proposed financial incentives are important in this regard. However, the success of this programme is likely to hinge on how innovative, skilled and prepared the SMEs owners, especially the youth and women, are to manage business. It is important that government prioritizes skill development in areas such as business management, R&D and technical assistance to promote innovation among the SMEs. This should be complemented by appropriate screening processes for potential beneficiaries of credit from established funds if it is to succeed.

Further, the flow of complete foreign capital to support the SMEs will be unlikely if stringent definitions are used. It is incumbent upon government to reform the business registration and licensing process to enhance formalization of SMEs. In this regard, it could be essential for policymakers to also consider having differentiated labor and social security requirements in the short to medium term to encourage formalization."

Dr. Dale Mudenda, Researcher & Head of Economics Department at the University of Zambia

Transport and Logistics

Government has prioritised the development and maintenance of transport and logistics infrastructure due to its importance as a key enabler to other economic sectors.

Road Transport

Acknowledging the outstanding work to be done on road infrastructure with the limited resources available, the Government aims to do the following:

- Have the private sector fund the roads through Public Private Partnership mode, which negotiations are already at an advance stage. Among the projects to be undertaken are Lusaka-Ndola dual carriageway, Chingola-Solwezi, Ndola-Mufulira, Chingola-Kasumbalesa and the Lumwana-Kambimba roads. Recovery of this investment by the private sector will be made through toll fees collection;

- Re-equip the Zambia National Service in order to assist in the rehabilitation and maintenance of rural roads across the country;
- Enhance efficiencies and time spent at borders through construction and rehabilitation of infrastructure at key border posts across the country; and
- Expedite the establishment of the Kazangula Bridge Authority in collaboration with the Government of Botswana for purposes of managing the bridge to foster regional trade.

Government has proposed to spend a total of K5.2 billion on construction, maintenance, and rehabilitation of various roads across the country and K150 million towards the enhancement of boarder infrastructure.

Railway

In recognition of the critical role rail transport plays in transforming and developing the country, the Government is in discussion with neighbouring countries to improve the rail network to facilitate trade in the region.

Air Transport

Government intends to commence the upgrading of aerodromes in order to promote tourism and trade and enhance the air transportation sector in the country. To achieve this, a total of K355 million has been allocated towards this venture.

"Given the limited fiscal space that government is currently grappling with, the use of the PPP model in infrastructure development is a welcome idea. However, government has to accelerate the review of the regulatory frameworks surrounding the PPP to ensure increased uptake by the private sector. Further, innovative financing models such as infrastructure bonds could be explored to increase participation by the citizens."

Dr. Dale Mudenda, Researcher & Head of Economics Department at the University of Zambia

Information and Communication Technology

The Government recognises the significance of information and communication technology (ICT) in socio-economic development, employment creation and trade across all sectors in addition to the sector's role towards increasing financial inclusion.

The Government has proposed to embark on the following legislative measures to improve the ICT sector:

- The implementation of the National Digital Transformation Strategy to enhance the development of the digital economy;
- Review of the Information Communication Technology Act No. 15 of 2009 for purposes of increasing the uptake of digital services and encouraging investment opportunities towards the infrastructure of digital platforms;
- Formulation of policies to encourage the uptake of ICT by persons with disabilities; and
- The review of the Postal Services Act No. 22 of 2009 to tackle existing challenges faced by courier services and promote unbiased competition among postal and courier service providers.

"ICT is an important ingredient driving economic activity across most sectors. It is an important enabler of business. Government should encourage skills development in ICTs among young people. In addition, efforts must be made to lower the cost of ICTs as critical intermediate inputs in business."

Dr. Dale Mudenda, Researcher & Head of Economics Department at the University of Zambia

HUMAN AND SOCIAL DEVELOPMENT

Education and Skills Development

Government continues to place a high premium on education and has allocated 13.9 percent of the total budget to the education sector. This allocation reflects Government's continued commitment to facilitating the empowerment of the Zambian people with the knowledge and skills necessary to fight poverty and illiteracy.

To continue improving the quality of education, Government will recruit an additional 4,500 teachers in 2023 whose priority for deployment will be given to rural areas which are more deprived. Further, teachers who are currently serving in positions that are lower than their qualifications will be upgraded, including those who have been acting in higher positions for a long time without confirmation.

To increase access to education, Government will next year complete the construction of 56 Early Childhood Education Centres and 115 secondary schools. Further, Government will commence the construction of 120 new secondary schools with the support of the World Bank. Government will also establish polytechnics to increase access to skills training for youths and in 2023 commission Lundazi, Nsumbu and Mporokoso Trades Training Institutes.

In line with the training scheme introduced last year, Government will continue with the modernisation of TEVET institutions with state-of-the-art training equipment through the Skills Development Fund. Focus will also be directed towards the rehabilitation of workshops, building capacity of trainers, reviewing curricula and syllabi as well as upgrading the level of training offered by institutions.

Further, Government will continue to provide technical skills to youths in each constituency with a view that in time, graduates from these skills colleges will be the ones to be contracted to undertake CDF projects in their areas for jobs like constructing classroom blocks, teachers' houses, among others thereby turning local people into local contractors.

Despite headway made in teacher availability, Government notes that many challenges remain in the education sector such as teachers shunning remote areas and earning salaries designated for remote schools while not being there, as well as the need to revise the curriculum to include courses on financial literacy and anti-corruption, among others. Government has also noted that many schools are not adequately supervised and inspected to ensure adherence to standards. To this end, K40 million has been allocated to finance regular inspection and supervision of schools to ensure that learners are receiving quality education.

To achieve the above measures Government has allocated K23.2 billion for the education sector in 2023 compared to K18.1 billion allocated in 2022. Of this amount, K1.5 billion is for construction, rehabilitation and completion of ongoing school infrastructure while K358.4 million is for the recruitment of 4,500 additional teachers. The Government has also allocated K930.2 million to the Higher Education Loans and Scholarship Board to finance reintroduction of student meal allowances.

Health

As growth cannot be stimulated without investing in the health of people, Government will continue to improve the provision of quality healthcare services through recruitment of health personnel, infrastructure development and provision of drugs and medical supplies.

Key pronouncements from the 2023 budget aimed at improving the health sector include the following:

Increased allocations for the purchase of drugs and medical supplies. This will result in improved availability of essential medicines and medical supplies. In addition, Government will equip and re-equip health facilities with modern medical equipment; and

Completion of the construction of a specialized hospital in Lusaka for women and children. In addition, 36 district hospitals, 16 mini hospitals and 83 health posts will be completed across the country. Government will also commence the construction of the second phase of mini hospitals and undertake rehabilitation and maintenance of health facilities.

To achieve the above measures, Government has proposed to spend a total of K17.4 billion (K13.9 billion in 2022) on the health sector accounting for 10.4% of the total budget. Of this amount, K4.4 billion has been allocated for the procurement of drugs and medical supplies, K1.1 billion for the construction, completion, and rehabilitation of health facilities, K900 million for the procurement of medical equipment and ambulances and K307.5 million on the recruitment of 3,000 additional health personnel.

Water and Sanitation

Government plans to accelerate the construction and rehabilitation of water supply and sanitation infrastructure to ensure that every Government facility in education, health, judiciary as well as local markets has access to clean water supply and sanitation by the end of their first term in office.

Further, Government remains committed to enhancing hygiene in public places, such as, markets and bus stations, across the country by constructing water borne sanitation infrastructure. In this regard, Kafulafuta Dam project on the copperbelt is expected to be completed in 2023, connecting water supply to over a million households in Masaiti, Luanshya, Mpongwe and Ndola Districts. The Lusaka Water and Sanitation Project in Matero and industrial area will also be completed in 2023. Other water and sanitation projects currently underway include the following:

- Integrated Small Towns Water Supply and Sanitation Project in Nakonde and Mpika Districts;
- Nkana Water and Sanitation Project;
- Chipata Water Supply and Sanitation Project; and
- Zambia Sanitation Project on the Copperbelt.

To increase access to clean water and sanitation services especially in the rural areas, Government also launched the Zambia Water Investment Programme and will engage development partners to mobilise resources to finance the Programme.

Social Protection

Social protection programmes are intended to uplift the wellbeing of the vulnerable and this will be done through the upscaling of the Social Cash Transfer Programme. As at July 2022, beneficiaries of this programme rose to 973,323 from 880,539 in August 2021 and is expected to increase to 1,021,000 by the end of the year. In the year 2023, the Government anticipates the number of beneficiaries to be 1,374,500.

The Government will continue to provide education grants for girls in social cash transfer beneficiary households through the 'Keeping Girls in School' initiative. Further, the Food Security Pack Programme and Public Welfare Assistance Scheme are also expected to continue in the year 2023.

Pension obligations are now met within at least three months as they fall due under the Public Service Pension Fund and having tackled this long-standing problem, the Government now aims to focus on reducing the waiting period of pensioners under the Local Authorities Superannuation.

An allocation of K8.1 billion has been proposed towards social protection compared to K6.3 billion allocation in the year 2022 representing an increase of 29%.

ENVIRONMENTAL SUSTAINABILITY

The Government is committed to promote green growth through the management of sustainable environments, ecosystems and natural resources.

Government's plans towards mitigation and adaptation of climate change will be reinforced by the development of climate resilient infrastructure. Emphasis has been placed on working with collaborating partners to implement projects such as:

- Transforming landscapes for resilience and Development;
- Zambia Integrated Forestry Landscape Programme; and
- Strengthening Climate Resilience of Agricultural Livelihood in Agro-Ecological Regions.

The Government acknowledges the concerns raised by deforestation such as lack of transparency in utilising forestry resources and the low return on timber sales for loggers. It is against this backdrop that the Government intends on establishing a timber exchange platform in 2023 that will allow for buyers and sellers to transact in one place at predetermined times. The first timber exchange is strategically planned for Nangweshi in Sioma District owing to its placement in a timber producing location, along a highway that leads to the seaports located in the south, and provides accessibility to accommodation.

Further, the Government intends on installing an additional 120 automatic weather stations in 2023 to enhance preparedness and rapid response to unfavourable weather occurrences.

The Government signed a green compact amounting to £ 1 billion with the Government of the United Kingdom to enable participation of project developers in the carbon market through the United Nations Framework Convention on Climate Change. The Government anticipates an increase in foreign direct investment from the United Kingdom in sectors, inter alia, such as renewable energy, urban planning and trade connectivity.

The Government is committed to supporting low carbon development pathways through the following additional initiatives:

- The development of guidelines and listing rules for green bond trading which are now in place to support green projects;
- Sensitisation among potential green bond issuers and investors across the country;
- Developing a pipeline and incentives for prospective developmental projects to be financed through green bonds; and
- The development of legislation to regulate the carbon market in line with the Kyoto Protocol on climate change.

GOOD GOVERNANCE ENVIRONMENT

Fiscal Policy

Government aims to attain fiscal sustainability and create a platform for inclusive growth in accordance with the Eighth National Development Plan.

In 2023, the focus will be on improving the fiscal position by reducing the overall deficit to 7.7 percent of GDP from the projected 9.8 percent in 2022. The Government has outlined two measures by which this will be achieved as outlined below:

Revenue generation

Government is strengthening compliance and administrative capabilities to generate more revenue while keeping the tax policy environment stable and predictable.

Cost containment

Government will focus on containing public expenditures within sustainable levels by ensuring strict adherence to priority projects, doing away with wasteful subsidies, and improving procurement procedures. Government will also curb the accumulation of new arrears by enforcing the use of the Commitment Control System for procurement of goods and services.

Domestics Revenue Mobilization

To maximise on revenue mobilisation, the focus will be to strengthen compliance and improve trade facilitation.

With regards to the strengthening of compliance, the following initiatives will be implemented:

- Use of electronic fiscal devices with enhanced functionality to all eligible taxpayers and this shall extend to turnover tax and the gaming and betting industry;
- The ZRA tax online system will be interfaced with the integrated financial management system and the land management system; and
- It will be mandatory for all public bodies to verify with ZRA tax liabilities and withheld amounts owed to ZRA before making payments to suppliers of goods and services.

On actions aimed at improving trade, the following measures will be implemented:

- Fully operationalise the Border Management and Trade Facilitation Act and streamline the number of regulatory agencies stationed at the border to six from the current maximum of eighteen;
- Accelerate the linking of the other agencies that will not be operating physically at the borders to the single window; and
- Implement the Electronic Cargo Tracking System to curtail transit fraud.

Debt Management

Firstly, under the extended credit facility arrangement with the IMF, Government is engaging with all the creditors to negotiate and agree the terms and conditions of the debt restructure. This will create fiscal space to enable the provision of support to developmental programmes as well as care for the vulnerable people in society.

Secondly, the Government by the end of the year will finalise the regulation on the enacted Public Debt Management Act No. 15 of 2022. The Act has strengthened public debt management as well as enhanced transparency and accountability with parliamentary oversight on public debt contraction.

Public Financial Management

To strengthen fiscal controls and governance, the Government is developing a Public Financial Management Strategy for the period 2023-2026, aimed at mitigating new challenges, such as procurement delays, that emerged from the Public Procurement Act enacted in 2020.

The overall strategy is aimed at to enhancing internal controls in the payroll system, improve functionality of IFMIS, and improve the coverage and timeliness of financial reporting.

The initiatives planned are as follows:

- To enhance commitment controls, the Government will ensure that ministries register purchase orders and other financial commitments in the IFMIS. This will facilitate the link between procurement commitments and the budget to curtail the accumulation of arrears;
- To improve the efficiency of non-tax revenue collection and service delivery to the public-, the Government will integrate various ICT systems to the Government Service Bus platform to facilitate data matching and workflow. Furthermore, an additional 100 services from 20 institutions will be automated and introduced onto the platform. This will bring the total number of public services on the Bus to 362 by the end of 2023. To mitigate revenue leakages, payments for public services will be made through electronic channels;
- To enhance internal controls and timely reporting, the Government will develop the Local Government Financial Management System. In addition, all local authorities currently on activity-based budgeting will migrate to an output-based budgeting system in 2023; and
- To enhance internal controls in the management of the payroll, the Government will introduce work flows on the Payroll Management and Establishment Control System aimed at segregation of duties. Government will also decentralise management of the payroll to the respective controlling officers, and this is meant to address incidences of ghost workers and other payroll anomalies that result in loss of funds by Government.

Decentralization

The Constituency Development Fund has increased significantly, despite the utilisation having been unsatisfactory with less than 10% of the released amount having been utilised in last year's budget. To date K3 billion, representing 75% of the allocation has been released. The underutilisation was on account of administrative challenges around centralised approvals and cumbersome procurement procedures. To remedy this, the Constituency Development Fund Act will be amended to streamline the approval process and give the decision making to local communities.

Important to note, is that by end of year any unutilised funds under CDF will not be recalled and the constituencies will continue with project selection and procurement in line with the CDF guidelines.

However, from 2024 onwards the allocation will consider population and poverty levels of each constituency and disbursements will be based on utilisation.

Public Private Partnerships

Public Private Partnership (PPP) approaches are an alternative source of financing for key developmental projects and hence to ensure effectiveness of PPPs, Government will bring a Bill to repeal and replace the Public Private Partnership Act.

Furthermore, the following specific incentives to make PPPs more attractive for private sector participation have been proposed:

- The tax payable by a Special Purpose Vehicle under the Public-Private Partnership shall be reduced by 20 percent for the first five (5) years that the project makes a profit;
- Allow a Special Purpose Vehicle to claim wear and tear on a straight-line basis at an accelerated rate, up to 100 percent. This is in respect of any implement, plant and machinery acquired and used by the project for the purposes of that project;
- Remove customs duty and exempt from Value Added Tax, at importation; plant, machinery and equipment acquired for use in a project; and
- Allow a Special Purpose Vehicle to claim input Value Added Tax, where applicable, before the commencement of commercial operations.

To further strengthen collaboration between the public and the private sector, Government launched the Public Private Dialogue Forum with the support of Cooperating Partners. This is to provide an opportunity for Government to interact with the private sector and avail timely solutions to any challenges.

Public Investment Management

Government aims to ensure value for money in public investments, by strengthening capacity in public institutions to develop projects and undertake appraisals. Only projects appraised to be viable will be included in the Public Investment Plan which will serve as a basis for prioritization of projects for inclusion in the Budget.

To enhance efficiency in public investment projects, Government is also developing a Public Investment Management Information System.

Monetary and Financial Sector Policies

To invigorate growth and improve the livelihoods of the people, Government will continue to pursue policies aimed at maintaining price and financial system stability.

The monetary policy will continue to rely on the forward-looking framework anchored on the Policy Rate as a key signal for the policy stance.

Bank of Zambia will operationalise the Financial Stability Committee in accordance with the Bank of Zambia Act No. 5 of 2022 to strengthen financial stability. The Committee will, among other responsibilities, formulate policies aimed at maintaining overall stability of the financial system.

Financial Inclusion

Government will step up efforts to increase financial services to unserved and underserved areas, particularly among the rural population. To achieve this, Government is developing a 2023-2027 National Financial Inclusion Strategy, which will provide interventions to increase financial inclusion.

External Sector Policies

In order to maintain a flexible exchange rate regime whilst mitigating excessive volatility and protecting the economy against external forces, the Government intends to:

- Enhance the accumulation of international reserves by boosting export earnings and the advancement of foreign investment flows; and
- Fully operationalise the Electronic Balance of Payment Monitoring System in order to expedite the compilation of balance of payments statistics.

"Despite the growth of the gaming and lotteries industry, the current regulatory framework does not promote smooth oversight and revenue collection from the industry."

State-Owned Enterprise Management

The performance of State-Owned Enterprises (SoEs) has been identified as a major concern for the Government. The Government plans to develop a state-owned enterprise policy, to strengthen the performance of SoEs, and stipulate a framework for the periodic supervision of SoEs to allow for adequate interventions.

The Government emphasised the need for robust governance, in view of some of the investment decisions previously made by SoEs. Consequently, Government will restrict the acquisition of businesses that lack strategic and economic value.

Gaming and Lotteries

Despite the growth of the gaming and lotteries industry, the current regulatory framework does not promote smooth oversight and revenue collection from the industry. The Government therefore intends to harmonize the various pieces of legislation governing this industry by developing a gaming and lottery policy of which the process is currently underway.

Taxation changes

Taxation changes

The taxation and other changes as contained in the Budget Speech and the Zambia Revenue Authority ("ZRA") publication "The 2023 Budget Highlights" are summarised below:

The measures, unless otherwise stated, will come into effect on 1 January 2023, subject to Parliamentary approval.

Direct Taxes

Pay as you earn (PAYE)

- The Minister has proposed to increase the Pay As You Earn ("PAYE") threshold to K4,800 per month from K4,500. In addition, he has proposed to adjust the tax bands and reduce the rate in the second band to 20% from 25% as follows:

Current regime		Proposed regime	
Income Bands (K)	**Tax Rate (%)**	**Income Bands**	**Tax Rate (%)**
0 – 4,500	0	0 – 4,800.00	0
4,501 – 4,800	25	4,801 – 6,800	20
4,801 – 6,900	30	6,801 – 8,900	30
Above 6,900	37.5	Above 8,900	37.5

- Increase the monthly tax credit for differently abled persons registered with the Zambia Agency for Persons with Disabilities from K500 to K600 per month.

Our point of view
This proposal will result in a maximum annual incremental take home pay for individuals of K5,100 (K425 per month).

Mineral Royalty Taxation

- Restructure the calculation of Mineral Royalty to tax only the incremental value in each price range when the price crosses each Mineral Royalty price threshold as shown in the table:

Current regime			Proposed regime		
Price Range	**Rate (%)**	**Taxable Amount**	**Price Range**	**Rate (%)**	**Taxable Amount**
Norm price < US$4,500 per tonne	5.5 %	Full price	Norm price < US$4,000 per tonne	4.0%	The first US$4,000
Norm price > US$4,500 < US$6,000 per tonne	6.5%	Full price	Norm price > US$4,001 < US$5,000 per tonne	6.5%	The next US$1,000
Norm price >US$6,000 < US$7,500 per tonne	7.5%	Full price	Norm price > US$5,001 < US$7,000 per tonne	8.5%	The next US$2,000
Norm price > US$7,500 < US$9,000 per tonne	8.5%	Full price	Norm price > US$7,001 per tonne	10%	balance
Norm price > US$9,000 per tonne	10%	Full price			

Our point of view

This measure allows for Mining Royalty Tax to apply on the incremental value in each price band as opposed to the aggregate value. Currently, if a pricing threshold is exceeded, the Mineral Royalty Tax is computed on the full price amount using a stepped scale.

The current stepped structure of the Mineral Royalty calculation has been one aspect of the mining tax regime that has been of notable concern to the Sector.

Corporate Income Tax

- Abolish the current two-tier taxation system in the telecommunication subsector, which provides for 30% tax on profit of up to K250,000 and 40% on profit above K250,000, and replace it with a single tax rate of 35%.

Our point of view

A welcome move for businesses operating in the telecommunications subsector as it will see an overall reduction in the effective tax rate. However, the 35% proposed rate is still significantly higher than the current standard rate of 30% that applies to taxation of business profits.

- Introduce a threshold on Turnover Tax and Rental Income Tax of K12,000 per annum to be taxed at 0% and the balance at the applicable Turnover Tax rates.
- Reduce the Corporate Income Tax rate to 25% from 30% on income earned from value addition to gemstones through lapidary and jewellery facilities. This measure aims to stimulate growth of the gemstones subsector by supporting domestic value addition to gemstones.
- Exempt Investment Income on Life Insurance Funds.
- Reduce the tax chargeable on income received by a Special Purpose Vehicle (“SPV”) under a Public Private Partnership (“PPP”) for the first five years that a project makes profit, by 20% of the tax which would otherwise be chargeable on that income. Further, introduce an accelerated rate of wear and tear allowance on a straight-line basis, not exceeding 100%, in respect of any implement, plant and machinery acquired and used under a PPP project.

Our point of view

The measures are aimed at promoting and facilitating the implementation of privately financed infrastructure projects on major public investments without overburdening the fiscus. The intention is to stimulate private sector participation in PPPs which will contribute to narrowing the infrastructure deficit.

- Increase the allowable expenditure for the construction of employee housing to K100,000 from K20,000. The allowance is given at 10% percent of the allowable expenditure.
- Increase the Farm Improvement Allowance threshold upwards to K100,000 from K20,000. The allowance is given at 100 percent of the allowable expenditure.
- Extend the 2% local content allowance to income earned from value addition to tomatoes.

Our point of view

The allowance currently applies on revenue expenditure on growing or purchase of cassava, pineapples and mangoes and can be claimed in each year the expenditure is incurred but not beyond 3 years. The measure is welcome as it is aimed at encouraging investment in the tomato value chain.

- Extend the Turnover Tax regime to service providers in the 'gig economy'.
- Increase the amount of the non-deductible cost of providing housing to employees from the current 30% to 37.5% of the accommodated employee's gross emoluments.
- Adjust upwards by 20 percent of the benefit to be disallowed in the employer's corporate income tax computation for the provision of motor vehicles to employees on a personal-to-holder basis.

Key housekeeping measures:

- Introduce the use of electronic fiscal devices and other devices for income tax purposes and provide for penalties for non-compliance.
- Redefine the term "child" in the Income Tax Act to remove the word "illegitimate".
- Amend the Income Tax Act to align the minimum age for TPIN registration to that of the issuance of a National Registration Card at 16 years.
- Make it mandatory for all employers to submit the TPIN for all their employees in the PAYE return.
- Clarify that a payment of tax is due and payable within 90 days of registration for income tax, if such registration is made after 31st March.

Our point of view

This measure is intended to provide for a due date for payment of tax towards a provisional return submitted for which income tax registration occurs after 31 March.

- Amend the Second Schedule to the Income Tax Act under Paragraph 6A to remove the word "withholding" from the side note and the main text. The measure is intended to clarify that interest income received by the listed persons in the referenced paragraphs shall be subject to tax.
- Extend fiscalisation to taxpayers registered under Turnover Tax and Presumptive Tax on Gaming and Betting.

Withholding Tax

- Exempt from Withholding Tax of 15%, interest income earned on green bonds listed on a securities exchange in Zambia with maturity of at least 3 years from Withholding Tax.
- Remove the 15% Withholding Tax on investment Income on Life Insurance Funds.
- Reduce tax on winnings from gaming and betting to 15% from 20% for the 2023 and 2024 charge years.
- Abolish the 20% withholding tax on reinsurance, including retrocession, placed with reinsurers not licenced in Zambia.

Our point of view

A notable and welcome response to the sustained lobby for reforms to the insurance tax regime. This Withholding Tax has been cited as one of the aspects of the insurance Tax regime that has eroded Zambia's growth of the insurance industry as it has increased the cost of the service.

- Reduce to 0% from 15% the withholding tax rate on interest earned by individuals from loans advanced to members under the savings groups such as co-operatives and village banking.

Key housekeeping measures:

- Expand the definition of the term "Royalties" to include rent of software for income tax purposes. This measure intends to broaden the definition of royalties as well as the tax base.

Our point of view

The measure removes the ambiguity that exists on whether the grant of licenses to distributors and end users creates any interest or right in software and whether, grant of such license would amount to 'use of or right to use' copyright and hence qualifies as a royalty under the Income Tax Act.

Property Transfer Tax

- Reduce the Property Transfer Tax rate on the transfer of mining rights held by exploration companies to 7.5% from 10%.
- Increase the Property Transfer Tax rate to 7.5 percent from 5 percent on the transfer of land, shares and intellectual property. This measure is intended to enhance domestic resource mobilisation.

Key housekeeping measures:

- Clarify in the Property Transfer Tax Act that a share for the mining sector includes "interest in a mining right" and "an interest in a mineral processing license". This measure seeks to curb the risk of double taxation created by the ambiguity of the current definition of a share. This means that interest in a mining right and mineral processing license will not be subject to tax separately when a transfer involves a shareholding change.
- Clarify that the realised value in respect of the computation of Property Transfer Tax on indirect transfer of shares is the proportion of the value of the Zambian company.

Our point of view

Property Transfer Tax ("PTT") on the indirect transfer of shares was introduced through the Property Transfer Tax (Amendment) Act No. 11 of 2017. The new law imposed PTT, at 5%, on the transfer of foreign registered shares in a company that owns at least 10% of a Zambian company. Whilst this change in law achieved the objective of sealing the tax leakage on indirect share transfers, a new issue relating to determination of the taxable value arose.

Current wording of the PTT Act, on strict application, results in the taxation of value that is created, owned, and transferred outside the Country by persons that are not resident in Zambia. The result is that PTT liability in Zambia gets highly overstated

- Delete the definition of effective shareholding under the Property Transfer Tax Act. This measure follows the clarification provided on the computation of the realised value noted above.
- Exempt the surrender or forfeiture of shares from Property Transfer Tax. The proposed amendment seeks to clarify that the surrender and forfeiture of shares is not a transfer and therefore not subject Property Transfer Tax.
- Remove the reference to the Commissioner of Lands and prescribe how the provisional return in respect of land shall be submitted.
- Allow for the use of the actual price received in determining the realised value for the disposal of distressed property by a financial services provider.

Presumptive Tax

- Introduce a presumptive tax on income earned from artisanal and small-scale mining at the applicable Turnover Tax rate, currently at 4%, which is based on the gross turnover less mineral royalty paid. Currently, all mining companies are subject to Corporate Income Tax irrespective of scale.
- Reduce presumptive tax to 15 percent from 25 percent on land-based (brick and mortar) betting companies for the 2023 and 2024 charge years.

Key housekeeping measures:

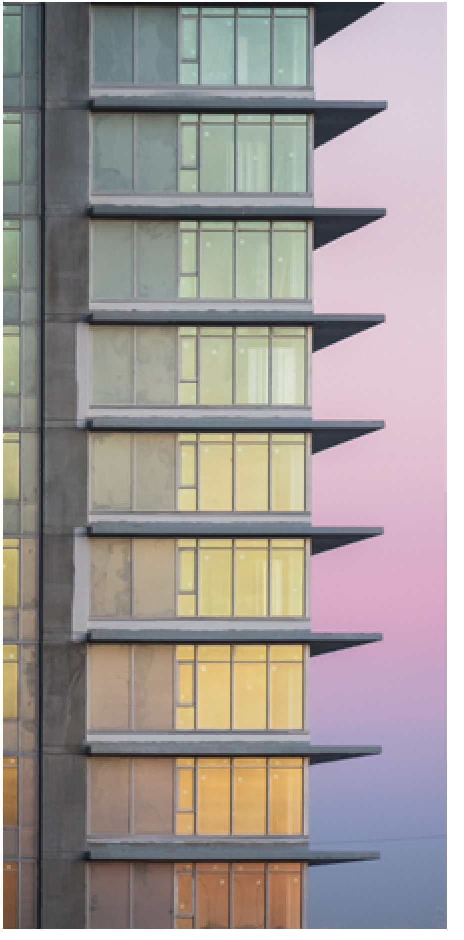
- Introduce, under the Income Tax Act, specific penalties for negligence, wilful default and fraud with respect to presumptive tax on gaming machines and casino games (brick and mortar) as follows:

    a. Negligence – half the amount of undeclared tax;

    b. Wilful default – equivalent to the amount of undeclared tax

    c. Fraud – one and half times the amount of undeclared tax

- This measure aims to improve tax compliance in the sector through the introduction of specific penalties for negligence, wilful default and fraud.



Transfer Pricing

Key housekeeping measures:

- Amend the definition of "Multinational Enterprise Group" and "Ultimate Parent Entity" to align with the Organisation for Economic Cooperation and Development (OECD) definition.

Our point of view

This adopts a clearer definition of a Multinational Enterprise ("MNE") as provided in model legislation contained in the OECD implementation package on Country-by-Country Reporting ("CbCR"). Currently, definition of an MNE Group suggests that an MNE Group should include an enterprise that is resident in one country but carries on business in another country through a Permanent Establishment ("PE"). The revised definition clarifies that this is just one situation in which a Group would be considered an MNE, with the business in the first country and the PE forming part of the MNE Group for CbCR purposes. The OECD implementation package defines an MNE Group as:

"...any Group that (i) includes two or more enterprises the tax residence for which is in different jurisdictions, or includes an enterprise that is resident for tax purposes in one jurisdiction and is subject to tax with respect to the business carried out through a permanent establishment in another jurisdiction, and (ii) is not an Excluded MNE Group...."

Further, definition of an Ultimate Parent Entity ("UPE") is sought to be aligned with the OECD implementation package. The revised definition should clarify that a UPE is a constituent entity in which no other member of the MNE Group owns an interest.

- Amend the Regulations to provide for the use of a single currency for the threshold for Country-by-Country Reporting as prescribed by the OECD.

Our point of view

This will harmonise the threshold for filing CbCR reports in Zambia. This is because although the 2021 amendment to the TP Regulations changed the threshold for what are considered excluded MNE Groups, the amendment did not change this threshold in Regulation 2 of the TP Regulations, which still refers to the threshold of Euro 750m or ZMW 4,795million.

- Amend the Regulations to align the requirements to be met for conditional filing of the Country-by-Country Report to the guidance by the OECD.

Our point of view

Currently, a Zambian member of a qualifying MNE Group has an obligation to submit CbCR notification to the ZRA and to file CbCR file, subject to certain conditions.

We consider the proposed changes as a welcome move that will align with the international best practice and practice in other jurisdictions.

Indirect Taxes

Value Added Tax

- Zero-rating of milk cans, churns and milking machines.
- Zero-rating of selected Information and Communications Technology ("ICT") and telecommunication equipment.
- Exemption of gaming, betting and lotteries from VAT.
- Exemption from VAT of game animals imported as breeding stock to attract investment in breeding stock and thereby support the growth of the livestock sub-sector.
- Exemption from VAT of imported equipment and machinery where duty is waived under the Customs and Excise (Regulations) under PPP projects, subject to the same limitations and conditions as shall be specified therein.
- Extend the provisions under the Value Added Tax (General) Regulations of an "intending trader" to special purpose vehicles for PPP projects for a period of four years.

Our point of view

This measure will allow for a special purpose vehicle established under a PPP to claim input VAT in its set up phase for up to four years. This is a welcome measure to offer relief for special purpose vehicles before commencing trading activities.

- Standard rate the supply of petrol and diesel effective from 1st October 2022.

Our point of view

As a temporary relief measure to ease the impact of higher oil prices, the Government had suspended excise duties on petrol and diesel and also zero-rated the supplies for VAT purposes.

It was therefore expected that these implicit subsidies on fuel would be removed to raise revenues to fund social services and this was done through Statutory Instrument No. 59 of 2022.

- Exclude from zero-rating goods imported by the President of the Republic of Zambia.
- Standard rate the following supplies under Group 7 of the VAT Zero-Rating order:
    a. electric generating sets—diesel or semi diesel generators and generators with spark ignition internal combustion piston engines; and
    b. ranges, grates, cookers (including those with subsidiary boilers for central heating), barbecues, braziers, gas rings, plate warmers and similar nonelectric domestic appliances, and parts thereof, of iron or steel for cooking

and plate warmers that use gas fuel or for both gas and other fuels.

- Amend the Zero-Rating Order to restrict the concession on imported raw materials used to make mosquito nets to manufacturers of mosquito nets.
- Amend the Value Added Tax Act to change the definition of "Commercial Property". The measure proposes to standard rate the following:
  a. The sale of an interest in bare land being bought primarily for commercial use; and
  b. The sale of an interest in (largely) bare land on which a small portion contains commercial property as defined by the VAT Act.

Key housekeeping measures:

- Amend the Value Added Tax Act to increase the penalty regime to 300,000 penalty units from 30,000 penalty units for tax evasion.
- Amend the Value Added Tax Exemption Order to expand the definition of Poultry. This measure aims to add quails and guinea fowls to the list of birds that are exempt and whose feed is exempt for VAT purposes.
- Amend the Valued Added Tax (Electronic Fiscal Device) Regulations to provide for maintaining inspection log (automated inspection logbooks).
- Amend the Value Added Tax Act to clarify when a tax invoice expires for purposes of deducting or crediting input tax. The measure intends to provide clarity that the three months limit is determined with reference to the date of the input tax supporting document and the date of submission of the return in which that input tax is being deducted.
- Clarify that only solar batteries are zero-rated.

Customs and Excise

- Re-introduction of excise duty on petrol and diesel effective 1 October 2022.
- Increase of excise duty on cigarettes from K355 per mille to K361 per mille.
- Increase excise duty on unmanufactured tobacco, tobacco refuse, smoking tobacco whether or not containing tobacco substitutes and water pie tobacco from K355 per kg to K361 per kg.
- Introduction of excise duty on electronic cigarettes and cartridges at rate of 145%.
- Introduction of surtax on imported PVC pipes and HDPE pipes at the rate of 5%.
- Introduction of surtax on imported coal at the rate of 5%.
- Increase of surtax on imported floor and wall tiles from 5% to 20%.
- Removal of customs duty on plant, machinery and equipment acquired in a PPP project.
- Suspension of Excise duty on clear beer made from cassava from 10% to 5%.
- Removal of 25% customs duty on prefabricated buildings for the period up to 31 December 2025.
- Suspension of excise duty on clear beer made from 40% to 20% for production levels over and above agreed production threshold, for the period 2024 – 2026.
- Extension on the suspension of import duty on selected supplies for the period 1 October 2022 to 31 December 2023 through Statutory instrument No. 78 of 2021.
- Suspension of customs duty for a period of three years for the following:
  - Refuse compactor trucks, skip loader vehicles, road sweepers and skip bins;
  - Selected equipment for the music and film industry;
  - Equipment for bailing waste;
  - Selected ICT and telecommunication equipment;
  - Prefabricated housing units; and
  - Selected machinery, equipment and articles used in aquaculture.
- Suspension of customs duty on imported Automated Teller Machines for a period of one year.
- Reduction of customs duty on bicycles from 25% to 15%.
- Reduction of excise duty on methylated spirit from 125% to 60%.
- The following measures are proposed to support the agriculture sector:

  - Removal of customs duty on biological control agents, crop growing media (peat moss) used in the production of vegetable seedlings and selected tree crop seedlings.
  - Suspension of customs duty on greenhouse plastics for a period of three years from 1 January 2023.
- The following measures are proposed to support the tourism sector:
  - Extension on the suspension of customs duty on importation of safari vehicles to 31 December 2025.
  - Suspension of customs duty on selected capital equipment, machinery, fittings and fixtures for a period up to 31 December 2025.
- The following measures are proposed to support green energy:
  - Introduction of excise duty on various plastic at the rate of 15%.
  - Removal of 15% customs duty on gas cylinders.
  - Reduction of customs duty on electric vehicles from 30% to 15%.
  - Increase of the carbon emission surtax to 30%, an increment of 10%

Key housekeeping measures:

The following key housekeeping measures have been proposed under the Customs and Excise Act and the Customs and Excise (General) Regulations, 2000:

- Introduce an application form for the beneficiaries of the duty waiver under Regulation 87A.
- Introduction of the use of Electronic Fiscal Devices ("EFDS") in administering Local excise duty.
- Provision for a licensing Committee in the Customs and Excise Act to review applications for clearing and forwarding licenses.
- Amendment of the Seventh Schedule to the Customs and Excise Act to include definition of "Price". Price has been defined, in relation to services, as the aggregate of all amounts paid or payable by the buyer to or for the benefit of the seller in respect of the services.
- Reduction of time between assessments and payment of duty and taxes on bill of entry from five days to three days.
- Amendment of the Customs and Excise Act to provide for the collection of Excise Duty charged on goods or services by any person whether or not that person is a licensed excise manufacturer or service provider.

- Amendment of the Customs and Excise Act to include a provision that authorises the Government of the Republic of Zambia to enter into an agreement with the Government of any other country or territory for the exchange of information.
- Amendment of the Customs and Excise Act to increase the number of days between lodgement of an application for Advance Tariff Ruling (ATR) and the importation of goods subject to an ATR.

Tax Incentives in the Multi Facility Economic Zones

Introduce income tax concessions on income generated from local sales of corn starch by agro-processing businesses operating in a Multi-Facility Economic Zone, Industrial Park or rural area as follows:

a. zero percent Corporate Income Tax charged on profits arising from local sales of corn starch for the 2023 – 2033 charge years;

b. fifty percent Corporate Income Tax charged on profits arising from local sales of corn starch for the 2034 – 2036 charge years;

c. twenty five percent Corporate Income Tax charged on profits arising from local sales of corn starch for the 2037 – 2038 charge years; and

d. waive Withholding Tax on dividends declared on profits made from local sales of corn starch for the 2023 – 2033 charge years.

Tax Amnesty

- The Minister announced that government has granted a waiver of penalties and interest on tax obligations for the period ended 30 September 2022 and will run from 1 October 2022 to 31 March 2023. The following are the conditions for a taxpayer to qualify for the waivers:

  a. Online application is a precondition to accessing Amnesty.

  b. All applicants must update their demographic details before an application can be processed.

  c. Taxpayers should be up to date with all returns. Where there are missing returns, the taxpayer will be given 30 calendar days to be up to date before the Authority considers rejecting the application. Where an application for Amnesty is rejected, the taxpayer may resubmit a new application.

d. Amnesty applicants must ensure that all returns submitted are accurate and complete.

e. Taxpayers with outstanding principal amounts are required to settle outstanding liabilities at once or apply for a Time to Pay Agreements (“TPA”) on the TaxOnline portal during the Tax Amnesty period.

f. Where a taxpayer has no outstanding principal liabilities but has due penalties or interest, the taxpayer may still need to apply for a waiver of penalties and interest.

g. Where a taxpayer has an existing TPA, only the balance of the penalties and interest at the time of waiver request shall be considered and written off.

h. Failure to honour the TPA terms may result in the Amnesty revocation on the DRU recommendation.

i. All penalties, interest, and fines previously paid do not qualify for a waiver and are not subject to a refund.

j. The Amnesty will take a tax-type approach whereby taxpayers are granted a complete waiver of penalties and interest for the tax period where they meet Amnesty conditions.

k. All applications made during the Amnesty period will qualify for consideration, notwithstanding the expiration of the Amnesty period, provided that the taxpayer shall pay the outstanding liabilities within six months after the end of the Amnesty.

l. In a situation where DRU has taken enforcement action against a taxpayer, and the taxpayer has applied for Amnesty, the taxpayer will qualify for Amnesty if and only if they pay the total amount or enter into a TPA.

m. For all applications made by taxpayers who have taken legal actions against ZRA, their applications will only qualify for consideration if and only if the taxpayer withdraws the action.

Conclusion

The Minister of Finance and National Planning delivered his 2023 Budget Speech highlighting the Government's efforts over the last year – a year in which Government made a number of notable pronouncements aimed at achieving economic stability and growth.

Further, and more crucially, the Minister's 2023 Budget Speech provided an indication of Government's priorities over the coming year. Themed "**Stimulating Economic Growth for Improved Livelihoods,**" the 2023 Budget is centred on restoring economic stability and achieving economic growth with the primary objective of improving livelihoods across the country.

The success of the 2023 Budget will, in part, hinge upon the macro-economic environment remaining conducive and the positive market sentiments being sustained.

The specific Budget objectives to a larger extent build on the previous Budget, and are as follows:

- Attain a real GDP growth rate of at least 4.0 percent;
- Reduce inflation to within the target band of 6-8 percent by the end of the year;
- Maintain international reserves above 3 months of import cover;
- Mobilise domestic revenue to at least 20.9 percent of GDP;
- Achieve a fiscal deficit of not more than 7.7 percent of GDP; and
- Limit domestic borrowing to not more than 3.0 percent of GDP.

Notably, the allocation of resources in the 2023 Budget is underpinned by the policies and strategies highlighted by the Government in the Eighth National Development Plan, namely: Economic Transformation and Job Creation; Human and Social Development; Environmental Sustainability; and Good Governance Environment. The agriculture, mining, tourism, and manufacturing sectors remain at the forefront of the Government's focus as the key drivers of economic development in the country.

Notes

The amendments to legislation proposed in the Budget Address must be approved by Parliament. Changes may occur to the Budget proposals before they are enacted.

Therefore, until legislation has been enacted, these proposals should be read only as an indication of the government's intentions.

Similarly, the tax card accompanying this Budget Brief is provisional in nature.

This brief is prepared based on the Minister of Finance and National Planning's 2023 Budget Address to the National Assembly made on 30 September 2022 and the Zambia Revenue Authority publication, 2023 Budget highlights: Overview of Tax Changes.

While all reasonable care has been taken in the preparation of this Brief, Deloitte & Touche accepts no responsibility for any errors it may contain, whether caused by negligence or otherwise, or for any loss, however caused, sustained by any person that relies on it.

Appendices

Appendices

Appendix I: Statistics

	2022	2021	2020	2019	2018
Economic Indicator:					
Nominal GDP (US$ bn)	30.2	22.9	20.6	23.9	26.7
Nominal GDP (K bn)	510	375	359	311	283
Real GDP Growth (% p.a)	3.0	4.6	-2.8	2.0	3.7
Inflation, Period End (% p.a)	9.9	22.1	15.7	10.5	7.5
Central bank policy rate (% end of period)	9.00	8.00	8.00	10.25	8.75
External Debt(US$ m)					
Debt Stock	14 870	12 990	11 970	10 230	10 050
Debt Service Due	N/A	1 800	N/A	N/A	N/A
Monthly Average 91 Day Treasury (%)					
January	12.9	18.5	15.8	14.5	9.5
July	12.9	18.9	13.5	15.8	13.5
December	N/a	12.9	18.5	15.8	14.5

Appendix I: Statistics (continued)

	2022	2021	2020	2019	2018
Commodity Exports					
Copper Exports (Metric Tonnes)	858	815	587	567	1035
Average Copper Price (US$/MT)	7 422	9 194	5 847	5 707	6 723
Exchange Rate					
Average (K/ US$)	16.90	16.37	17.45	12.61	10.47
Average (K/ZAR)	1.07	1.43	1.04	0.88	0.79
Population					
Population (millions)	19.4	18.9	18.4	17.9	17.4

N/a – information not available
**- Amounts based on budget*
Source: 2018 to 2023 Budget Address, BMI, EIU, and World Bank

Appendix II: Budget Summary

	2023 Budget K' million	2022 Budget K' million	2021 Budget K' million
Revenue			
External financial and grants	40 103	49 669	36 203
Value Added Tax	29 209	22 904	16 938
Company Income Tax	21 196	16 394	9 115
Pay As You Earn	19 319	17 259	12 867
Domestic financing	15 576	24 459	17 430
Customs, Excise and Export duties	13 920	12 673	9 271
Mineral royalty	8 986	12 839	5 686
Other Income Taxes	9 912	8 623	5 083
Fees and fines	8 517	7 824	6 613
Other revenues	373	295	293
Insurance premium levy	211	49	117
Total Revenue	**167 322**	**172 987**	**119 616**

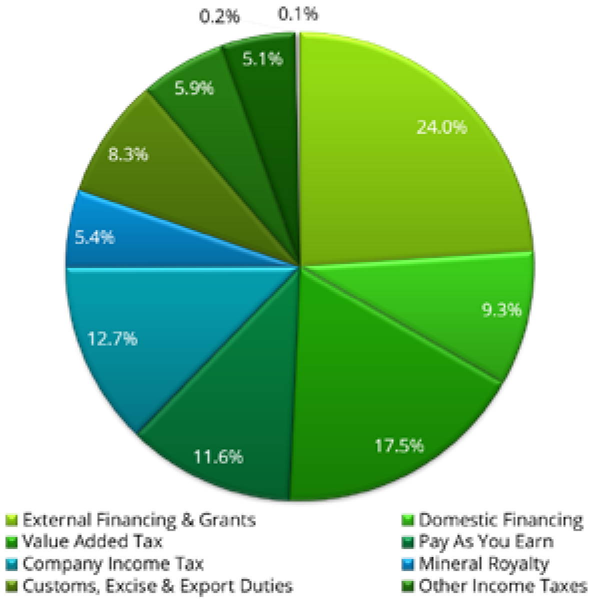
Appendix II: Budget Summary (continued)

Expenditure			
General Public Services	66 172	86 370	57,819
Economic Affairs	35 013	33 706	21,500
Education	23 189	18 073	13,772
Health	17 395	13 912	9,653
Defense	8 149	7 634	5,643
Social Protection	8 128	6 294	4,821
Public Order & Safety	5 188	3 493	3,079
Housing & Community Amenities	2 584	2 376	2,222
Environment Protection	1 060	972	956
Recreation & Culture	444	156	151
Total Expenditure	167 322	172 987	119 616

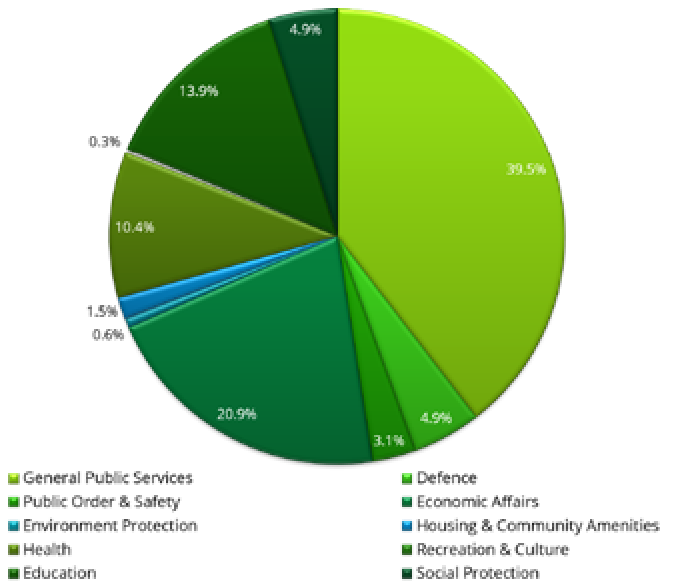
Source: 2022 to 2023 Budget Address

Appendix II: Budget Summary (continued)

2023 Budget Contribution to Revenue

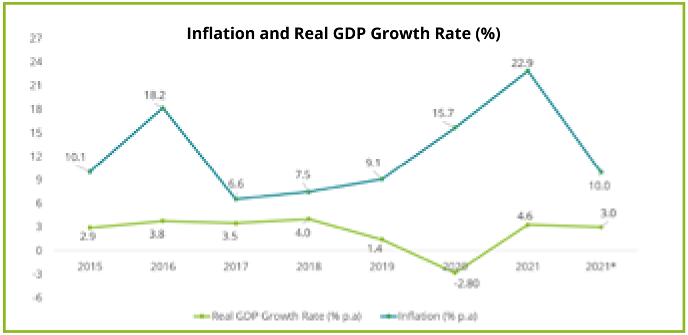


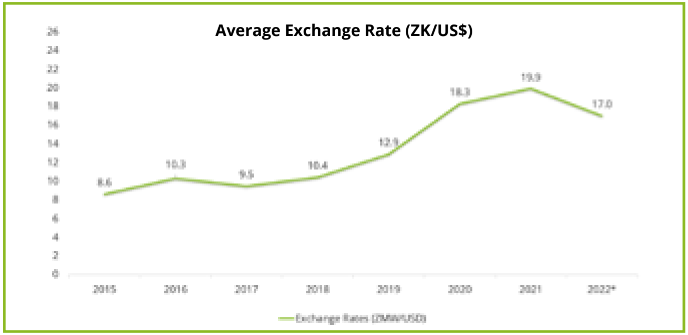
2023 Budget Expenditure

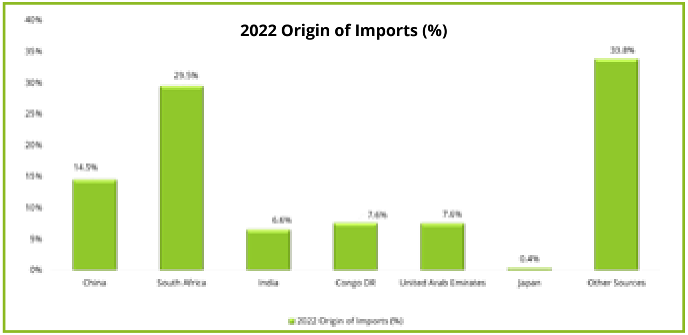


Appendix III: Graphical economic trends

2022 Budget Contribution to revenue (%)







Source: BMI, CSO

Appendix IV: 2022 vs. 2023 expenditure budget by function

Comparision of Budget Expenditure by Function 2022 and 2023	2022 Budget K'million	2023 Budget K'million	y/y % change		Absolute change K'million
General Public Services	**86,370**	**66,172**	**-23**	**-**	**20,198**
Domestic Debt	27,365	30,530	12		3,165
External Debt (Interest and Principal)	51,315	18,234	-64	-	33,081
Dismantling of Arrears	3,106	6,824	120		3,718
Local Government Equalisation Fund	1,339	1,339	0	-	0
Compensation and Awards	300	500	67		200
Public Affairs and Summit Meetings	120	-	-100	-	120
Defence	**7,634**	**8,147**	**7**		**513**
Public Order and Safety	**3,493**	**5,189**	**49**		**1,696**
O/w Intergrated National Registration Information System (INRIS)	-	200	0		200

Appendix IV: 2022 vs. 2023 expenditure budget by function (continued)

Comparision of Budget Expenditure by Function 2022 and 2023 (continued)	2022 Budget K'million	2023 Budget K'million	y/y % change	Absolute change K'million
Economic Affairs	**33,706**	**35,013**	**4**	**1,307**
O/w Agriculture, Fisheries & Livistock Interventions	-	11,210	0	11,210
Farmer Input Support Programme	*5,373*	*9,119*	70	3,746
Extension services	-	*790*	0	790
Irrigation & Farm Block Development	-	*427*	0	427
Animal Desease Control	-	*274*	0	274
Roads Infrastructure	4,929	5,156	5	227
O/w Feeder Roads - ZNS	-	*250*	0	250
Constituency Development Fund	3,223	3,546	10	323
Rural Electrification Fund	362	744	105	382
Empowerment Funds for SMEs	350	397	13	47
Provincial Aerodromes Infrastructure	-	355	0	355
Tourism Marketing & Infrastructure	-	366	0	366
Credit Guarantee Scheme	-	150	0	150

Appendix IV: 2022 vs. 2023 expenditure budget by function (continued)

Comparision of Budget Expenditure by Function 2022 and 2023 (continued)

	2022 Budget K'million	2023 Budget K'million	y/y % change		Absolute change K'million
Boarder Infrastructure	-	150	0		150
Airport Infrastructure	1,037	-	-100	-	1,037
o/w Kenneth Kaunda International Airport	887	-	-100	-	887
Kasaba Bay	150	-	-100	-	150
Nansanga Farm Block	110	-	-100	-	110
O/w Agriculture, Fisheries & Livistock Interventions	11,210	-	-100	-	11,210
Strategic Food Reserve	960	-	-100	-	960
o/w Community Based Projects	2,420	-	-100	-	2,420
Youth and Women Empowernment Funds	803	-	-100	-	803
Environmental Protection	**972**	**1,060**	**9**		**88**
Housing and Community Amenities	**2,376**	**2,584**	9		**208**
Water Supply and Sanitation	2,352	2,269	-4	-	83
o/w Millenium Challenge Account	145	136	-6	-	9

Comparision of Budget Expenditure by Function 2022 and 2023 (continued)	2022 Budget K'million	2023 Budget K'million	y/y % change	Absolute change K'million
Health	**13,912**	**17,395**	**25**	**3,483**
Drugs and Medical Supplies	3,379	4,585	36	1,206
Health Infrastructure Projects	1,616	1,123	-30	- 493
Medical equipments	-	900	0	900
o/w COVID-19 Vaccines	704	-	-100	- 704
Hospital operations	883	-	-100	- 883
Recreation, Culture and Religion	**156**	**445**	**184**	**289**
O/w Sports, sporting, infrustructure and equipment	-	165	0	165
Education	**18,073**	**23,189**	**28**	**5,116**
School Infrastructure	694	1,505	117	811
Secondary Schools & Skills development Bursaries	792	871	10	79
Skills Development Fund	200	221	11	21
Operations for Schools	2,189	-	-100	- 2,189
Social Protection	**6,294**	**8,128**	**29**	**1,834**
Social Cash Transfer	3,107	3,721	20	614
Public Service Pension Fund	2,076	2,398	16	322
Food Security Pack	1,100	1,207	10	107
Local Authorities Superannuation Fund	-	300	0	300
Grand Total	**172,987**	**167,322**	**-3**	**- 5,665**

Appendix V: Comparison of Revenue and Financing 2022 and 2023

Comparison of Revenue and Financing 2022 and 2023	2022 Budget	23 Budget	y/y % change		Absolute change
	K'million	K'million			K'million
Total Tax Revenues	**90,901**	**102,433**	**13**		**11,532**
Income Tax	42,275	50,427	19		8,152
Value Added Tax	22,904	29,209	28		6,305
Customs and Excise	12,539	13,810	10		1,271
Other Revenue	344	-	-100	-	344
Mineral Royalty	12,839	8,986	-30	-	3,853
Non-Tax Revenues	**7,824**	**9,101**	**16**		**1,277**
Export duties	**134**	**110**	**0**	**-**	**24**
Domestic Revenue	**98,725**	**111,644**	**13**		**12,919**
Domestic Borrowing	24,459	15,576	-36	-	8,883
Foreign Financing and Grants	49,669	40,102	-19	-	9,567
Total Revenue and Financing	**172,987**	**167,322**	**-3**	**-**	**5,665**

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