GOVERNMENT OF THE REPUBLIC OF ZAMBIA

ZAMBIA

ECONOMIC RECOVERY PROGRAMME

2020-2023

"Restoring Growth and Safeguarding Livelihoods through Macroeconomic Stability, Economic Diversification and Debt Sustainability"

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FOREWORD AND ACKNOWLEDGEMENT

FOREWORD

These are challenging times for the country. For the first time since 1998, the economy will contract in 2020 mainly as a result of the effects of the COVID-19 pandemic. The main concern of my Government is, therefore, to reinvigorate growth, reduce poverty and inequality, and attain sustainable economic development.

The Patriotic Front Government is aware and mindful of the challenges and the expectations of the Zambian people. We know that tough times require bold actions. The current economic challenges are largely a product of the effects of COVID-19, past internal and external shocks that may have occurred, mostly relating to adverse weather conditions, falling copper prices, as well as delayed fiscal consolidation and the slow pace of economic diversification.

The Economic Recovery Programme (ERP), which builds on the Economic Stabilisation and Growth Programme (ESGP), has been formulated to address the various dimensions of our current challenges. It sets out the choices we have to make as a nation over the next four years (2020-2023) and provides a clear road map of strategic policy actions and enablers required to revive the economy and place it on a path of sustainable growth and development. In doing so, it refocuses our efforts on building the private sector as the key driver of economic growth. The focus on the private sector is also central to the essential task of developing an indigenous capital base.

The Programme is anchored on five strategic areas, namely: restoring macroeconomic stability; attaining fiscal and debt sustainability; dismantling the backlog of domestic arrears; restoring growth and diversifying the economy; and safeguarding social protection programmes. In line with these pillars, the theme for the ERP is *"Restoring Growth and Safeguarding Livelihoods through Macroeconomic Stability, Economic Diversification and debt Sustainability"*.

With the successful implementation of various interventions in these areas, I am confident that we will live up to our mantra of developing our nation without leaving anyone behind.

The formulation of this Programme is driven by a number of principles which will guide its implementation. Firstly, the Programme will focus on restoring macroeconomic stability as a pre-requisite to reinvigorating growth. It is an established fact that growth is key to sustainable development and human progress which we all deserve. This is even more urgent in the context of the COVID-19 pandemic.

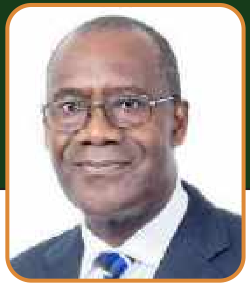
Secondly, we will implement the Programme in an Integrated Multisectoral Approach. In this regard, emphasis will be placed on collaboration between the public and private sector, cooperating partners, faith-based organisations and other stakeholders. We shall also ensure horizontal and vertical coherence in order to attain the objectives of the Programme in an efficient and effective manner. This will involve not only the state but also non-state actors at national and international levels.

Thirdly, in line with Article 8 of the Constitution of Zambia (Amendment) Act No. of 2016, the Programme will be guided by the principles of good governance and integrity, promoting human dignity and sustainable development, which are an embondiment of our national values and principles.

As we embark on the implementation of the new Programme, I wish to commend the fortitude of my fellow Zambians during the challenging times we have gone through in the recent past. In the same vein, I wish to assure everyone that my Government will implement this Programme diligently. The success of the Programme will depend on proper implementation, including effective coordination of various components amongst all stakeholders at national and lower levels. I, therefore, implore the Ministries of Finance and National Development Planning to provide the leadership in the implementation of measures contained in the Programme.

I also look forward to the partnership and support of the private sector, civil society organisations, Cooperating Partners and indeed all Zambians as we launch and commence implementation of this Programme. With support from all, we will be able to revive our economy and re-launch it on the path to sustained long-term growth and development.

Edgar C. Lungu,
PRESIDENT OF THE REPUBLIC OF ZAMBIA



ACKNOWLEDGEMENT

The ERP was developed under the stewardship of His Excellency Mr Edgar Chagwa Lungu, President of the Republic of Zambia. President Lungu's wish is to re-invigorate Economic Growth and reduce poverty and inequality in the Country. We therefore, wish to convey our gratitude to His Excellency, Mr Edgar Chagwa Lungu, President of the Republic of Zambia for his able leadership and guidance.

We also wish to thank our colleagues in sector Ministries for their collaboration and support in developing the programme. Their invaluable wealth of experience in their respective portfolios made it possible to finalise the document on time.

We also wish to acknowledge the contributions of various stakeholders who provided expert perspectives on the Programme. These included the Zambia Revenue Authority (ZRA), Indaba Agricultural Policy Research Institute (IAPRI), Zambia Association of Manufacturers (ZAM) and the Zambia Chamber of Commerce and Industry (ZACCI). We are grateful to them for their wise contributions and for their forbearance. The product we have produced is richer because of their input. We also wish to thank the United Nations Country Office for its support towards the preparation of the programme.

Finally, we wish to extend our sincere gratitude to staff at the Ministries of Finance and National Development Planning and the Bank of Zambia who worked tirelessly on drafting the document. We are confident that the policies and reforms in the Programme will set us on the journey to economic stabilisation, recovery and long-term growth.

Hon. Dr. Bwalya K.E. Ng'andu, MP
Minister of Finance

Hon. Alexander Chiteme, MP
Minister of National Development Planning

TABLE OF CONTENTS

Contents

List of Tables

List of Figures

ACRONYMS

ACRONYMS

AfCFTA	Africa Continental Free Trade Area
BEPS	Base Erosion and Profit Shifting
BRRA	Business Regulatory Review Agency
CAG	Cluster Advisory Group
COVID	Corona Virus Disease
CPM	Cost Plus Model
DIS	Direct Input Supply
DRC	Democratic Republic of Congo
DSSI	Debt Service Suspension Initiative
EFD	Electronic Fiscal Devices
ERB	Energy Regulations Board
ERP	Economic Recovery Programme
ESGP	Economic Stabilisation and Growth Programme
ETP	Electronic Trading Platform
FDI	Foreign Direct Investment
FISP	Farmer Input Support Programme
FRA	Food Reserve Agency
GDP	Gross Domestic Product
GEWEL	Girls' Education and Women Empowerment and Livelihoods
GPS	Global Positioning System
GSB	Government Service Bus
ICT	Information and Communications Technology
IDC	Industrial Development Corporation
IFMIS	Integrated Financial Management and Information System
IPP	Independent Power Producers
MCDSS	Ministry of Community Development and Social Services
MCTI	Ministry of Commerce Trade and Industry
MFL	Ministry of Fisheries and Livestock
MICE	Meetings, International Conferences and Events
MLG	Ministry of Local Government
MLNR	Ministry of Lands and Natural Resources
MLSS	Ministry of Labour Social Security
MMMD	Ministry of Mines and Minerals Development
MNDP	Ministry of National Development Planning
MOF	Ministry of Finance
MPSA	Ministries Provinces and other Spending Agencies
MTA	Ministry of Tourism and Arts
MTC	Ministry of Transport and Communications
MTEF	Medium Term Expenditure Framework
MWS	Ministry of Works and Supply
MYSCD	Ministry of Youth, Sports and Child Development
NAPSA	National Pensions Scheme Authority
NDP	National Development Plan
NHIMA	National Health Insurance Management Authority
OBB	Output Based Budgeting
OMC	Oil Marketing Companies
PACRA	Patents and Companies Registration Agency
PIM	Public Investment Management System
PIMS	Public Investment Management System
PPP	Public Private Partnership
RTSA	Road Transport and Safety Agency
SME	Small and Medium Enterprises
SOE	State Owned Enterprises
TSA	Treasury Single Account
TWG	Technical Working Group
UK	United Kingdom
USA	United States of America
USD	United States Dollar
VAT	Value Added Tax
ZABS	Zambia Bureau of Standards
ZACCI	Zambia Chamber of Commerce and Industry
ZAM	Zambia Association of Manufacturers
ZCCM-IH	Zambia Consolidated Copper Mine Investment Holding
ZDA	Zambia Development Agency
ZRA	Zambia Revenue Authority
ZTMP	Zambia Tourism Master Plan

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

The Economic Recovery Programme (ERP) is the successor to the Economic Stabilization and Growth Programme (ESGP) that was implemented over the period 2017-2019. During the implementation of the ESGP, a number of external and internal shocks continued impacting the economy negatively, setting off track some targets under the Programme. As a result, growth has slowed down further, revenues stagnated, deficits continued to widen and debt became increasingly unsustainable.

The current economic conditions and outlook for the medium term, exacerbated by the COVID–19, remain a challenge and requires decisive policy measures to restore macroeconomic stability, clear domestic arrears, return the country to sustainable debt levels, migrate to a more sustainable fiscal path and reinvigorate growth. The ERP is thus a stabilisation, recovery and growth strategy that is meant to re-establish stability and growth.

The objectives of the ERP are to restore macroeconomic stability, attain fiscal and debt sustainability, restore growth, dismantle domestic arrears and safeguard social sector spending. The Programme seeks to re-launch the economy on a path of sustained economic growth, while stabilising the monetary, external, and fiscal environments. The recovery programme also contains policy measures to mitigate the socio-economic effects of the COVID-19 pandemic.

The specific targets for the ERP are to:

a. Attain real GDP growth rate of above 3 percent by 2022;
b. Reduce the fiscal deficit to no more than 9 percent in 2021, no more than 6.1 percent in 2022 and no more than 4.9 percent of GDP in 2023;
c. Increase domestic revenue to not less than an average of 18 percent of GDP over the period 2021 to 2023;
d. Reduce and sustain inflation within single digit by end 2022;
e. Raise international reserves to at least 3 months of import cover by 2023;
f. Significantly dismantle domestic arrears and curtail their accumulation; and
g. Reduce the pace of debt accumulation and ensure sustainability in the next 3 to 5 years.

The ERP comes at a time when the formulation of the Eighth National Development Plan (8NDP) is underway. In this regard, the Programme will feed into both the Issues Paper and the Macroeconomic Framework for the 8NDP.

The ERP proposes five areas that need to be addressed. These areas form the pillars of the Programme as follows:

Restoring Macroeconomic Stability

Achieving sustained growth requires a favourable macroeconomic environment characterised by low and stable inflation, low interest rates and minimal volatility in the exchange rate. This will be attained through alignment and effective coordination of fiscal and monetary policies. To stabilize the exchange rate, key measures will involve expanding the export base and building up Gross International Reserves.

Attaining Fiscal and Debt Sustainability

Fiscal consolidation will be achieved through implementation of fiscal adjustment and structural measures to address liquidity constraints and continued accumulation of domestic arrears, debt levels and debt service. The ultimate objective is to gradually reduce the deficit from double digit in 2020 to 5.0 percent of GDP in 2023.

To attain fiscal and debt sustainability, measures will be undertaken to enhance domestic resource mobilisation, rationalise and streamline expenditures as well as reduce the pace of debt accumulation.

Restoring Growth and Economic Diversification

To restore growth, the ERP focuses on provision of economic stimuli and promotion of economic diversification. In this regard, the Bank of Zambia will continue to provide the Medium-Term Refinancing Facility that will be accessed by businesses and households. On the fiscal front, the Government will continue to provide tax rebates to sectors which have been adversely affected by the COVID-19 pandemic. To achieve economic diversification, focus will be on Agriculture, Manufacturing, Tourism, Mining and Energy Sectors.

Dismantling of Arrears

Dismantling domestic areas will involve making adequate budgetary provisions, implementating cheque swaps and strengthening commitment control systems. The arrears are mainly in the areas of VAT refund, road and other capital projects on account of revenue shortfalls and weaknesses in the commitment control system.

Safeguarding Social Protection Programmes

The economic recovery and stabilization efforts will encompass provision of social protection to safeguard people from the adverse impacts of the global and local economic slowdown as well as the effects of the COVID-19 pandemic. Implementation of ongoing social protection interventions aimed at reducing poverty and vulnerability will continue.

Structural and legal reforms will also be undertaken in the areas of fiscal and debt sustainability as well as dismantling of arrears to facilitate achievement of the objectives of the programme.

ZAMBIA'S ROAD TO RECOVERY

1.0 INTRODUCTION

1.0 INTRODUCTION

The Economic Recovery Programme is the successor to the Economic Stabilisation and Growth Programme (ESGP) that was implemented over the period 2017-2019. During the implementation of the ESGP, a number of external and internal shocks have continued impacting the economy negatively, resulting in failure to meet some targets under the ESGP. Specifically, growth has slowed significantly; deficits have remained elevated, with lower revenues, higher expenditures and unsustainable debt levels. Further, the inflation rate has risen above the 6 to 8 percent target range, while lending rates have remained high. Gross International Reserves have also significantly reduced below the targeted 3 months import cover.

The economic outlook for the medium term, exacerbated by the COVID–19 pandemic, remains a challenge and requires decisive policy measures to restore macroeconomic stability, return the economy to a sustainable fiscal path and to sustainable debt levels. The ultimate objective is to reinvigorate growth.

The ERP is thus a stabilisation, recovery and growth programme. Macroeconomic stability will be achieved by reducing inflation towards the 6 to 8 percent target range as well as undertaking fiscal adjustment measures to lower the fiscal deficit. Reducing the pace of debt accumulation and debt stock will also be cardinal in stabilising the economy.

Restoration of growth and achievement of economic diversification will be anchored on agriculture, mining and manufacturing. To enable this growth, these anchor industries will be supported by investments in the energy, Information and Communication Technology (ICT) and financial sectors. The revival of these sectors will spur growth in other sectors and help to create jobs and bring about the much-needed structural transformation which will in turn sustain macroeconomic stability. This growth will be driven by the private sector, with a particular focus on Small and Medium Enterprises (SMEs).

As part of the measures to alleviate the impact of the COVID-19 pandemic on the economy, the worst-hit sectors, particularly Tourism, will be given incentives to safeguard jobs and livelihoods.

Government realises that reform measures have a disproportionate adverse effect on the more vulnerable members of society. To cushion the impact of the measures to be undertaken in the ERP, the Government will scale up and ring-fence spending on social protection.

1.1 Review of the Economic Stabilisation and Growth Programme

The ESGP, also known as Zambia Plus, was a home-grown economic recovery programme. The five-pillar programme was premised on the theme "Restoring Fiscal Fitness for Sustained Inclusive Growth and Development". Through the ESGP, Government had set out to:

1. Restore the credibility of the Budget;
2. Enhance domestic resource mobilisation;
3. Improve economic and fiscal governance;
4. Ensure greater economic stability, growth and job creation; and
5. Scale up Government's social protection programmes.

The following is a review of the performance of the 5 pillars under the ESGP.

Pillar 1: Restore the Credibility of the Budget

In order to restore the credibility of the budget, the Government committed itself to undertake a number of reforms aimed at supporting prudent fiscal management in light of growing economic constraints and pressing development needs. The measures included: improving budget execution; dismantling arrears; containing the wage bill; phasing out costly subsidies by reforming the Farmer Input Support Programme and the role of the Food Reserve Agency; and promoting accountability and transparency by revising the Public Finance Act, enacting the Planning and Budgeting Bill, rolling out the Integrated Financial Management Information System (IFMIS) as well as the Treasury Single Account (TSA).

Improving Budget Execution: The ESGP period was characterised by significant variations between the approved annual Budgets and the actual outturns. This was evidenced by persistently high fiscal deficits, averaging 7.5 percent of GDP during 2017-2019, compared to planned deficits of less than 5 percent of GDP. The outturns were largely driven by higher than planned disbursements on capital projects and the depreciation of the Kwacha, which resulted in higher than planned debt service payments.

Dismantling Arrears: The envisaged accelerated dismantling of arrears to suppliers of goods and services saw a strong positive outcome in the first year of the ESGP. The Government reduced domestic arrears to K12.7 billion by December 2017 from K18.8 billion in 2016. However, arrears accumulated to K19 billion in 2018 and K27.7 billion in 2019. The bulk of the arrears related to VAT refunds, road and other capital expenditures, pension obligations and agriculture subsidies. The arrears, especially to local suppliers of goods and services to the Government and local contractors, led to a tightening of financial conditions and constrained the growth of private sector credit. Further, arrears contributed to a rise in non-performing loans.

Despite these challenges, some successes were scored. These included containing the central Government wage bill within the set ceiling of 9 percent of GDP. The Public Finance Management Act (No. 1 of 2018) was also enacted in a bid to improve accountability and transparency.

Pillar 2: Enhance Domestic Resource Mobilisation and Refocusing of Public Spending

In a bid to expand revenue collection and also improve the fiscal position, the Government sought to implement strategies and structural reforms for revenue mobilisation. Five strategies were outlined in the ESGP to enhance domestic resource mobilisation, namely: (i) modernisation and automation of revenue collection; (ii) taxing the informal sector; (iii) enhancing the collection of revenue from property taxes; (iv) increasing revenue collection from road tolls; and (v) stemming illicit financial outflows. Government also included a strategy to refocus its public expenditure. The modernisation and improved administration of revenue collection methods led to increases in the revenue base. The Government implemented measures related to engagement of tax agents that improved collections under VAT while audits and regulations for large tax payers have been implemented leading to increased collections of income tax and mineral royalties. Over the period of the ESGP, domestic revenue collections were 17.4 percent of GDP in 2017, 19.1 percent of GDP in 2018 and 20.2 percent of GDP in 2019. The performance of the road tolling programme exceeded expectations. This was mainly attributed to the upward revision of the toll tariffs effected in 2016 and the increased number of inland toll points.

The implementation of some revenue measures, however remains outstanding. These include the roll-out of the land titling project and the enhancement of the collection of withholding tax on rental income. The strategy to tax the informal sector was challenging because of the high administration costs involved in administering the tax.

In refocusing public expenditure, the Government aimed at restoring budget credibility and completing existing infrastructural works without taking on new commitments. However, the high fiscal deficit and the rapid accumulation of arrears is an indication of limited success in stemming spending deviations relative to approved appropriations.

Pillar 3: Improve Economic and Fiscal Governance

To improve economic and fiscal governance, the ESGP set out to: enhance fiscal and monetary policy coordination; develop a debt management policy; revise the aid policy; and to strengthen policies and institutions. Other measures included enacting pieces of legislation and strengthening administrative systems to improve commitment controls.

With regard to monetary and financial stability, inflation largely remained within the 6-8 percent target range for most part of the ESGP period, while the financial system remained relatively stable. However, the Kwacha was characterised by high volatility and depreciated by 42 percent over the ESGP period. Reserves declined from US$2.4 billion at the beginning of 2017 to US$1.4 billion at the end of 2019, mainly on account of increased external debt service payments.

The Government also implemented a number of reforms to improve economic and fiscal governance. The following are some of the major reforms and status:

1. **Planning and Budgeting Bill:** The enactment of the Bill had advanced. Once passed into law, it would enable integration of the national planning and annual budgeting processes with a focus on results.

2. **Procurement Bill:** Cabinet approved the introduction of the bill to reform public procurement during the ESGP period. The intention of the Bill, among others, was to promote empowerment of Zambian citizen owned institutions and local content, introduce benchmark pricing, impose restrictions on contract variations and facilitate the use of the e-Government Procurement System.

3. **Pension reforms:** The intention under Pension reforms was to consolidate social security and social protection laws into a single statute. This was not achieved, and the policy going forward is to amend existing relevant Acts.

4. **Farmer Input Support Programme:** Review of FISP commenced in 2017 with the implementation of the electronic voucher delivery modality. However, due to challenges related to IT, this has over the years been reversed leaving huge outlays on the programme through the Direct Input Support modality.

5. **Debt Management:** Government developed and published the 2017-2019 Medium-Term Debt Management Strategy to minimise the costs and risks of public debt. At the end of 2019, Cabinet approved restructuring of the debt through cessation of new non-concessional borrowing, cancellation of undisbursed loans, re-scoping of ongoing projects and refinancing of the already disbursed debt including the Eurobonds.

6. **Output Based Budgeting:** At the start of the ESGP period, only the Ministries of Higher Education and of General Education were on the Output Based Budgeting (OBB) system. By the end of 2019, five more ministries were added to the OBB system.

7. **Energy sector reforms:** There were delays in finalising energy sector and ZESCO reforms which posed a risk to the fiscal position. The cost of service study was not undertaken. Further, fuel procurement reforms for Government to disengage from importation of finished petroleum products were not fully operationalised.

Pillar 4: Ensure Greater Economic Stability, Growth and Job Creation

Agriculture, mining and the tourism sectors were identified as the key drivers for economic growth and diversification, job creation and income generation. This was to be achieved through an industrialisation and export diversification strategy.

Zambia's economic performance was not favourable during the ESGP period. Growth slowed, averaging 3 percent between 2017 and 2019. This was less than half the growth of 6.5 percent recorded during the previous decade. The reduction in growth was at the back of a slowdown in global economic activity that resulted in low copper prices. Further, growth was impacted negatively by tight liquidity conditions and unfavourable weather conditions.

Consequently, the performance of the ESGP was unsatisfactory in terms of enhancing growth, creating jobs and diversifying the economy.

Pillar 5: Scale up Government's Social Protection Programmes

To protect the poor and vulnerable members of society, the Government scaled up the number of targeted beneficiaries under the flagship social cash transfer programme as well as the food security pack. The number of targeted beneficiaries under the social cash transfer was increased to 700,000 households from 242,000 households. The monthly amounts given to each household was also increased. Under, the food security pack the number of beneficiaries was increased to 40,000 vulnerable but viable farmers. These increases were in line with proposals in the ESGP.

The ESGP had also set out to promote Girls' Education and Women Empowerment. During the period, the Girls' Education and Women Empowerment and Livelihoods (GEWEL) project was launched targeting 14,000 adolescent girls and 75,000 women. By the end of 2019, 15,000 girls were being supported while a cumulative total of 22,000 women had been empowered.

The key challenge for Social protection programmes were the low disbursements relative to the budgetary allocations.

1.2 ERP Objectives

The ERP seeks to re-launch the economy on a path of sustained economic growth, while stabilizing the monetary, external, and fiscal environments. The recovery programme also contains policy measures to mitigate the socio-economic effects of the COVID-19 pandemic.

The specific targets for the 2020-2023 ERP will be to:

a. Attain real GDP growth rate of above 3 percent by 2023;
b. Reduce the fiscal deficit to no more than 9 percent in 2021, no more than 6.1 percent in 2022 and no more than 4.9 percent of GDP in 2023;
c. Increase domestic revenue to not less than an average of 18 percent of GDP over the period 2021 to 2023;
d. Reduce and maintain inflation within the 6-8 percent range by 2023;
e. Raise international reserves to at least 3 months of import cover by 2023;
f. Significantly dismantle domestic arrears and curtail their accumulation; and
g. Reduce the pace of debt accumulation and ensure sustainability in the next 3 to 5 years.

In order to address the outstanding issues from the ESGP and some of the emerging issues, the ERP proposes five broad strategic objectives to attain the above targets:

i. Restoring macroeconomic stability;
ii. Attaining fiscal and debt sustainability;
iii. Restoring growth and diversifying the economy;
iv. Dismantling domestic arrears and avoiding accumulation of new arrears; and
v. Safeguarding social protection programmes.

To achieve these objectives, structural and legal reforms will be undertaken.

1.3 Alignment of the ERP to other Government Policy Documents

The ERP is a successor programme to the ESGP whose implementation period ended in 2019. Although some successes were achieved during the implementation of the ESGP, more work remains to be done. Further, due to significant changes in the global and domestic environments, the programme will guide the implementation focus of the remaining part of the Seventh National Development Plan (7NDP). It will also inform the 2021-2023 Medium Term Expenditure Framework (MTEF) and the 2021 and subsequent budgets.

The ERP comes at a time when the formulation of the Eighth National Development Plan (8NDP), that will run from 2022 to 2026, is underway. In this regard, the Programme will feed into both the Issues Paper and the Macroeconomic Framework for the 8NDP.

2.0 PILLAR 1: RESTORING MACROECONOMIC STABILITY

2.0 PILLAR 1: RESTORING MACROECONOMIC STABILITY

Restoring macroeconomic stability requires maintaining conditions for the government, businesses and individuals to plan, invest and to anticipate changing circumstances. A stable macroeconomic environment entails positive growth, low and stable inflation, low interest rates and minimal volatility in the exchange rate. This can be attained if monetary and fiscal policies are well aligned. Under this pillar, focus is on measures relating to fiscal and monetary stability. Measures to stem negative growth, reduce inflation, interest rates, fiscal deficits and to build a sustainable external sector that will stabilise the exchange rate will be implemented.

2.1 Revive and Stabilise Growth

The economy in 2020 is projected to contract to -4.2 percent from 1.4 percent growth recorded in 2019 largely due to effects of the COVID-19 pandemic. Prior to the pandemic, growth had already been slowing down. In order to reverse the negative growth and return the economy on a stable and upward trajectory, the key measures will involve easing of liquidity challenges in the domestic economy, and supporting local production using citizen-centric public procurement and finalizing of major projects that support growth. As part of the COVID-19 response in 2020, Government provided various fiscal stimuli, issued a COVID-19 Bond to ease liquidity, while the Bank of Zambia provided a K10 billion Targeted Medium Term Refinancing Facility.

2.2 Ensure Monetary and Financial Stability

The main objectives of the Bank of Zambia are to maintain monetary and financial stability which contributes to a healthy economy and sustainable growth. Monetary stability entails having low and stable inflation and interest rates. The objective under the ERP is to reduce the inflation rate from the current level of 16.0 percent in October 2020 to the target range of 6-8 percent by 2023.

The Government remains vigilant to new emerging trends and challenges to the financial system which could undermine financial stability, such as the rise in Non-Performing Loans. In this regard, the Government will continue to undertake appropriate prudential and regulatory measures aimed at ensuring financial system stability and support pre-emptive actions to prevent systemic disturbances.

2.3 Narrow the Fiscal Deficit

The conduct of fiscal policy has a critical influence on macroeconomic stability. Government seeks to narrow the fiscal deficit from the projected 11.7 percent of GDP in 2020 to 5 percent by 2023. The lowering of the deficit is line with Government Policy to reduce the pace of debt accumulation.

2.4 Current Account Sustainability

The deterioration in the external sector, specifically the current account, owing to increased external debt service and declining exports has resulted in significant depreciation of the kwacha against major convertible currencies. In the year to October 2020, the Kwacha depreciated by 45.0 percent to K20.42 from K14.05 as end December, 2019. This has put further pressure on debt service and contributed to rising inflation due to exchange rate pass-through effects.

During the ERP period, short- and medium-term measures will be implemented to restore macroeconomic stability. Measures are indicated in Tables 1 and 2.

Table 1: Restore Macroeconomic Stability Measures (Short Term)

Measure	Action Required	Lead Institution(s)
Revive and stabilise growth	Finalise the Kafue Gorge Lower Power Project, to provide reliable electricity supportive of growth	Ministry of Energy
	Payment of domestic arrears to ease liquidity challenges of companies and domestic suppliers	Ministry of Finance
Narrow the fiscal deficit	Undertake cancellation, rescoping and postponement of loans to reduce project disbursements and debt service payments.	Ministry of Finance
	Gradual reduction of overall deficit through reduced expenditures on agriculture and fuel subsidies and other administrative expenses.	Ministry of Finance
Current Account Sustainability	Increase export earnings by easing restrictions on exports of agricultural commodities	Ministry of Agriculture
	Build reserves to at least 2.5 of import cover by purchases of foreign exchange and mining companies paying tax obligations in US-dollars	Bank of Zambia
	Set up a coordinated foreign exchange purchases system for Government by December 2020	Ministry of Finance
	Engagement of the International Monetary Fund for Balance of Payments support by mid-2021	Ministry of Finance

In the medium-term, the Government will implement the following measures to restore macroeconomic stability:

Table 2: Restore Macroeconomic Stability Measures (Medium Term)

Measure	Action Required	Lead Institution(s)
Revive and stabilise growth	Ensure liquidity injection into the economy by continued dismantling of domestic arrears of at least K2.8 billion per annum	Ministry of Finance
	Ensure that all projects are appraised and only those with the highest economic and social impact are included in the budget	Ministry of National Development Planning
	Increase the participation of citizens in public procurements in line with the proposed amendments in the Zambia Public Procurement Act	Ministry of Finance
	Amend the Citizens Economic Empowerment Act to increase the participation of citizens in economic activities	Ministry of Commerce Trade and Industry
Monetary & Financial Stability	Use appropriate monetary policy tools to reduce inflation to the target range of 6-8 percent	Bank of Zambia
	Gradually reduce Government borrowing from the financial sector to 3.4 percent of GDP by 2023 so as to boost private sector credit and contribute to lowering of interest rates	Ministry of Finance
Narrow the fiscal deficit	Gradually reduce the overall fiscal deficit to less than 5 percent of GDP by 2023 through expenditure rationalisation	Ministry of Finance
	Publish and adhere to the medium-term expenditure framework to serve as a hard budget constraint on annual budgets in line with the Planning and Budgeting Act	Ministry of Finance
Current Account Sustainability	Add gold bullion to the reserves	Bank of Zambia
	Reducing debt service to moderate call on reserves through debt restructuring.	Ministry of Finance
	Establish a trade centre at Kasumbalesa border post to formalise trade with the Democratic Republic of Congo (DRC) and increase foreign exchange earnings	Ministry of Commerce, Trade & Industry
	Establish a trade centre at Jimbe border post to formalise trade with Angola and increase foreign exchange earnings	Ministry of Commerce, Trade & Industry

Table 3: Implementation Matrix - Restoring Macro Economic Stability (Short-Term)

SHORT-TERM MEASURES																				
					Timeline															
					2020				2021				2022				2023			
No.	Measure	Action Required	Lead Institution(s)	Collaborating Institution(s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1.	Revive and stabilise growth	Finalise the Kafue Gorge Lower Power Project, to provide reliable electricity supportive of growth	MoE																	
		Payment of domestic arrears to ease liquidity challenges of companies and domestic suppliers	MoF																	
2.	Current Account Sustainability	Increase export earnings by easing restrictions on exports of agricultural commodities	MoA																	
		Build reserves to at least 2.5 of import cover by purchases of foreign exchange and mining companies paying tax obligations in US-dollars	BOZ																	
		Set up a coordinated foreign exchange purchases system for Government by December 2020	MoF																	
		Engagement of the International Monetary Fund for Balance of Payments support by mid-2021	MoF																	

Table 4: Implementation Matrix - Restoring Macro Economic Stability (Medium-Term)

MEDIUM-TERM MEASURES																				
					Timeline															
					2020				2021				2022				2023			
No.	Measure	Action Required	Lead Instiuttion(s)	Collaborating Institution(s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1.	Revive and stabilise growth	Ensure liquidity injection into the economy by continued dismantling of domestic arrears of at least K2.8 billion per annum	MoF																	
		Ensure that all projects are appraised and only those with the highest economic and social impact are included in the budget	MNDP																	
		Increase the participation of citizens in public procurements in line with the proposed amendments in the Zambia Public Procurement Act	MoF																	
		Amend the Citizens Economic Empowerment Act to increase the participation of citizens in economic activities	MCTI																	
2.	Monetary & Financial Stability	Use appropriate monetary policy tools to reduce inflation to the target range of 6-8 percent	BOZ																	
		Gradually reduce Government borrowing from the financial sector to 3.4 percent of GDP by 2023 so as to boost private sector credit and contribute to lowering of interest rates	MoF																	
3.	Narrow the fiscal deficit	Gradually reduce the overall fiscal deficit to less than 5 percent of GDP by 2023 through expenditure rationalisation	MoF																	
		Publish and adhere to the medium-term expenditure framework to serve as a hard budget constraint on annual budgets in line with the Planning and Budgeting Act	MoF																	
	Current Account Sustainability	Add gold bullion to the reserves	BOZ																	
		Reducing debt service to moderate call on reserves through debt restructuring.	MoF																	
		Establish a trade centre at Kasumbalesa border post to formalise trade with the Democratic Republic of Congo (DRC) and increase foreign exchange earnings	MCTI																	
		Establish a trade centre at Jimbe border post to formalise trade with Angola and increase foreign exchange earnings	MCTI																	

3.0 PILLAR 2: ATTAINING FISCAL AND DEBT SUSTAINABILITY

3.0 PILLAR 2: ATTAINING FISCAL AND DEBT SUSTAINABILITY

Fiscal and debt sustainability are critical for restoring macroeconomic stability. Large fiscal imbalances, a narrow tax base, unsustainable expenditure levels and rapidly rising public debt have raised concerns about the sustainability of fiscal policies. Further, external and domestic shocks led to significant spending overruns and wider fiscal deficits averaging 8.0 percent during the period 2016-2020. A large part of this increase in the overall deficit is due to the primary deficit remaining high over the past few years, averaging 3.6 percent of GDP between 2015 and 2020, or 19 percent of domestic revenues.

There is, therefore, need to lower debt vulnerabilities and create a better platform for growth. This comes at a difficult time of weak growth exacerbated by the COVID-19 pandemic. As part of its determination to achieve debt sustainability, the Government will put in place fiscal consolidation measures through a sustained implementation of fiscal adjustment and structural measures to address elevated liquidity constraints, the continued accumulation of domestic arrears, high debt levels and high debt service costs. The ultimate objective is to gradually reduce the overall deficit to 5 percent of GDP by 2023. This will not only help to bring the economy back to a sustainable growth path but also help to improve its creditworthiness and reduce borrowing costs.

To attain fiscal and debt sustainability, Government will over the ERP period pursue the most appropriate policy route under the current environment. The adjustment needed is large, and will be a balanced combination of revenue mobilisation, expenditure rationalisation as well as reducing the pace of debt accumulation.

3.1 Resource Mobilisation

The main actions required relate to enhancing tax policy and administration reforms in order to improve compliance levels. To address the aforementioned challenges, the following measures will be undertaken to enhance resource mobilization.

Table 5: Resource Mobilization Measures (Short-term)

	Reform area	Action Required	Lead Institution(s)
Tax Administration	Customs Valuation Database	Update the Customs Valuation Database in order to curb under-declarations of the value for duty purposes of selected imports and, therefore, safeguard Government revenues in 2021.	ZRA
	Customer services	Enhance customer-oriented services and education by placing emphasis on making relevant information readily available to tax payers through the use of electronic enquiry services, such as the interactive telephone answering system or call Centre in 2021.	ZRA
	Digitisation of services provided by Government institutions	Bring online an additional 31 services through the Government Service Bus (see Annex I)	Smart Zambia Institute
Alternative Revenue Measures	Mineral backed Resource mobilization	Leverage mineral endowment to enhance domestic financing	MMMD/MoF
	PPPs	Transform PPP into a significant financing mechanism.	MoF

In the medium term, Government will also undertake tax policy and administrative measures as a way of enhancing domestic resource mobilisation as indicated in the table below.

Table 6: Resource Mobilization Measures (Medium Term)

	Measures	Action Required	Lead Institution
Tax Policy Reforms	Broadening Excise Taxation	Expand scope of goods on which excise duty is levied	MoF
	Rationalisation of Tax exemptions	Streamline the tax incentives structure and facilitation processes to improve transparency, compliance monitoring and ensure that incentives are better targeted and not wasteful. Particularly, relief provided under the Public Benefit Organisations Scheme, the Zambia Development Agency and the general tax incentives aimed at attracting FDI need to be reviewed by 2022	MoF
	Addressing Base Erosion and Profit Shifting (BEPS)	Implement the BEPS minimum standards and sign the Multilateral Instrument to curtail BEPS inducing provisions in tax treaties that Zambia has signed.	
		Augment transfer pricing audits following the revision of transfer pricing regulations and issuance of documentation rules in 2018	
	Property Taxation	Accelerate mass valuation of properties so that tax base information and property values are kept up-to-date and taxes are properly assessed, billed, collected and enforced. Valuation will be done in 2021 and implementation in 2022.	MLG/MoF
		Implement a National Addressing System that will provide physical locations linked to GPS by 2023	ZICTA
		Accelerate implementation of the National Land Titling Programme and issue at least one (1) million new titles over the medium term.	MLNR
Tax Administration	Institutional collaboration and coordination in revenue collection	Enhance institutional collaboration and coordination in revenue collection by interfacing Zambia Revenue Authority IT systems with those of Patents and Companies Registration Agency (PACRA), National Pension Scheme Authority (NAPSA), Zambia Development Agency (ZDA) and the Road Transport and Safety Agency (RTSA), through the Government Service Bus platform by 2022.	ZRA
	Electronic Fiscal Devices	Complete the roll out of electronic fiscal devices (EFDs) aimed at improving the performance of VAT as well as enforce wider use of electronic filling via the Tax Online system	MoF
	Digital Stamps	Introduce digital stamps to improve excise duty collection on excisable products, particularly on cigarettes and alcohol.	MoF

3.2 Rationalising and Streamlining Expenditure

With increased spending pressures, the fiscal space has been narrowing. In 2021, the wage bill and debt service are projected to absorb over 100 percent of the budget's domestic revenues, thus leaving no room for operational and other priority spending.

Expenditure rationalisation is important in achieving macroeconomic stability and fiscal sustainability, creating fiscal space, increasing allocative efficiency and enhancing efficiency. To this end, Government will streamline key drivers of expenditure such as the Farmer Input Support Programme and capital expenditure.

Table 7: Expenditure Rationalisation Measures (Short Term)

Measure	Action Required	Lead Institution(s)
Rationalise Capital Expenditure	To rationalise capital expenditure, Government will under the 2021 Budget implement the Public Investment Management System (PIMS) that will facilitate the appraisal of capital projects before inclusion in the National Budget.	MNDP
Farmer Input Support Programme	Reduce the proportion of beneficiaries of FISP on the Direct Input Supply mode to 60 percent in 2021 from 80 percent in 2020.	MoA
Implementation of austerity measures	Continue to reduce the administrative costs associated with Government operations through measures such as the use of electronic platforms	MoF

Table 8: Expenditure Rationalisation Measures (Medium Term)

Measure	Action Required	Lead Institution(s)
Farmer Input Support Programme	Fully migrate from the Direct Input Supply mode to the e-Voucher by the 2022/2023 farming season.	MoA
Introduce Fiscal Rules	Introduce numeric rules to cap expenditure growth and limit the deviations between appropriations and actual outturns	MoF
Streamlining Grant Aided Institutions	Merging, hiving off and privatising of some Grant Aided Institutions using the framework recommended in the Zambia Grant Aided Institutions Report by 2022	Cabinet Office

3.3 Reducing the Pace of Debt Accumulation

Fuelled by the rapid exchange rate depreciation, electricity supply constraints, the heavy reliance on external sources to finance the growing fiscal imbalances, and more recently the COVID-19 pandemic, public debt has now exceeded 100 percent of GDP, far above the sustainability threshold of 35 percent of GDP.

To attain debt sustainability, it will be imperative that the primary balance is reduced with a view to achieve a positive balance in the long term. This will entail halting accumulation of new external debt, raising domestic revenues and constraining expenditure.

Table 9: Debt Sustainability Measures (Short Term)

Measure	Action Required	Lead Institution(s)
Undertake Debt Sustainability Analysis	Implement the recommendations arising from the debt sustainability analysis by December 2020	MoF
Seek Debt Relief	Obtain formal debt service deferment under the G20 Debt Service Suspension Initiative (DSSI)	MoF
Reduce the debt stock	Reduce foreign financing in the budget through implementation of rescoping of projects of up to US$280 million and cancellation of US$1.1 billion undisbursed loans by end of 2020	MOF/MPSAs
Cease Acquisition of Non-Concessional debt	Continue with cessation on contraction of non-concessional debt for projects financing following the December 2019 Cabinet directive	MOF
Establish electronic trading in Government Securities	Establish an Electronic Trading Platform (ETP) to enhance price discovery and transparency in the bond market by end March 2021	BoZ
Enhance Secondary Market for Government Securities	Expedite the development of a secondary market for government securities to enhance liquidity so as to lower the cost of borrowing for Government.	BoZ
Enhance Debt Transparency	Publish on a quarterly basis the stock of public debt, loans contracted as well as disbursed	MoF
Reduce Debt Service Payments	Engage non G20 creditors for a similar arrangement and moratorium as the Debt Service Suspension Initiative (DSSI)	MoF

In the medium term, Government will continue to engage various creditors for liability management of public debt. During this process, Government will abide by the standard and commonly admitted international rules of engagement, including transparency, good faith and fair and equitable treatment of creditors.

Table 10: Debt Sustainability Measures (Medium Term)

Measure	Action Required	Lead Institution(s)
Return to debt sustainability	Undertake project rescoping, cancellation and restructuring of debt by end 2022.	MoF
Arrears dismantling	Dismantle outstanding external payment arrears	MoF
Refinance Domestic Debt	Increase the maturity profile of the domestic debt through refinancing of shorter-term debt to longer term.	MoF

Table 11: Implementation Matrix - Tax Revenue Measures (Short-Term)

SHORT-TERM MEASURES					Timeline															
					2020				2021				2022				2023			
No.	Measure	Action Required	Lead Institution(s)	Collaborating Institution(s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1.	Customs Valuation Database	Update the Customs Valuation Database in order to curb under-declarations of the value for duty purposes of selected imports and, therefore, safeguard Government revenues in 2021.	ZRA																	
2.	Customer services	Enhance customer-oriented services and education by placing emphasis on making relevant information readily available to tax payers through the use of electronic enquiry services, such as the interactive telephone answering system or call Centre in 2021.	ZRA																	
3.	Digitisation of services provided by Government institutions	Bring online an additional 31 services through the Government Service Bus (see Annex I)	Smart Zambia Institute																	
4.	Mineral backed Resource mobilization	Leverage mineral endowment to enhance domestic financing	MMMD/MoF																	
5.	PPPs	Transform PPP into a significant financing mechanism by repealing and replacing the PPP Act	MoF/MNDP																	
6.	Reduce Debt Service Payments	Implementation of the Debt Service Suspension Initiative (DSSI) from the G20 creditors by the end of 2020.	MoF																	
7.		Engage non G20 creditors for a similar arrangement and moratorium as the DSSI	MoF																	

Table 12: Implementation Matrix - Tax Revenue Measures (Medium-Term)

MEDIUM-TERM MEASURES					Timeline															
					2020				2021				2022				2023			
No.	Measure	Action Required	Lead Institution(s)	Collaborating Institution(s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1.	Broadening Excise Taxation	Expand scope of goods on which excise duty is levied in 2022	MoF																	
2.	Rationalisation of Tax exemptions	Streamline the tax incentives structure and facilitation processes to improve transparency, compliance monitoring and ensure that incentives are better targeted and not wasteful. Particularly, relief provided under the Public Benefit Organisations Scheme, the Zambia Development Agency and the general tax incentives aimed at attracting FDI need to be reviewed by 2022	MoF																	
3.	Addressing Base Erosion and Profit Shifting (BEPS)	Implement the BEPS minimum standards and sign the Multilateral Instrument to curtail BEPS inducing provisions in tax treaties that Zambia has signed by end 2023	MoF																	
		Augment transfer pricing audits following the revision of transfer pricing regulations and issuance of documentation rules in 2018 by end 2022	MoF																	
4.	Property Taxation	Accelerate mass valuation of properties so that tax base information and property values are kept up-to-date and taxes are properly assessed, billed, collected and enforced. Valuation will be done 2021 and implementation in 2022.	MLG/MoF																	
		Implement a National Addressing System that will provide physical locations linked to GPS by 2023	MLG																	
		Accelerate implementation of the National Land Titling Programme and issue at least one (1) million new titles over the medium term.	MLNR																	
5.	Institutional collaboration and coordination in revenue collection	Enhance institutional collaboration and coordination in revenue collection by interfacing Zambia Revenue Authority IT systems with those of Patents and Companies Registration Agency (PACRA), National Pension Scheme Authority (NAPSA), Zambia Development Agency (ZDA) and the Road Transport and Safety Agency (RTSA), through the Government Service Bus platform by 2022.	ZRA																	
6.	Electronic Fiscal Devices	Mandatory installation of electronic fiscal devices (EFDs) aimed at improving the performance of VAT as well as enforce wider use of electronic filling via the Tax Online system by April 2021. Companies will be allowed to claim tax credits for obtaining the EFDs	ZRA																	
7.	Digital Stamps	Introduce digital stamps to improve excise duty collection on excisable products, particularly on cigarettes and alcohol	ZRA																	

Table 13: Implementation Matrix - Tax Expenditure Rationalisation Measures (Short-Term)

SHORT-TERM MEASURES					Timeline															
					2020				2021				2022				2023			
No.	Measure	Action Required	Lead Institution(s)	Collaborating Institution(s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1.	Rationalise Capital Expenditure	To rationalise capital expenditure, Government will under the 2021 Budget implement the Public Investment Management System (PIMS) that will facilitate the appraisal of capital projects before inclusion in the National Budget.	MNDP																	
2.	Farmer Input Support Programme	Reduce the proportion of beneficiaries of FISP on the Direct Input Supply mode to 60 percent in 2021 from 80 percent in 2020.	MoA																	
3.	Implementation of austerity measures	Continue to reduce the administrative costs associated with Government operations through measures such as the use of electronic platforms	MoF																	

Table 14: Implementation Matrix - Tax Expenditure Rationalisation Measures (Medium-Term)

MEDIUM-TERM MEASURES					Timeline															
					2020				2021				2022				2023			
No.	Measure	Action Required	Lead Institution(s)	Collaborating Institution(s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1.	Farmer Input Support Programme	Fully migrate from the Direct Input Supply mode to the e-Voucher by the 2022/2023 farming season.	MoA																	
2.	Introduce Fiscal Rules	Introduce numeric rules to cap expenditure growth and limit the deviations between appropriations and actual outturns	MoF																	
3.	Streamlining Grant Aided Institutions	Merging, hiving off and privatising of some Grant Aided Institutions using the framework recommended in the Zambia Grant Aided Institutions Report by 2022	Cabinet Office																	

Table 15: Implementation Matrix - Debt Sustainability Measures (Short-Term)

SHORT-TERM MEASURES					Timeline															
					2020				2021				2022				2023			
No.	Measure	Action Required	Lead Institution(s)	Collaborating Institution(s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Undertake Debt Sustainability Analysis	Implement the recommendations arising from the debt sustainability analysis by December 2020	MoF																	
	Seek Debt Relief	Obtain formal debt service deferment under the G20 Debt Service Suspension Initiative (DSSI)	MoF																	
	Reduce the debt stock	Reduce foreign financing in the budget through implementation of rescoping of projects of up to US$280 million and cancellation of US$1.1 billion undisbursed loans by end of 2020	MOF/MPSAs																	
	Cease Acquisition of Non-Concessional debt	Continue with cessation on contraction of non-concessional debt for projects financing following the December 2019 Cabinet directive	MOF																	
	Establish electronic trading in Government Securities	Establish an Electronic Trading Platform (ETP) to enhance price discovery and transparency in the bond market by end March 2021	BoZ																	
	Enhance Secondary Market for Government Securities	Expedite the development of a secondary market for government securities to enhance liquidity so as to lower the cost of borrowing for Government.	BoZ																	
	Enhance Debt Transparency	Publish on a quarterly basis the stock of public debt, loans contracted as well as disbursed	MoF																	

Table 16: Implementation Matrix - Debt Sustainability Measures (Medium-Term)

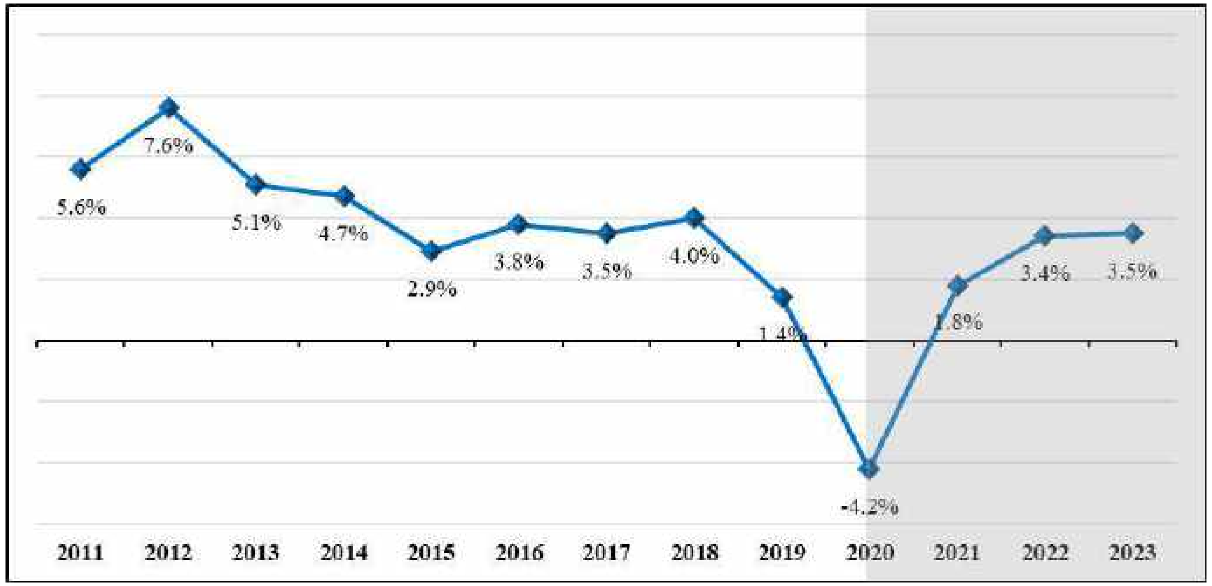
MEDIUM-TERM MEASURES					Timeline															
					2020				2021				2022				2023			
No.	Measure	Action Required	Lead Institution(s)	Collaborating Institution(s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1.	Return to debt sustainability	Undertake project rescoping, cancellation and restructuring of debt by end 2022.	MoF																	
2.	Arrears dismantling	Dismantle outstanding external payment arrears	MoF																	
3.	Refinance Domestic Debt	Increase the maturity profile of the domestic debt through refinancing of shorter-term debt to longer term.	MoF																	

4.0 PILLAR 3: RESTORING GROWTH AND DIVERSIFYING THE ECONOMY

4.0 PILLAR 3: RESTORING GROWTH AND DIVERSIFYING THE ECONOMY

The Zambian economy is currently operating in a very challenging macroeconomic environment. In 2020, growth is projected to contract by 4.2 percent, the first recession in over two decades, mainly on account of the adverse effects of the COVID-19 pandemic.

Figure 1: Growth in Gross Domestic Product, 2011-2019



Growth has not only been declining but has also been characterised by high volatility[1] in some sectors over the period 2011-2019. The agriculture sector has exhibited low growth but high volatility. The mining sector has equally exhibited low growth and high volatility, although more stable than agriculture. The manufacturing sector has, however, been relatively stable in terms of both growth and volatility.

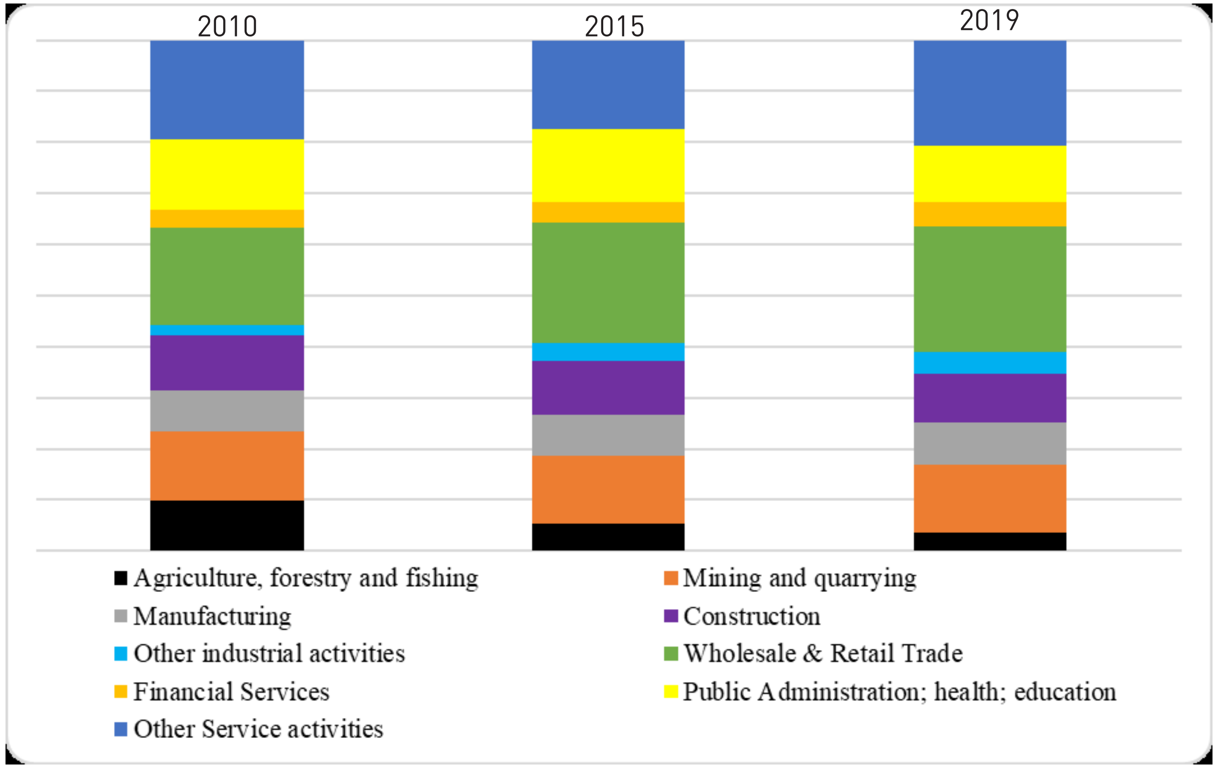
1 Historical vvolatility has been calculated using simple standard deviations

Table 17: Average Rate of Growth and Volatility, 2011-2019

Sector	Growth	Volatility
	2011-2019	2011-2019
Agriculture	-0.9%	10.0%
Mining	1.7%	4.2%
Manufacturing	4.5%	1.7%
Other industrial activities	4.5%	6.1%
Wholesale & retail trade	4.7%	6.7%
Financial services	6.5%	10.7%
Other non-financial services	5.8%	4.2%
Gross Value Added	4.1%	1.8%
Taxes	4.3%	2.1%
GDP	4.1%	1.8%

The structure of the economy has been changing in the last decade. The share of agriculture has shrunk from 9.4 percent of GDP in 2010 to 5.0 percent in 2015 and 3.2 percent of 2019. The share of mining and manufacturing remains largely unchanged. Among the sectors that have expanded are Wholesale and Retail Trade, which largely depends on imported products, and Financial Services. With the advent of the COVID-19 pandemic, the country has become increasingly vulnerable to supply chain disruptions since it remains highly dependent on imports.

Figure 2: Zambian Economic Structure (Shares of GDP in Current Prices), 2010, 2015 and 2019



The anchor sectors during the ERP period will be Agriculture, Mining and Manufacturing. Agriculture and manufacturing not only have the strongest backward and forward linkages, but also account for a significant share of the employed population. Mining is a quick win given that it is largely private sector driven and would only require Government to facilitate a predictable and favourable environment in order to bring back investments and growth.

During the ERP period, specific measures will be targeted at resuscitating tourism given that it has been the most affected sector by the COVID-19 pandemic in order to safeguard jobs. The Sector also has strong backward and forward linkages to agriculture, manufacturing, trade, transport, financial services and ICTs.

The priority sectors will be supported by investments in the energy, ICT and financial sectors. Government will also put in place measures to adapt to the effects of climate change.

4.1 Agriculture

In line with the 7NDP, Agriculture will continue to be a key driver of growth and job creation for the Zambian economy. To this end, Government will continue implementing policies to enhance production and productivity in the crops, fisheries and livestock sub-sectors. The focus will be to transform the sector to promote exports by encouraging private sector participation and promotion of climate resilient agricultural practices.

Crop Production will be enhanced by increasing yields and diversifying away from maize to other crops including tree crops. Aquaculture development has also been identified as a priority industry which is expected to lead to import substitution thereby resulting in foreign exchange savings. In addition, the promotion of the livestock industry will result in job creation and stimulate exports, especially to neighbouring countries and greenfield markets (goat exports to Saudi Arabia, honey and wax exports to China, South Korea and Europe).

The ERP will address challenges that the agriculture sector has faced including low productivity, high dependence on rain-fed agriculture, limited crop diversity and restrictions on agriculture exports. In addition, it will also address resource allocation which has not been in line with the key drivers of growth for the sector such as extension services and research and development. To revive growth and promote diversification, the following measures will be undertaken.

Table 18: Agriculture Sector Growth and Diversification Measures

Measure	Action Required		Lead Institution(s)
Promotion of domestic and international markets	Increased Agricultural Exports	Develop a Crop Marketing and Export Policy by mid 2021	MoA
		Facilitate private sector export agreements for maize, maize products and other agricultural commodities with bilateral partners in the region and facilitate private sector participation by 2022	MoA
		Develop a credible information system on stock position and movement for agricultural commodities by mid-2021	MoA
		Enhance exports of goats, honey, wax and fish in collaboration with private sector through the establishment of trade centres at the borders with DRC and Angola, and operationalization of trade agreements.	MFL, MCTI
	Increased participation on Commodity Exchange platforms	Increase participation on Commodity Exchange platforms to promote amalgamation of local produce and their supply of domestic and regional value chains by mid 2021	MoA

Measure	Action Required		Lead Institution(s)
Increased Agricultural Productivity	Enhancing extension service delivery	Deploy ICTs for the delivery of extension services by the end of 2021 by setting up a national call centre, mobile and internet-based extension services and mobility of extension staff.	MoA, MFL
		Conduct country-wide soil analysis and mapping to assess soil fertility and improve yields with private sector players by 2022	MoA
	Shift resources to key drivers of Agriculture	Promote farm power and mechanisation for small holder farmers through a line of credit by 2022	MoA, MLF
	Farm blocks and aquaculture parks Development	Fully operationalise Nansanga farm block by securing anchor farmers by 2021	IDC
		Secure anchor farmers for Luswishi, Lwena and Manshya farm blocks by 2023	MoA
		Operationalise aquaculture parks in Rufunsa, Kasempa, Mungwi, Siavonga and Samfya by 2021	MFL
	Control of diseases and migratory pests	Enhance early warning systems and control measures for diseases and migratory pests such as army worms and locusts through enhanced surveillance	MoA/MFL
	Irrigation development	Complete the construction and remedial works of 10 dams under the Zambia Water Resources Development Project by end 2021	MWDSEP
		Rehabilitate 10 dams and 3 irrigation schemes at Nabuyani in Kalomo, Kapekesa in Chasefu and Chisangaponde in Mbala by 2021	MoA, MWDSEP
		Fully operationalise Mwomboshi, Lusitu, Chiansi and Musakashi irrigation schemes by 2021	MoA
Diversification	Promotion of Tree Crops	Facilitate access to affordable financing for propagation of citrus and other high value fruit trees such as avocado, macadamia nuts and cashew nuts that suit the Zambian climate by 2022	MoA
		Strengthen research in fruit tree crops such as granadilla, avocado etc. and feedstock for orchards.	MoA
		Enhancement of extension services for tree crop farming	MoA
	Diversification away from maize	Fully implement the e-voucher which gives farmers a choice of crops, livestock and poultry to produce.	MoA, MFL
		Attract investment in processing of other crops other than maize such as cassava, soya beans, rice, wheat, cotton, vegetables and tobacco.	ZDA
	Production and Export of Industrial Hemp and Medicinal Cannabis	Put in place appropriate legislation and systems for production and export of industrial hemp and medicinal cannabis by June 2021	MoA/MoH
	Livestock Promotion	Improve Livestock production through stocking and restocking, artificial insemination and enhanced disease control such as vaccination controls and campaigns	MFL
		Establish National Artificial Insemination Liquid Nitrogen plant and operationalise Satellite Artificial Centres to improve availability of semen, breeding stock and dairy productivity.	

Measure	Action Required		Lead Institution(s)
		Improve the productivity through better management of range lands, growing of pastures and fodder using hydroponic technology and promotion of indigenous breeds	MFL
		Focus on control of animal diseases of national economic importance, to complement animal health service delivery by the private sector through creation of exclusive zones for private sector service provision (livestock service centres) and production of vaccines and drugs	
		Promotion of public private partnerships in the operations of livestock market Centres (bulking centres), breeding and service centres (Mbesuma, Kalungwishi, Chishinga, Mwase Lundazi, Katopola and Kanchindu).	
		Facilitate beef production and exports to countries in the region	MFL/MCTI
	Increase fish production	Access the US$30 million line of credit from Kalifa Fund for fish farming enhancement	MFL/MoF
		Enhance fisheries conservation and establishment of fisheries reserves areas (breeding sites) on major fisheries areas	
		Strengthening and establishment of core management structures to control illegal and unregulated fishing in natural water bodies	
		Enhance fingerlings production through the establishment of fish hatcheries and nurseries	
		Set up and roll out an Aquaculture Development Fund (Seed Fund) to empower rural youths and women to participate in the aquaculture value chains	
		Fully utilise existing and newly constructed dams for fish farming	
		Enhance controls on illegal and regulated fishing on natural water bodies by extending fishing ban from three (3) to six (6) months through collaboration with army marines and security agencies	
Government-private sector joint action	Enhance private sector participation	Enhance partnership with the private sector for joint action aimed at enhancing growth in selected commodity industries.	MoA

4.2 Manufacturing

In the recent past, the manufacturing sector's contribution to GDP has steadily grown from about 7.6 percent in 2010 to 8.1 percent of GDP in 2018, an indication that with enhanced support the sector can contribute to economic diversification and job creation. However, the sector's performance continues to be hampered by the high cost of doing business and an unstable macroeconomic environment. These challenges have been amplified by the COVID-19 pandemic resulting in the shrinking of the manufacturing sector by 4.6 percent in the second quarter of 2020.

The Government will, therefore, continue to enhance the policy and legal framework to support the expansion of the manufacturing base. The tax policy framework will be adjusted to respond to the challenges posed on the country's industrialisation agenda by the COVID-19 pandemic and other structural constraints.

The following are the specific measures to be undertaken to revive the manufacturing sector:

Table 19: Manufacturing Sector Growth and Diversification Measures

Measure	Action Required	Lead Institution(s)
Support to Manufacturing Sector and export promotion	Implement a redesigned Duty Drawback Scheme to ensure competitiveness of goods produced for the export market by end March 2021.	MoF
	Update the provisions of the Manufacturing Rebate Regulations, Statutory Instrument No. 6 of 2009 in light of being a signatory to Free Trade Agreements by mid-2021.	MoF
	Aggressively pursue export market opportunities through investment promotion missions in markets such as the Africa Continental Free Trade Area (AfCFTA) and the Tripartite Free Trade Agreement[2] to support job creation while simultaneously pursuing a policy framework to support industry resilience and sustainability.	MCTI
Investment Promotion and Rural Industrialisation	Undertake an assessment of the economic zones model with the view to stimulate investment in targeted sectors particularly those where there is potential for development of value chains by end 2021.	MCTI/MOF
Establishment of various processing plants in collaboration with the private sector	At least two Food Processing plants (including tomato, oil seeds and other fruit crops) by end 2021.	IDC
	A tractor assembly and implements plant by end 2021	
	A wood and wood products company by 2023.	
	A fertiliser plant by end 2023.	
	At least three cotton Ginneries by end 2023.	

[2] COMESA-EAC-SADC Tripartite Free Trade Agreement

4.3 Tourism

The Seventh National Development Plan (7NDP) recognised tourism as one of the sectors for economic diversification and Job creation due to its potential to generate revenue, foreign exchange earnings and employment. To this end, the Government developed the Zambia Tourism Master Plan (ZTMP) to realign the sector's vision and strategies to the national vision and to foster a systematic development of the tourism assets. The Master Plan identified a number of interventions that could be implemented for the sector to contribute to the country's long-term objectives as outlined in the Vision 2030.

The Tourism Sector has been one of the most affected by the COVID-19 pandemic. During the first half of 2020, the country received only 290,244 international tourists compared to 634,757 during the same period in 2019 representing 56.3 percent decrease. This resulted in loss of income and thousands of jobs. In the short to medium-term, the sector requires urgent action to address the challenges it is facing.

In this regard, the Government, as an immediate measure, has provided tax incentives and other relief in the 2021 budget in order to sustain the sector. The tax relief measures and other Government interventions to reinvigorate the tourism sector over the ERP period are as follows:

Table 20: Tourism Sector Growth Measures

Measure	Action Required	Lead institution(s)
Tourism Master Plan implementation	Enhance the use of social media platforms to market tourism in the country	MTA
	Establish a conference bureau to promote Meetings, International Conferences and Events (MICE) to be hosted by the country by end of 2021	
	Establish an Eco-Tourism Centre at Mafungausi (confluence of the Zambezi and Kafue Rivers) in Lower Zambezi which will include a cultural centre, accommodation and game viewing facilities	
	Establish an Eco-Tourism Centre at Mambwe Cultural Village in South Luangwa National Park to strengthen leisure/holiday tourism	
	Collaborate with partners to enhance surveillance and security of protected areas through the use of unmanned aerial vehicles to promote conservation of wildlife and prevent encroachment in the Kafue, Mosi-oa-tunya, Lower Zambezi, South Luangwa and Lusaka National Parks	
	Strengthen the brand proposition and slogan for Zambia to increase the country's visibility as a tourism destination of choice	
	Focus marketing initiatives such as road shows, deployment of tourism attachés to Zambian Missions abroad, tourism fairs and conferences to strategic tourism source markets such as Germany, UK and the USA	
	Develop and implement a joint training programme between the Zambia Institute for Tourism and Hospitality Studies (ZITHS) and tourism enterprises so as to enhance service delivery.	

Measure	Action Required	Lead institution(s)
Tax Incentives and other relief for Tourism	Reduce Corporate Income Tax rate to 15 percent for a period of one year from 35 percent on income earned by Hotels and Lodges on accommodation and food services.	MTA
	Suspension of annual license renewal fees paid by hotels and lodges to the Zambia Tourism Agency for an initial period of one year and to be reviewed in line with COVID -19 developments	
	Suspension of retention fees paid by tourism enterprises and hotel manager registration fees, for a period of one year effective 1st January, 2021.	
	Grant of relief on concession fees for facilities in the National Parks and Game Management Areas. The relief will be up to 50 percent for the year 2020.	
	Grant relief on the 60 percent payment of annual animal quotas to allow Safari operators pay for quotas (animal fees) on an 'as and when' basis; as and when they have tourist arrivals and not payment based on contract targets up to end 2021.	
	Provision of relief for the guaranteed minimum occupancy rate for the facilities in the National Parks to be based on actual occupancy and not the contractual target occupancy rate up to end 2021. This is subject to the Ministry of Tourism and Arts enhancing the verification mechanisms for the reported actual occupancy rate.	
	Suspension of customs duty on the importation of Safari motor vehicles; Game viewing vehicles with a seating capacity of at least 8 people. The customs duty will also be extended to buses and coaches. The relief will be valid for a period of one year effective 1st January 2021	
Reinvigorating Livingstone/ Northern Circuit	**Livingstone**	
	Promote Livingstone as a premier centre for Meetings, International Conferences and Events (MICE) in Southern Africa by end 2021	MTA
	Rehabilitate Maramba Cultural Village and revise the business model for the centre to operate as a full-fledged ecotourism centre by end 2021	MTA
	Relocate the National School of Government to Livingstone (former provincial office) and make it mandatory for civil servants to take courses for continuous professional development as a way of boosting domestic tourism by end 2021	OVP
	Northern Circuit	
	Facilitate the development of Samfya Beach and the surrounding attractions as an anchor tourism attraction through construction of facilities such as a 3-star hotel, international conference centre and shopping mall by 2022	MTA/Workers' Compensation Control Board
	Work with tourism operators to develop packages to boost the under explored tourism products in the Northern Circuit by 2021	MTA
Youth Empowerment Scheme for Artists	Strengthen Youth empowerment to support tourism product diversification by 2021	MTA
Support to Local Tourism	Put in place legislation that will compel the introduction of concessional rates for tourism activities or packages for Zambians by 2022	MTA
	Introduce Industrial breaks for public service workers to stimulate demand for local tourism by 2021	Cabinet Office

4.4 Mining

The mining sector will continue to play a key role in the economy. To ensure predictability and in turn create sustained investment in the sector, Government will review the mining tax policy framework with a view to introducing a more stable mining tax regime. Government, working with the mining houses, will invest in systems to enhance transparency to seal loopholes and accurately quantify as well as value mineral content for tax purposes.

The following measures will be undertaken in the mining sector during the ERP period:

Table 21: Mining Sector Growth Measures

Measure	Action Required	Lead Institution(s)
Mining Tax Regime	Hold a mining sector indaba within the first quarter of 2021, with a view to putting in place and implementing a stable Mining Tax regime so as to increase investment	MoF/MMMD
Increase Government stake and find equity partners for Konkola Copper Mines	Secure capital to ensure increased production	MoF
	Facilitate the acquisition of majority equity in Konkola Copper Mines by ZCCM-IH	MMMD
Increase Government stake in Mopani Copper Mines	Facilitate the acquisition of majority equity in Mopani Copper Mines by ZCCM-IH	MMMD/MoF
Gold Mining	Increase investment in gold mining and processing	IDC
	Streamline gold marketing to increase benefits to the country	MMMD
	Facilitate the purchase of bullion standard gold by Bank of Zambia for reserves through ZCCM-IH and other producers.	MMMD
Geological Mapping	Intensify mapping of the mineral resource endowment of the country,	MMMD
Mining Value Addition	Create value addition in the Mining Sector through increased investment in processing and refining capacity for minerals in partnership with the private sector	MoF/MMMD/MCTI
Mining Regulation	Create a Mining Regulatory Authority to regulate the sector, address cost structures, monitoring, disputes and ensure better coordination of mineral resources in the country by passing necessary legislation.	MMMD
Formalization in the sector	Promote formalization of small-scale gold and manganese mining through the creation of cooperatives and establishment of trading centres in the sector	MMMD/MCTI
Creation of Value Chains for non-traditional minerals	Development of value chains for other non-traditional minerals such as manganese and gemstones.	MMMD/MCTI

4.5 Climate Change

Climate change continues to pose a challenge to economic recovery. In this regard, Government will continue mainstreaming climate change adaptation and mitigation across all policy and programme interventions to build the resilience of the economy. Particular attention will be paid to climate sensitive sectors such as agriculture, water and energy. The specific interventions to be implemented during the ERP are as follows:

Table 22: Climate Change Measures

Measure	Action Required	Lead Institution(s)
Enhance coordination of climate change adaptation and mitigation	Develop legislation to strengthen coordination of climate change	MLNR/MNDP
Strengthen resource mobilization for climate change action	Establishment of National Climate Change Fund and mobilise resources for development using climate change window;	MNDP
	Strengthen public sector capacity for preparing bankable climate change project proposals	MoF/MNDP
Build the adaptive capacity of the economy to climate change	Accelerate the mainstreaming of climate change adaptation into policies, programmes and plans at national and sub-national levels	MNDP/MLNR
	Fast-track implementation of adaptation actions in vulnerable sectors such as agriculture and water	MoA/MWDSEP
	Improve the infrastructure for early warning to ensure preparedness	MTC
Enhance Community Resilience to climate change	Implement of programmes aimed at enhancing community resilience to climate change	MNDP

4.6 Energy

Energy is the principal enabler for restoring growth and achieving economic diversification in the medium-term. During the ERP, Government will continue implementing reforms to improve efficiency and transparency as well as enhance the sector's support to growth. The reform program will include policy on management of arrears in the energy sector to ensure sustainability. The reforms will also include revision of pricing mechanisms in the petroleum sub sector that will take into account external factors such as exchange rate fluctuations to ensure full cost recovery.

The following table shows specific measures to be implemented to improve performance of the energy sector.

Table 23: Energy Sector Measures

Measure	Action Required	Lead Institution(s)
ZESCO Reforms	Finalise and approve the reform plan for ZESCO to stabilise power supply and address liquidity challenges at ZESCO by end 2021.	MoE
Cost of Service Study	Complete the cost of service study by March 2021 to facilitate cost reflective tariffs in the sector.	
Re-negotiation of IPP Tariffs	Facilitate the re-negotiation of Power Purchase Agreements of the Independent Power Producers to give financial stability for ZESCO Limited by 2021.	
Completion of the Kafue George Lower Power Project	Expedite the completion of the Kafue George Lower Power Station to increase electricity generation by end of 2021 with the first unit being operational before the end of 2020.	
Energy Reforms	Develop regulations for open market access to give opportunity to other off takers in line with the Electricity Act No.11 of 2019	
	Develop the multiyear tariff adjustment framework once the cost of service study has been finalised	
	Develop an integrated energy resource plan to inform the energy mix	
	Explore the posibility of establishing the Zambia-Democratic Republic of Congo River Authority by 2023	

Republic of Zambia

Table 24: Implementation Matrix - Agriculture Sector Growth and Diversification Measures

Agriculture

No.	Measure	Action Required	Lead Instiuttion(s)	Supporting Institution(s)	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
1.	Increased Agricultural Exports	Develop a Crop Marketing and Export Policy by end 2021	MoA, MFL						■	■	■	■								
		Facilitate private sector export agreements for maize, maize products and other agricultural commodities with bilateral partners in the region and facilitate private sector participation by 2022	MoA						■	■	■	■	■	■	■	■				
		Develop a credible information system on stock position and movement for agricultural commodities by mid-2021	MoA, MFL						■	■										
		Enhance exports of goats, honey, wax and fish in collaboration with private sector through the establishment of trade centres at the borders with DRC and Angola, and operationalization of trade agreements.	MoA, MFL, MCTI						■	■	■	■	■	■	■	■				
2.	Increased participation on Commodity Exchange platforms	Increase participation on Commodity Exchange platforms to promote amalgamation of local produce and their supply of domestic and regional value chains by mid-2021	MoA/MoF, MFL							■	■	■	■	■	■	■				
3.	Enhancing extension service delivery	Deploy ICTs for the delivery of extension services by the end of 2021 by setting up a national call centre, mobile and internet-based extension services and mobility of extension staff.	MoA, MFL				■	■												
		Conduct country-wide soil analysis and mapping to assess soil fertility and improve yields with private sector players by 2022	MoA						■	■	■	■	■	■	■	■				
4.	Shift resources to key drivers of Agriculture	Promote farm power and mechanisation for small holder farmers through a line of credit by 2022	MoA, MLF						■	■	■	■	■	■	■	■				
5.	Farm blocks and aquaculture parks Development	Fully operationalise Nansanga farm block by securing anchor farmers by 2021	MoA, ZDA, IDC, MFL														■	■	■	■

Agriculture

No.	Measure	Action Required	Lead Instiuttion(s)	Supporting Institution(s)	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
		Secure anchor farmers for Luswishi, Lwena and Manshya farm blocks by 2023															■	■	■	■
		Operationalise aquaculture parks in Rufunsa, Kasempa, Mungwi, Siavonga and Samfya by 2021	MFL										■	■	■	■				
6.	Control of diseases and migratory pests	Enhance early warning systems and control measures for diseases and migratory pests such as army worms and locusts through enhanced surveillance	MFL				■	■	■	■	■	■	■	■	■	■	■	■	■	■
7.	Irrigation development	Complete the construction and remedial works of 10 dams under the Zambia Water Resources Development Project by end 2021	MWDSEP						■	■	■	■								
		Rehabilitate 10 dams and 3 irrigation schemes at Nabuyani in Kalomo, Kapekesa in Chasefu and Chisangaponde in Mbala by 2021	MoA, MWDSEP						■	■	■	■								
		Fully operationalise Mwomboshi, Lusitu, Chiansi and Musakashi irrigation schemes by 2021	MoA						■	■	■	■								
8.	Promotion of Tree Crops	Facilitate access to affordable financing for propagation of citrus and other high value fruit trees such as avocado, macadamia nuts and cashew nuts that suit the Zambian climate by 2022	MoA/ MLNR						■	■	■	■	■	■	■	■				
		Strengthen research in fruit tree crops such as granadilla, avocado etc. and feedstock for orchards.							■	■	■	■	■	■	■	■	■	■	■	■
		Enhancement of extension services for tree crop farming											■	■	■	■	■	■	■	■
9.	Diversification away from maize	Fully implement the e-voucher which gives farmers a choice of crops, livestock and poultry to produce.	MoA, MFL														■	■	■	■
		Attract investment in processing of other crops other than maize such as cassava, soya beans, rice, wheat, cotton, vegetables and tobacco.	ZDA						■	■	■	■	■	■	■	■	■	■	■	■

10.	Production and Export of Industrial Hemp and Medicinal Cannabis	Put in place appropriate legislation and systems for production and export of industrial hemp and medicinal cannabis by end 2021	MoA/MoH																	
11.	Livestock Promotion	Improve Livestock production through stocking and restocking, artificial insemination and enhanced disease control such as vaccination controls and campaigns	MFL																	
		Establish National Artificial Insemination Liquid Nitrogen plant and operationalise Satellite Artificial Centres to improve availability of semen, breeding stock and dairy productivity.																		
		Improve the productivity through better management of range lands, growing of pastures and fodder using hydroponic technology and promotion of indigenous breeds																		
		Focus on control of animal diseases of national economic importance, to complement animal health service delivery by the private sector through creation of exclusive zones for private sector service provision (livestock service centres) and production of vaccines and drugs																		
		Promotion of public private partnerships in the operations of livestock market Centres (bulking centres), breeding and service centres (Mbesuma, Kalungwishi, Chishinga, Mwase Lundazi, Katopola and Kanchindu).																		
		Facilitate beef export to countries in the region	MFL/MCTI																	
12.	Increase fish production	Access the US$30 million line of credit from Kalifa Fund for fish farming enhancement Enhance fisheries conservation and	MFL,MoF																	
		establishment of fisheries reserves areas (breeding sites) on major fisheries areas																		
		Strengthening and establishment of core management structures to control illegal and unregulated fishing in natural water bodies																		
		Enhance fingerlings production through the establishment of fish hatcheries and nurseries																		
		Set up and roll out an Aquaculture Development Fund (Seed Fund) to empower rural youths and women to participate in the aquaculture value chains																		
		Fully utilise existing and newly constructed dams for fish farming																		
		Enhance controls on illegal and regulated fishing on natural water bodies by extending fishing ban from three (3) to six (6) months through collaboration with army marines and security agencies																		
13.	Enhance private sector participation	Enhance partnership with the private sector for joint action aimed at enhancing growth in selected commodity industries..	MoA																	

Table 25: Implementation Matrix - Manufacturing Sector Growth and Diversification Measures

Manufacturing																				
					Timeline															
					2020				2021				2022				2023			
No.	Measure	Action Required	Lead Institution(s)	Supporting Institution(s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1.	Support to Manufacturing Sector and export promotion	Implement a redesigned Duty Drawback Scheme to ensure competitiveness of goods produced for the export market by end march 2021.	MOF/MCTI																	
		Update the provisions of the Manufacturing Rebate Regulations, Statutory Instrument No. 6 of 2009 in light of being a signatory to Free Trade Agreements by mid-2021.	MCTI																	
		Aggressively pursue export market opportunities through investment promotion missions in markets such as the Africa Continental Free Trade Area (AfCFTA) and the Tripartite Free Trade Agreement1 to support job creation while simultaneously pursuing a policy framework to support industry resilience and sustainability.	MCTI																	
2.	Investment Promotion and Rural Industrialisation	Undertake an assessment of the economic zones model with the view to stimulate investment in targeted sectors particularly those where there is potential for development of value chains by end 2021.	MCTI/MOF																	
3.	Establishment of various processing plants in collaboration with the private sector:	At least two Food Processing plants (including tomato, oil seeds and other fruit crops) by end 2021	IDC	MCTI/ZAM/ZACCI																
		A tractor assembly and implements plant by end 2021	IDC	MCTI/ZAM/ZACCI																
		A wood and wood products company by 2023	IDC	MCTI/ZAM/ZACCI																
		A fertiliser plant by end 2023	IDC	MCTI/ZAM/ZACCI																
		At least three cotton Ginneries by end 2023	IDC	MCTI/ZAM/ZACCI																

Table 26: Implementation Matrix - Tourism Sector Growth Measures

Tourism																				
					Timeline															
					2020				2021				2022				2023			
No.	Measure	Action Required	Lead Institution(s)	Supporting Institution(s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1.	Effectively implement the strategies and actions in the Tourism Master Plan	Enhance the use of social media platforms to market tourism in the country	MTA																	
		Establish a conference bureau to promote Meetings, International Conferences and Events (MICE) to be hosted by the country by end of 2021																		
		Establish an Eco-Tourism Centre at Mafungausi (confluence of the Zambezi and Kafue Rivers) in Lower Zambezi which will include a cultural centre, accommodation and game viewing facilities																		
		Establish an Eco-Tourism Centre at Mambwe Cultural Village in South Luangwa National Park to strengthen leisure/holiday tourism																		
		Collaborate with partners to enhance surveillance and security of protected areas through the use of unmanned aerial vehicles to promote conservation of wildlife and prevent encroachment in the Kafue, Mosi-oa-tunya, Lower Zambezi, South Luangwa and Lusaka National Parks																		
		Strengthen the brand proposition and slogan for Zambia to increase the																		

Tourism																				
					Timeline															
					2020				2021				2022				2023			
No.	Measure	Action Required	Lead Institution(s)	Supporting Institution(s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		country's visibility as a tourism destination of choice																		
		Focus marketing initiatives such as road shows, deployment of tourism attachés to Zambian Missions abroad, tourism fairs and conferences to strategic tourism source markets such as Germany, UK and the USA																		
		Develop and implement a joint training programme between the Zambia Institute for Tourism and Hospitality Studies (ZITHS) and tourism enterprises so as to enhance service delivery.																		
2.	Tax Incentives and other relief for Tourism	Reduce Corporate Income Tax rate to 15 percent for a period of one year from 35 percent on income earned by Hotels and Lodges on accommodation and food services.	MoF																	
		Suspension of annual license renewal fees paid by hotels and lodges to the Zambia Tourism Agency for an initial period of one year and to be reviewed in line with COVID -19 developments	MoF																	
		Suspension of retention fees paid by tourism enterprises and hotel manager registration fees, for a period of one year effective 1st January, 2021.	MoF																	
		Grant of relief on concession fees for facilities in the National Parks and Game Management Areas. The relief will be up to 50 percent for the year 2020.	MoF																	
		Grant relief on the 60 percent payment of annual animal quotas to allow Safari operators pay for quotas (animal fees) on an 'as and when' basis; as and when they have tourist arrivals and not payment based on contract targets up to end 2021.	MoF																	
		Provision of relief for the guaranteed minimum occupancy rate for the facilities in the National Parks to be based on actual occupancy and not the contractual target occupancy rate up to end 2021. This is subject to the Ministry of Tourism and Arts enhancing the verification mechanisms for the reported actual occupancy rate.	MoF																	

Tourism					Timeline 2020				2021				2022				2023			
No.	Measure	Action Required	Lead Institution(s)	Supporting Institution(s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		Suspension of customs duty on the importation of Safari motor vehicles; Game viewing vehicles with a seating capacity of at least 8 people. The customs duty will also be extended to buses and coaches. The relief will be valid for a period of one year effective 1st January 2021	MoF						■	■	■	■								
3.	Reinvigorating Livingstone/Northern Circuit	1. **Livingstone** Promote Livingstone as a premier centre for Meetings, International Conferences and Events (MICE) in Southern Africa by end 2021	MPSAs/MTA						■	■	■	■	■	■	■	■	■	■	■	■
		Rehabilitate Maramba Cultural Village and revise the business model for the centre to operate as a full-fledged ecotourism centre by end 2021	MTA						■	■	■	■	■	■	■	■				
		Relocate the National School of Government to Livingstone (former provincial office) and make it mandatory for civil servants to take courses for continuous professional development as a way of boosting domestic tourism by end 2021	OVP							■	■	■	■	■	■	■	■	■	■	■
		Northern Circuit Facilitate the development of Samfya Beach and the surrounding attractions as an anchor tourism attraction through construction of facilities such as a 3-star hotel, international conference centre and shopping mall by 2022	MTA/Workers Compensation Control Board		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
		Work with tourism operators to develop packages to boost the under explored tourism products in the Northern Circuit by 2021	MTA		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
4.	Youth Empowerment Scheme for Artists	Strengthen Youth empowerment to support tourism product diversification by 2021	MTA					■	■	■	■	■	■	■	■	■	■	■	■	■
5.	Support to Local Tourism	Put in place legislation that will compel the introduction of concessional rates for tourism activities or packages for Zambians by 2022 .	MTA						■	■	■	■								
		Introduce Industrial breaks for public service workers to stimulate demand for local tourism by 2021	Cabinet Office					■												

Table 27: Implementation Matrix - Mining Sector Growth Measures

Mining					Timeline 2020				2021				2022				2023			
No.	Measure	Action Required	Lead Institution(s)	Supporting Institution(s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Mining Tax Regime	Hold a mining sector indaba within the first quarter of 2021, with a view to putting in place and implementing a stable Mining Tax regime so as to increase investment	MoF/MMMD										■	■	■	■				
2	Increase Government stake and find equity partners for Konkola Copper Mines	Secure capital to ensure increased production	MoF						■	■	■	■								
		Facilitate the acquisition of majority equity in Konkola Copper Mines by ZCCM-IH	MMMD						■	■	■	■								
3	Increase Government stake in Mopani Copper Mines	Facilitate the acquisition of majority equity in Mopani Copper Mines by ZCCM-IH	MMMD/MoF						■	■	■	■								
4	Gold Mining	Increase investment in gold mining and processing	IDC		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
		Streamline gold marketing to increase benefits to the country	MMMD				■	■	■	■	■	■	■	■	■	■	■	■	■	■
		Facilitate the purchase of bullion standard gold by Bank of Zambia for reserves through ZCCM-IH and other producers.	MMMD										■	■	■	■	■	■	■	■
5	Geological Mapping	Intensify mapping of the mineral resource endowment of the country,	MMMD						■	■	■	■	■	■	■	■	■	■	■	■
6	Mining Value Addition	Create value addition in the Mining Sector through increased investment in processing and refining capacity for minerals in partnership with the private sector	MoF/MMMD/MCTI						■	■	■	■	■	■	■	■	■	■	■	■
7	Mining Regulation	Create a Mining Regulatory Authority to regulate the sector, address cost structures, monitoring, disputes and ensure better coordination of mineral resources in the country by passing necessary legislation.	MMMD						■	■	■	■	■	■	■	■				
8	Formalization in the sector	Promote formalization of small-scale gold and manganese mining through the creation of cooperatives and establishment of trading centres in the sector	MMMD/MCTI						■	■	■	■	■	■	■	■				
9	Creation of Value Chains for non-traditional minerals	Development of value chains for other non-traditional minerals such as manganese and gemstones.	MMMD/MCTI						■	■	■	■	■	■	■	■				

Table 28: Implementation Matrix: Climate Change Measures

Climate Change																				
					Timeline															
					2020				2021				2022				2023			
No.	Measure	Action Required	Lead Institution(s)	Supporting Institution(s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Enhance coordination of climate change adaptation and mitigation	Develop legislation to strengthen coordination of climate change	MLNR/MNDP																	
2	Strengthen resource mobilization for climate change action	Establishment of National Climate Change Fund and mobilise resources for development using climate change window;	MNDP																	
		Strengthen public sector capacity for preparing bankable climate change project proposals	MoF/MNDP																	
3	Build the adaptive capacity of the economy to climate change	Accelerate the mainstreaming of climate change adaptation into policies, programmes and plans at national and sub-national levels	MNDP/MLNR																	
		Fast-track implementation of adaptation actions in vulnerable sectors such as agriculture and water	MoA/MWDSEP																	
		Improve the infrastructure for early warning to ensure preparedness	MTC																	
	Enhance Community Resilience to climate change	Implement of programmes aimed at enhancing community resilience to climate change	MNDP																	

Table 29: Implementation Matrix - Energy Sector Growth Measures

Energy																				
					Timeline															
					2020				2021				2022				2023			
No.	Measure	Action Required	Lead Institution(s)	Supporting Institution(s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	ZESCO Reforms	Finalise and approve the reform plan for ZESCO to stabilise power supply and address liquidity challenges by end 2021.	MoE																	
2	Cost of Service Study	Complete the cost of service study by March 2021 to facilitate cost reflective tariffs in the sector.	MoE																	
3	Re-negotiation of IPP Tariffs	Facilitate the re-negotiation of Power Purchase Agreements of the Independent Power Producers to give financial stability for ZESCO Limited by 2021.	MoE																	
4	Completion of the Kafue George Lower Power Project	Expedite the completion of the Kafue George Lower Power Station to increase electricity generation by end of 2021 with the first unit being operational before the end of 2020.	MoE																	
5	Energy Reforms	Develop regulations for open market access to give opportunity to other off takers in line with the Electricity Act No.11 of 2019																		
		Develop the multiyear tariff adjustment framework once the cost of service study has been finalised																		
		Develop an integrated energy resource plan to inform the energy mix	MoE																	
		Explore the posibility of establishing the Zambia-Democratic Republic of Congo River Authority by 2023																		

5.0 PILLAR 4: DISMANTLING OF DOMESTIC ARREARS

5.0 PILLAR 4: DISMANTLING OF DOMESTIC ARREARS

Over the past five years, the Government has accumulated significant domestic arrears mainly due to revenue shortfalls, financing challenges and weaknesses in the commitment control systems. The stock of domestic arrears has risen from K641.2 million at end-2014 to about K27.7 billion at end-2019. The bulk of the arrears relate to VAT refunds, road and other capital expenditures, pension obligations and agriculture subsidies (see Annex 2).

The arrears, especially to local suppliers of goods and services to the Government and local contractors, have led to a tightening of financial conditions and constrained the growth of private sector credit. Further, arrears have contributed to a rise in non-performing loans, posing a threat to financial system stability. There is also the risk of the increase in rent-seeking and collusion as suppliers seek to accelerate payment or circumvent expenditure controls. Similarly, as suppliers suffer from liquidity challenges, there are knock-on effects from lower profits and reduced employment. Suppliers end up reducing or withholding payment of taxes and social security obligations to offset the delays in receiving funds owed to them by government.

In view of the accumulation of arrears, Government has developed an arrears dismantling strategy. The major components of the strategy are i) dismantling the arrears, and ii) halting the accumulation of new arrears.

In the period 2021-2023, Government will undertake the following:

Table 30: Dismantling of Domestic Arrears

Measure	Action Required	Lead Institution(s)
Dismantling of Arrears	Regular stock-taking and validation of arrears claims	MoF
	Prioritisation of arrears clearance based on defined criteria: socio-economic impact, age, cost, risk, currency and creditor	MoF/MPSAs
	Liquidation of arrears based on the set principles and prioritisation criteria	MoF
Halting accumulation of new arrears	Enhance the credibility and realism of the budget through the MTEF	MoF
	Adherence to commitment control systems	MPSAs
	VAT arrears: Prevent the build-up of arrears by improving forecasting and ringfencing of funds	MoF
	Agriculture subsidies: gradually migrate to e-voucher system and limit FRA strategic reserves to 500,000 mt	MoA
	Fully implement pre-paid services for paying utilities and insurance premiums by end-2021	MWS
	Restrict the commencement of new capital projects and major equipment procurements until all on-going projects are completed.	MoF/MNDP

Table 31: Implementation Matrix: Dismantling of Domestic Arrears

Dismantling of Domestic Arrears																				
					Timeline															
					2020				2021				2022				2023			
No.	Measure	Action Required	Lead Institution(s)	Supporting Institution(s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Dismantling of Arrears	Regular stock-taking and validation of arrears claims	MoF																	
		Prioritisation of arrears clearance based on defined criteria: socio-economic impact, age, cost, risk, currency and creditor	MoF/MPSAs																	
		Liquidation of arrears based on the set principles and prioritisation criteria	MoF																	
2	Halting accumulation of new arrears	Enhance the credibility and realism of the budget through the MTEF	MoF																	
		Adherence to commitment control systems	MPSAs																	
		VAT arrears: Prevent the build-up of arrears by improving forecasting and ringfencing of funds	MoF																	
		Agriculture subsidies: gradually migrate to e-voucher system and limit FRA strategic reserves to 500,000 mt	MoA																	
		Fully implement pre-paid services for paying utilities and insurance premiums by end-2021	MWS																	

6.0 PILLAR 5: SAFEGUARDING SOCIAL PROTECTION PROGRAMMES

6.0 PILLAR 5: SAFEGUARDING SOCIAL PROTECTION PROGRAMMES

Protection of the vulnerable persons in society from economic hardships remains a Government priority. In this regard, Government is implementing various Basic Social Protection Programmes aimed at protecting, promoting, and assisting the poor and vulnerable in society. The key social protection programmes being implemented include the social cash transfer, the food Security Pack, Home Grown and School Feeding, and the Supporting Women Livelihoods programmes among others. The flagship Social Cash Transfer programme is currently supporting 632,327 beneficiary households across all the ten provinces and is expected to reach 994, 000 households by the end of 2021.

The coverage of the social protection programmes across the country, however, remains low due to the small size of the formal sector and inadequate social safety nets for the poor. This undermines the Government's efforts to reduce poverty, vulnerability and inequality.

The economic recovery programme will encompass provision of social protection to safeguard people from the adverse impacts of the economic slowdown as well as the health emergency posed by the COVID-19 Pandemic. The major focus will be to enhance Social Assistance, Livelihoods and Empowerment, Protection, Social Security, Social Health Insurance, and support to Persons with Disabilities.

Table 32: Safeguarding Social Protection Programmes (Measures)

Measure	Action Required	Lead Institution(s)
Strengthen social assistance systems	Improve targeting to ensure the intended beneficiaries are reached. This will reduce inclusion and exclusion errors	MCDSS
	Implement the Zambia Integrated Social Protection Information System (ZISPIS) to enhance transparency and accountability.	
	Increase coverage of social assistance system so that more poor and vulnerable groups, households or individuals have access to Social Protection interventions. The number of Social Cash Transfer beneficiary households will be increased from the target of 700,000 to more than 994,000 households.	
	Implement a comprehensive Grievance Redress Mechanism for people to officially lodge in complaints.	
	Implement the Cash Plus approach that complements cash support with in-kind support.	
Expand Social Health insurance	Increase the coverage of social health insurance in the formal sector and extend it to the informal sector	MoH/NHIMA
Expand Social Security	Undertake Pension reforms that will compel workers employed to register with Social Security Schemes to increase access to Social Security.	MLSS
Extend social assistance empowerment and livelihood programmes	Increase the coverage of empowerment programmes targeting women such as the Supporting Women Livelihoods programme.	MCDSS MoG
	Expand coverage of the implementation of Youth empowerment programmes	MYSCD
Improve Policy and Legal Framework	Develop and review requisite policies and regulations such as the Social Protection Bill, which is in draft form.	MCDSS, MLSS

Table 33: Implemetation Matrix - Safeguarding Social Protection Programmes (Measures)

Social Protection																				
					Timeline															
					2020				2021				2022				2023			
No.	Measure	Action Required	Lead Institution(s)	Supporting Institution(s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Strengthen social assistance systems	Improve targeting to ensure the right beneficiaries are reached. This will reduce inclusion and exclusion errors	MCDSS																	
		Implement the Zambia Integrated Social Protection Information System (ZISPIS) to enhance transparency and accountability.	MCDSS																	
		Increase coverage of social assistance system so that more poor and vulnerable groups, households or individuals have access to Social Protection interventions. The number of Social Cash Transfer beneficiary households will be increased from the target of 700,000 to more than 994,000 households.	MCDSS																	
		Implement a comprehensive Grievance Redress Mechanism people to officially lodge in complaints.	MCDSS																	
		Implement the Cash Plus approach that complements cash support with in-kind support.	MCDSS																	
2	Expand Social Health insurance	Increase the coverage of social health insurance in the formal sector and extend it to the informal sector	MoH/ NHIMA																	
3	Expand Social Security	Undertake Pension reforms that will compel workers employed to register with Social Security Schemes to increase access to Social Security.	MLSS																	
4	Extend empowerment and livelihood programmes	Increase the coverage of empowerment programmes targeting women women such as the Supporting Women Livelihoods programme.	MCDSS MoG																	
		Expand coverage of the implementation of Youth empowerment programmes	MYSCD																	
5	Improve Policy and Legal Framework	Develop and review requisite policies and regulations such as the Social Protection Bill, which is in draft form.	MCDSS, MLSS																	

7.0 KEY STRUCTURAL AND LEGAL REFORMS

7.0 KEY STRUCTURAL AND LEGAL REFORMS

To support economic recovery, the Government will put in place appropriate structural and legal reforms. These reforms will be undertaken mainly in the areas of fiscal and debt sustainability and dismantling of domestic arrears.

7.1 Business Promotion Reforms

In order to augment the expected gains from the anchor sectors, there will be need to undertake reforms to create an enabling environment for sustained growth. Reducing the cost of doing business and enhancing business support services will be key.

a) Reducing the Cost of Doing Business: Government will enhance initiatives through the Business Regulatory Review Authority aimed at minimizing the fragmentation of charges for permits and licenses. This will be augmented by rationalising the withholding tax on interest payment on investment loans borrowed locally as well as the enforcement of the use of the kwacha in the conduct of all domestic transactions.

b) Enhance Business Support Services: This will be achieved by facilitating the training of Cooperative Officers that are present in all the districts, with the view to reclassify them as trainer of trainers for Business Development. Addition effort will be channelled towards addressing the skills gap among SMEs and cooperatives by supporting tailored initiatives aimed at enhancing managerial and digital skills.

7.2 Citizen Empowerment

To promote local content and empower citizens, Government will undertake the following reforms:

a) Local Affirmation and Citizen Empowerment Reforms: In line with the measures under the Local Content Strategy, Government will undertake comprehensive review of the Citizen Empowerment Act and the Zambia Development Agency Act in order to facilitate empowerment interventions for businesses where a threshold of equity is owned by citizens. Additional reforms will be introduced to facilitate supply of locally produced goods in commerce, including the introduction of a local content allowance for income tax purposes.

b) Increase Competiveness of Local Products and Market Access: The development of a data base to support formulation of initiatives around market linkages and ultimately value chains has been identified as one of the key factors in enhancing market access. In this regard, the Government will establish a trade and industry data base, promote quality goods through the Proudly Zambia Campaign as well as ease access of certification of goods by the Zambia Bureau of Standards by developing a road map for identifying products of good standard and facilitating for their accreditation. The Government, through the Industrial Yards and other avenues such as the Cooperative College will also introduce common user facilities for SMEs in order to address challenges of accessing capital equipment.

7.3 Farmer Input Support Programme

The policy of the government is to operate the e-voucher system. There have, however, been ICT challenges to fully implement the system. In the medium term, Government will redesign the Farmer Input Support Programme to improve institutional arrangements and targeting so as to ensure the future sustainability of the programme. In addition, the programme will be migrated fully to the e-voucher system to promote cost efficiency and crowding-in of the private sector. Currently, 80 percent of the beneficiaries are under the Direct Input Supply (DIS) system while 20 percent are on the more efficient and cheaper e-voucher input supply system. In the 2021/2022 agricultural season, the proportion of beneficiaries under the DIS will be reduced to 60 percent of the beneficiaries. Full migration to e-voucher will be completed in the 2022/2023 agricultural season. As part of transparency in the implementation of FISP, the office of the Auditor General will continue to conduct independent audits.

7.4 Public Investment Management

Government established the Public Investment Management System (PIMS) to facilitate the appraisal of capital projects before inclusion in the National Budget. With the coming into operation of the PIM system, all MPSAs will now be required to develop projects in line with the PIM Guidelines and submit their project concept notes, pre-feasibility studies and feasibility studies to the Ministry of National Development Planning for review and approval by the Public Investment Board. Only projects approved by the Public Investment Board and included in the Public Investment Plan will be considered for implementation through the Budget or any other mode of financing.

7.5 Public Procurement Reforms

The current Public Procurement Act No. 12 of 2008 is being repealed and replaced to enhance transparency, efficiency, effectiveness, competition and accountability in public procurement with the aim of achieving value for money in the procurement process. The new Act will give more opportunities to citizen owned companies to participate in public procurement. The Act will also require Government agencies to include local content in the selection criteria for awarding of contracts. The new Act will also provide for the usage of e-Government Procurement System that allows procurement entities to electronically engage bidders or suppliers in the acquisition of goods, services and works. It will also address issues of benchmarking of prices through the publication of quarterly price indices and restrictions on contract variations to not more than 25 percent and introduce penalties for non-compliance to the provisions in the new Act.

7.6 Public Financial Management

Government will fully enforce the Public Finance Management Act of 2018 so as to strengthen public financial management and adherence to regulations by building capacities in all MPSAs. Government will also facilitate the enactment and implementation of the National Planning and Budgeting legislation to ensure compliance to planned expenditure including through the Public Investment Management System. This will improve transparency and value for money.
The Integrated Financial Management Information System (IFMIS) integration and payment gateway will be implemented for real-time revenue consolidation.

7.7 Debt Reforms

To enhance transparency in debt management and increase Parliament's oversight in borrowing activities, Government will repeal and replace the Loans and Guarantees (Authorisation) Act. The review of the Act is to update it so that it complies with the requirements of the Constitution of Zambia (Amendment) Act of 2016 which requires Parliamentary approval for contracting loans and issuing guarantees.

7.8 Amendment of the Bank of Zambia Act

The Constitution of Zambia (Amendment) Act of 2016 has placed additional functions for the Bank of Zambia under Article 214(2). Further, the Southern Africa Development Community (SADC) has adopted the SADC Central Bank Model Law with a focus on monetary and financial integration. In view of these developments, the Bank of Zambia Act No. 43 of 1996 requires to be amended to inter alia provide for its operational independence, additional functions as envisaged by the Constitution and to meet the requirements on monetary and financial integration in SADC.

7.9 Commitment Control System

The IFMIS functionality relating to controls will be enhanced, with priority given to areas with weak controls to avoid build-up of domestic arrears. In addition, there is need to review the provisions in the contracts especially in the road sector, to ensure that they are not onerous on the Government.

7.10 Fuel Procurement

Government Policy is that fuel pricing should be cost reflective. In the recent past, however, arrears have arisen which is not consistent with the Policy stance. As at end-June 2020, Government had a debt of US$727.3 million owed to suppliers which has accumulated since 2016. The debt has accumulated as a result of the price differential between the purchase price and the landed cost of petroleum products. The debt is further exacerbated by the exchange rate losses due to the depreciation of the Kwacha to the United States Dollar. In order to prevent the exposure of the fuel suppliers from growing, Government will implement the following during the programme period:

- Direct Sales of Outstanding Contract Import Balance to Oil Marketing Companies: In order to prevent continued accumulation of debt and reduce the quantities remaining on their contracts, Government will negotiate with the current suppliers to facilitate direct sales to OMCs.

- Standardisation of Suppliers' Contract Prices: As a stop gap measure to address the growing exposure and losses, standardisation of the contract prices of Suppliers will be done with a view of ensuring that the landing cost falls below the ERB Wholesale price.

- Price Adjustments: The growing exposure of suppliers is a result of price differentials between the ERB wholesale price and Suppliers Price. To avoid price differentials and restore the self-financing mechanism of the open account system, there should be adherence to price reviews every 60 days. Henceforth, price adjustments should be effected every time the 2.5 percent trigger band in the Cost-Plus Model (CPM) is exceeded to ensure cost reflective pricing and positive yields in the sale of petroleum products. With cost reflective pricing in place, there will be no losses and Government will be able to liquidate the exposure over time without allowing it to grow.

7.11 Electricity Reforms

Government will undertake a comprehensive review of all the processes in ZESCO with a view to promoting efficiency in the corporation and the wider electricity sub-sector. Additionally, the Cost of Service Study will be completed to inform the tariff structure. Outstanding arrears owed by ZESCO to various Independent Power Producers will be dismantled in the medium-term, using innovative market-based instruments. The realignment of ZESCO operations into separate entities for generation, transmission and distribution will also be undertaken in order to enhance efficiency. Furthermore, Government will promote competitive procurement of projects in order to reduce the cost of infrastructure development in the sub-sector.

7.12 State Owned Enterprises

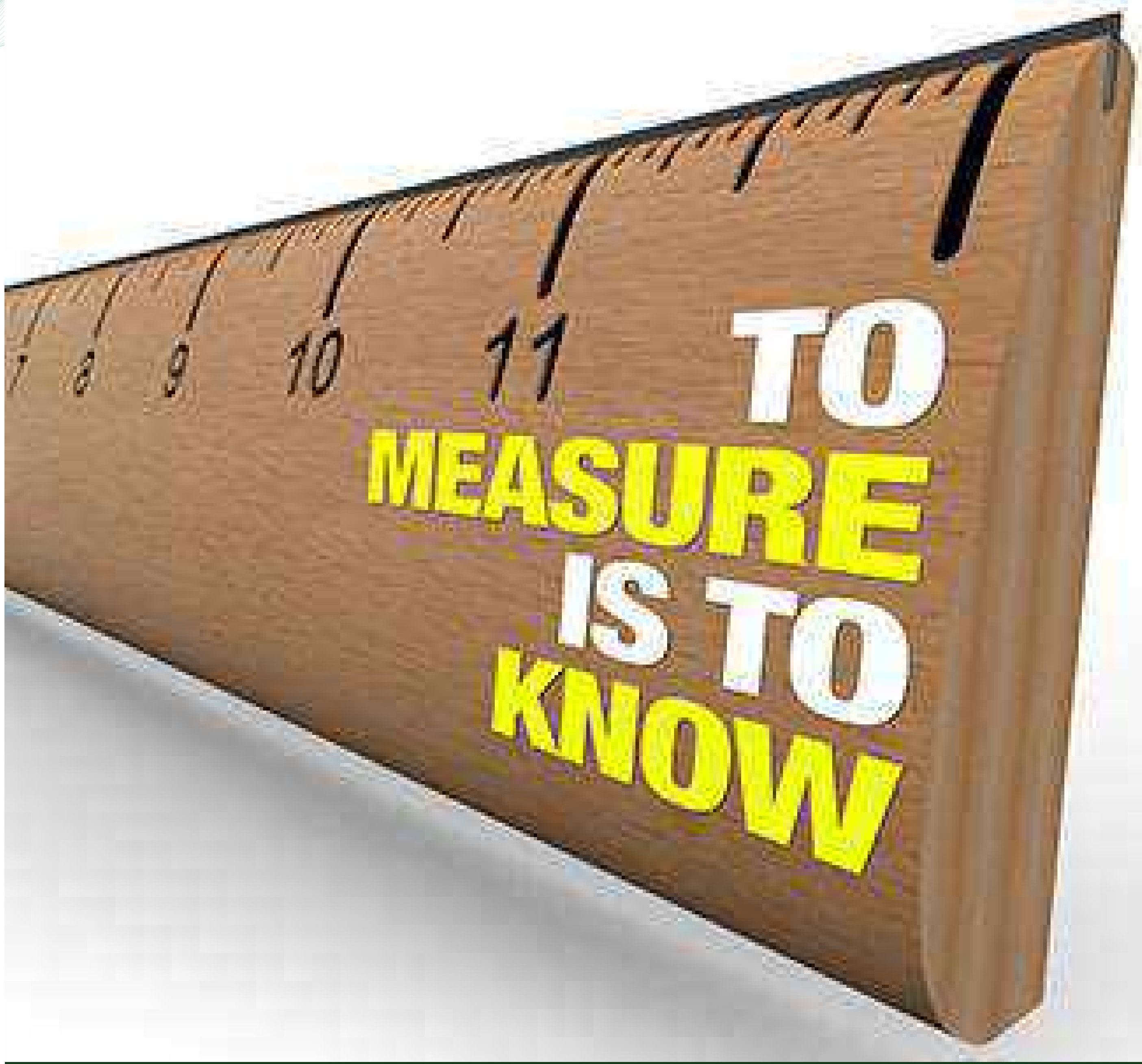
The IDC has improved oversight over SOEs. This has resulted in improved performance of some companies in the portfolio. In order to enhance the financial viability and performance of companies under the portfolio, there will be need to undertake a comprehensive restructuring of operations as well as the Balance Sheets of most SOEs in the medium term. This will include asset revaluation; debt swaps (including Debt to Equity Swaps); transformation of business models; divestiture of shares; promotion of joint ventures and Public Private Partnerships (PPPs) and alignment of developmental versus profit objectives. This will be guided by the State Owned Enterprise Policy.

7.13 e-Government Systems

Government will continue rolling out e-Government systems to all MPSAs to reduce on human contact and increase transparency, efficiency, security and compliance by utilising solutions such as mobile payments, debit cards, vendor terminals, e-kiosks, electronic point of sale, web based online payments and electronic bank transfers. Additionally, Government will roll out the Government Service Bus (GSB) to integrate new and existing information technology solutions from various agencies, and thereby, enhance revenue collection.

7.14 Review of the Penalty Regime in the National Pensions Scheme Act

Government will review the penalty regime in the National Pensions Scheme Act No. 40 of 1996. The main objective will be to make the regime less punitive, to take into account extreme events that may disrupt normal business operations such as the COVID-19 pandemic. The penalty regime will, however, remain adequate to deter would-be defaulters.



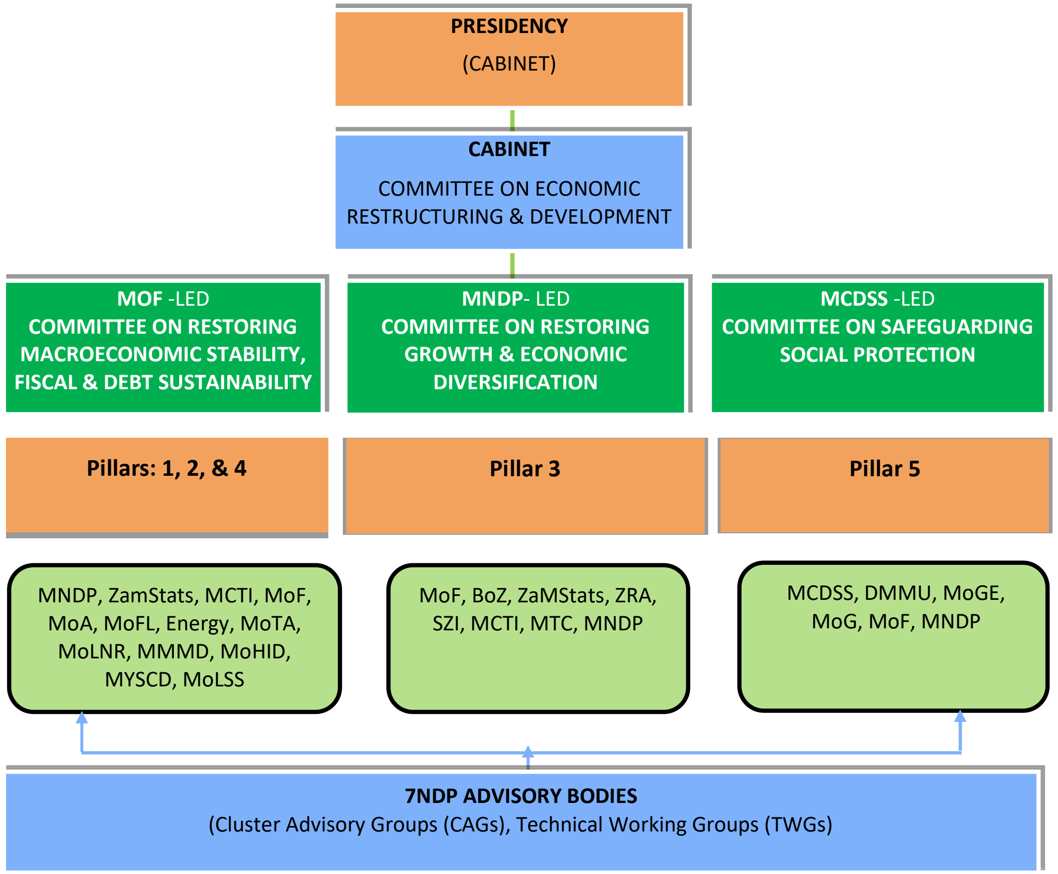
8.0 MONITORING AND EVALUATION FRAMEWORK

8.0 MONITORING AND EVALUATION FRAMEWORK

The Monitoring and Evaluation Framework will be anchored on ensuring attainment of the broad objectives of the ERP which include attaining macroeconomic stability and restoring growth and diversifying the economy. The other key areas of progress tracking and performance evaluation would be around the management of debt and domestic arrears in order to return to more sustainable levels, attaining stability in the financial sector as well as pursuing fiscal consolidation to migrate to a more sustainable fiscal path and eventually enhance domestic resource mobilisation while protecting the most vulnerable in society.

8.1 Monitoring and Evaluation Framework

The institutional arrangements to monitor and evaluate the implementation of the ERP is presented diagrammatically in the figure below.



8.2 Institutional Arrangements

As indicated in the figure, progress on the ERP will be monitored using the following institutional arrangements:

Presidency

At this level, the Presidency will provide oversight on the ERP through quarterly monitoring meetings which are already established through the National Development Plan (NDP) implementation monitoring and evaluation framework. Prior to Cluster Presidential Quarterly Cluster Reporting, the **Cabinet Committee on Economic Restructuring and Development** will present progress on the performance of the ERP. The Presidency will receive periodic updates on the performance of various macro, fiscal, monetary, real and social sector indicators and emerging issues that may require policy intervention.

Economic Recovery Programme Oversight Body (Cabinet Committee on Economic Restructuring and Development)

At this level, the Ministers who sit on the Cabinet Committee for Economic Restructuring and Development will,quarterly, review progress on the implementation of the proposed reforms and economic recovery measures to ensure that implementation is taking place and is in line with overall government policy objectives. This body will also provide input into the policy issues to be addressed following the guidance given during the Quarterly Presidential Meetings on implementation of national development programmes.

ERP Steering Committee (Economic Policy Monitoring Committee)

This Committee shall be constituted at Cabinet Office and will be chaired by the Deputy Secretary to the Cabinet - Finance and Economic Development who will be deputized by the Secretary to the Treasury. This Committee will undertake quarterly assessment of performance of the ERP based on the framework comprising; macro, fiscal, monetary, real and social sector performance benchmarks. This body will provide technical guidance to the Technical Committees on improvements to be made in order to attain the set performance targets. The ERP Steering Committee will review the consolidated quarterly ERP progress report which will constitute performance assessements of various economic recovery measures monitored by various technical committees. The Steering Committee will provide guidance to the various Technical Committees tracking the implementationof economic, fiscal, monetary and national development (real sector and social protection) measures under the ERP.

ERP Technical Committees

The tracking of progress on the implementation of the ERP will be done through three Technical Committees representing the various result areas of the ERP namely;

Committee on Restoring Macroeconomic Stability

The Committee will monitor progress on the following measures:

- Fiscal Sustainability
- Revenues (Resource mobilisation) & Expenditure Management (Rationalisation) measures
- Deficit Management (Containment within agreed levels)
- Debt management measures (Returning debt to sustainable levels)
- Re-invigorating the financial sector.

Committee on Restoring Growth and Economic Diversification

The Committee will monitor progress on the following measures:

- Real Sector policy Measures
- Product diversification measures
- Promotion of local investments measures
- Measures on value chains development and value addition to local products

Committee on Safeguarding Social Protection

The Committee will monitor progress on the following measures:

- Optimisation of Social Protection programmes
- Efficient Social Protection Service Delivery mechanisms to optimise impact.

The various sub-committees that will routinely track the implementation of the ERP will be supported by the various 7NDP ADVISORY BODIES (Cluster Advisory Groups (CAGs), Technical Working Groups (TWGs) who will provide the data, statistics and information to support the monitoring and evaluation of the ERP.

8.3 Implementation and Accountability Framework

The successful implementation of the Economic Recovery Programme will be contingent upon a strong implementation and accountability framework. This is to ensure that all the agreed priority interventions and structural reforms are implemented in a timely manner.

In this accountability framework, respective lead agencies, supporting/collaborating institutions and timelines have been defined for each identified action in the Programme. The accountability framework will be the basis upon which the Monitoring and Evaluation will be undertaken.

8.0 CONCLUSION

It is envisaged that by the end of the implementation of the ERP in 2023, the economy would have been revived and set on a sustained inclusive growth and development trajectory. Overall, the ERP is expected to deliver on the following key outcomes:

Restoring Macroeconomic Stability: The inflation rate is projected to trend downwards from the current level of 15.8 percent in June 2020 to single digits by the end of 2022. It is also projected that the exchange rate will stabilise as export earnings improve and gross international reserves rise to more than 3 months of import cover.

Attaining Fiscal and Debt Sustainability: During the ERP period, domestic revenue mobilisation will increase to at least 18 percent of GDP which will raise resources for the Government to execute its mandate effectively. Fiscal deficits will be expected to significantly reduce as fiscal consolidation takes root while expenditure rationalisation measures will create fiscal space that is necessary to stabilise the economy and provide the impetus for higher inclusive growth. These fiscal outcomes coupled with the measures to reduce the pace of debt accumulation will place the country on a path of achieving debt sustainability.

Restoring Growth and Diversifying the Economy: Real GDP is projected to recover from the projected contraction of over 4 percent in 2020. Growth is expected to accelerate to above 3 percent in 2021 and 2022 as the measures of restoring growth in various sectors outlined in the ERP take root. Strong recovery and expansion is expected in agriculture, mining and manufacturing which will in turn impact positively on service sectors such as wholesale and retail trade, transport, tourism and information and technology communication.

Dismantling of domestic arrears: Commitment control systems that will be put in place as well as the measures to liquidate arrears are expected to reduce the stock of arrears significantly, and curtail their accumulation.

Safeguarding Social Protection Programmes: Vulnerability and poverty induced by the COVID-19 pandemic, will be reduced as the increased allocation to social protection programmes will cushion the most vulnerable in society.

ANNEX

Annex I: Schedule for automation of various agencies, Non-Tax Revenues

Revenue area	By date	Responsibility
Hunting and Park Licenses	August, 2021	Ministry of Tourism and Arts
Replacement of a National Registration Card	August, 2021	Department of National Registration, Passport and Citizenship
Passport Issuance	August, 2021	Department of National Registration, Passport and Citizenship
Ground Rent	August, 2021	Ministry of Lands, Environment and Natural Resources
Business Name Reservation and Name Clearance	December, 2020	Patents and Companies Registration Agency
Immigration Permits	December, 2020	Department of Immigration
Road Fitness test	February, 2021	Road Transport and Safety Agency
e-visa	February, 2021	Department of Immigration
Registration of Society	February, 2021	Registrar of Societies
Border Inspections	February, 2021	Zambia Compulsory Standards Agency
Compulsory Standards Certifications	February, 2021	Zambia Compulsory Standards Agency
Registration of Society	February, 2021	Registrar of Societies
Admission of Guilt Fines	January, 2021	Road Transport and Safety Agency
Police Clearance- Interpol	January, 2021	Zambia Police Service
Police Clearance Certificate – Fingerprints	January, 2021	Zambia Police Service
Duplicate Drivers' licence	July, 2020	Road Transport and Safety Agency
Society Annual Returns	July, 2021	Registrar of Societies
Change in Business Details	July, 2021	Patents and Companies Registration Agency
Tax Clearance Certificate	July, 2021	Zambia Revenue Authority
Notice of Statement of Company Affairs	July, 2021	Patents and Companies Registration Agency
Road Tax	July,2020	Road Transport and Safety Agency
Traffic Fines	June, 2021	Zambia Police Service
Consideration Fees	June, 2021	Ministry of Lands, Environment and Natural Resources
Society Name reservation	March, 2021	Patents and Company Registration Agency
Customs Clearance Certificate	March, 2021	Zambia Revenue Authority
Change of vehicle particulars, e.g. engine, colour, ownership, etc	May, 2021	Zambia Revenue Authority
Road tolling	May, 2021	National Road Fund Agency
Death and Birth Certificates	September, 2021	Department of National Registration, Passport and Citizenship
Environmental Permit Fees	September, 2021	Zambia Environmental and Management Agency
Import and Export Phytosanitary Permits	September, 2021	Zambia Compulsory Standards Agency
Inspections and Veterinary Services	September, 2021	Ministry of Livestock and Fisheries

Annex II: Stock of Domestic Arrears, Q4 2018 TO Q4 2019

ARREAR TYPE	4th QTR 2019	3rd QTR 2019	2nd QTR 2019	1st QRT 2019	4th QRT 2018
	K'Million	K'Million	K'Million	K'million	K'million
ZAMTEL	62.25	54.98	48.82	44.38	41.73
ZESCO	136.92	146.66	156.59	140.49	129.14
WATER - LSK	107.60	101.54	99.28	89.60	80.48
WATER	217.36	213.76	288.28	280.57	274.05
PROVISIONS	237.00	222.68	192.72	203.86	194.24
OTHER - RDCs	3,181.60	3,340.23	3,281.54	2,546.01	2,166.71
FISP	1,188.51	1,343.95	1,465.60	1,349.55	591.97
FRA	179.89	179.89	179.89	179.89	179.89
ROAD CONTRACTS	5,834.39	5,834.39	5,300.99	6,368.39	7,541.02
PENSION ARREARS	2,967.04	2,825.97	2,537.54	2,208.45	1,878.53
VAT REFUNDS	6,893.11	8,422.99	4,959.32	1,539.69	3,086.53
COMP & AWARDS	3,129.44	3,017.13	3,024.32		-
CAPITAL	3,519.33	3,537.96	3,520.35	2,933.82	2,876.71
TOTAL	**27,654.43**	**29,242.13**	**25,055.24**	**17,884.71**	**19,041.01**

Source: Ministry of Finance

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