Disclaimer

Contents

2015 Budget Commentary

The 2015 National Budget was presented by the Honourable Minister of Finance to the National Assembly on 10 October 2014.

The theme of the 2015 budget is "Celebrating our Golden Jubilee as One Zambia One Nation by Making Economic Independence a Reality for All".

The country is projected to achieve a higher than 6.5 percent growth of Gross Domestic Product (GDP) in 2014. This will be mainly driven by a good harvest in the 2013/2014 farming season, increased electricity generation, investments in private and public infrastructure and growth in manufacturing as well as in transport and communication sectors. Copper prices averaged at US$7,097 per metric tonne during the first nine months of 2014, down from US$7,752 per metric tonne in 2013. At a regional level, Sub-Saharan Africa's economic performance has seen reduced growth projected to be of 5.1 percent of GDP.

In formulating the 2015 budget the Minister of Finance had to consider the following:

- Much still remains to be done to make the country's political independence more meaningful to the lives of the citizens;
- Poverty remains high at about 60 percent;
- Need to create decent jobs and wealth to ensure greater provision of social safety needs;
- Need to yield a demographic dividend if youths are equipped with skills and meaningful involvement and deployment in the productive sectors of the economy;
- Threats posed by climate change;
- Over-reliance on copper, as a primary commodity;
- Low technological advancement;
- Low labour productivity;
- Rapid urbanization; and
- Continued need for fiscal prudence and responsibility.

The 2014 outturn has been projected as follows:-

The Government has set the following macroeconomic objectives for 2015:-

- Achieve real GDP growth of above 7%;
- Create at least 200,000 decent jobs;
- Attain year end inflation of no more than 7%;
- Increase international reserves to over 4 months of import cover;

	2014 Budgeted outturn	2014 Projected outturn
GDP growth rate	7.0%	6.5%
Inflation rate	6.5%	7.8%
Overall fiscal deficit to GDP	6.6%	5.5%
Gross International reserves of import cover	3 months	3.6 months
Domestic borrowing to GDP	2.5%	2.3%
External debt (US$ billions – 30 September 2014)	3.5	4.7

2015 Budget Commentary (Continued)

- Maintain a fiscally sustainable Public external debt level so that it does not exceed 40% of GDP;

- Increase domestic revenue collections to at least 18.5 percent of GDP;

- Limit domestic borrowing to no more than 2% of GDP;

- Contain the overall deficit to no more than 4.6% of GDP;

- Accelerate the diversification of the economy, and continue the drive to create decent jobs, especially for the youth; and

- Accelerate implementation of interventions in the health, education and water and sanitation sectors.

In order to create jobs and reduce poverty, the Government intends to continue to focus on the following sectors:

- Agriculture;

- Construction;

- Tourism; and

- Manufacturing.

In the year to 31 December 2014 the country is projected to create 120,000 formal sector jobs.

Government intends to continue to undertake measures that will encourage both local and international investors to invest their money in Zambia. This will be done by simplifying registration and licencing procedures and undertake the necessary tax policy reforms.

In order to achieve the budget objectives and targets for 2015, the Government has proposed to spend K46.7 billion.

The funding will be split as follows:

	K' billion
• Domestic revenue	35.1
• Domestic borrowing	3.8
• Earmarked bond proceeds	2.4
• Foreign grants	1.2
• Foreign financing	4.2
	46.7

2015 Budget Commentary (Continued)

The allocation of the budgeted expenditure in percentage terms is as follows:

	2011	2012	2013	2014	2015
	%	%	%	%	%
General Public Service	28.5	30.0	26.2	25.1	25.8
Economic Affairs	25.6	29.3	27.6	28.0	27.3
Education	18.6	17.5	17.5	20.2	20.2
Health	8.6	9.3	11.3	9.9	9.6
Defence	7.2	6.0	6.3	6.4	6.9
Public Order and Safety	4.5	3.7	4.2	5.0	4.7
Environmental Protection	0.6	0.1	0.2	0.4	0.4
Housing and Community Amenities	3.2	1.3	3.1	1.5	1.7
Recreation, Culture and Religion	0.5	0.5	0.8	0.7	0.7
Social Protection	2.7	2.3	2.8	2.8	2.7
	100.0	100.0	100.0	100.0	100.0

Overall the Budget has been drawn to consolidate and fund the key sectors identified by the Government. The implementation of the Budget is dependent on Government meeting its revenue targets. The Budget faces the following risks:

- any significant drop in copper prices;
- any deterioration in the exchange rates;
- any significant reduction in programmed levels of external financing;
- any substantial increase in oil prices;
- adverse weather conditions;
- any significant power deficits;
- any deterioration of the industrial relations atmosphere arising from labour expectations; and
- any failure to manage the population's expectations that may lead to unplanned expenditure.

Overall comments

- The 2015 budget will go a long way in providing stability in implementation of the Medium Term Expenditure Framework (MTEF) objectives.
- It provides continued funding to the infrastructure development programme.
- Continues the two year public sector wage freeze.
- To create substantial jobs in the economy, the manufacturing and agro processing sectors will require serious and immediate attention.
- The Industrial Development Corporation should be fully resourced for it to create the required new and expanded business activities.
- Development and resourcing of entrepreneurial enterprises should be encouraged and incentivized, so as to achieve the required industrialization.
- Serious studies should be undertaken to assess why despite many years of overall GDP growth, the benefits have not trickled down to the majority of the population.

2015 Sectoral Impact

Agriculture

- Government will increase the resources allocated to the sector in order to achieve more productivity.
- In order to equip farmers with the technical knowledge and skills to remain productive, there is need to provide effective extension services. An additional 500 extension officers will be recruited and equipped with motor cycles and extension kits. In addition rehabilitation of camp houses used by extension officers will continue in 2015.
- Diversification from maize remains paramount in attaining more inclusive growth and economic independence. Extension services will continue to support farmers growing crops suitable for the ecological zone. The Farmer Input Support Programme (FISP) will also be tailored to provide seeds for a variety of crops according to ecological comparative advantage.
- K1.1 billion has been allocated to the FISP. Farmers will be allowed more flexibility in the choice of seeds through the E-Voucher system. K254.9 million has been allocated towards the E-Voucher system.
- It is expected that 1,000,000 farmers will access inputs through the E-Voucher and FISP programmes in 2015.
- To maximize the use of our arable land and grow crops throughout the year, irrigation development will continue to receive high priority with the construction of at least one smallholder irrigation scheme in each province.
- K164.5 million has been allocated towards the construction and rehabilitation of dams to achieve the target of 17,500 hectares under irrigation by 2016.

Agriculture (continued)

- In the livestock subsector, focus will be on enhancing extension and disease control services. To enhance the development of aquaculture, Government will undertake reforms to ease entry of citizens in the private sector into aquaculture production. In addition, Government will continue with research activities, provision of extension services, surveillance and fish-restocking. K307 million has been allocated for livestock disease control measures and aquaculture development.
- Government will establish 23 livestock extension service centres, construct and rehabilitate livestock blocks and camp houses, establish 13 Satellite Insemination Centres and continue the livestock restocking programme.
- In response to the growing threats of climate change, Government will upscale support to conservation farming involving a total of 84,000 farmers in 31 districts during the 2014/15 season.
- To promote private sector participation in grain marketing, Government will continue to limit grain purchases by the Food Reserve Agency to the 500,000 metric tonnes required for the strategic food reserves. K992.9 million has been provided for the strategic food reserves.
- The recapitalization of Nitrogen Chemicals of Zambia will continue to enable the company recommence production of ammonium nitrate which is required in the manufacture of top dressing and explosives. This will reduce the importation of fertilisers into the country.

2015 Sectoral Impact (Continued)

Transport and Telecommunication Infrastructure

- Government has continued implementing the road infrastructure programme under the Link Zambia 8000, Road Tolling and the Lusaka 400 Road Project.
- Equipment for Pave Zambia 2000 has been procured and distributed to all provinces and manufacture of pavers has commenced in 7 provinces.
- A total of 22 projects valued at K9.8 billion covering a length of 2,260 Km are under implementation countrywide under the Link Zambia 8000 Road Project.
- Included under this programme are Kasama-Mporokoso, Mbala-Nakonde, Chama-Matumbo, Chongwe-Katoba Basic school, Isoka-Muyombe-Lundazi-Chama roads, Kitwe-Chingola Dual carriage way at 40% completion, the Pedicle road at 48%, Mansa-Luwingu road at 37%, while the Kawambwa-Mushota road, the Bottom road, Kasama-Mbesuma and Kalulushi-Lufwanyama roads have been completed.
- Procurement process to engage a contractor for Kalabo-Sikongo has commenced.
- Investing in road maintenance has continued. The Lusaka-Chirundu road has been rehabilitated while the road from Luangwa Bridge to Feira has been upgraded to bituminous standard, and also maintenance works will commence soon on the Chinsali-Nakonde road.
- Construction of a number of bridges has commenced and some completed. These include the Michael Chilufya Sata Bridge in Chiawa, 22 out of the 26 bridges on the Mongu-Kalabo stretch are under construction, the Mufuchani Bridge in Kitwe is also underway as well as the Kazungula Bridge.

Transport and Telecommunication Infrastructure (continued)

- Operationalising the road tolling programme as an innovative and self-sustaining mechanism is underway. This is being implemented at 8 weighbridges and 18 ports of entry targeting vehicles with weights above 6.5 tonnes.
- In order to support the economic sectors and lay the basis for further prosperity for the people, Government proposes to spend K12.7 billion on economic affairs, out of which K5.6 billion has been set aside for road infrastructure, including the Link Zambia 8000 and the Pave Zambia 2000 projects.
- Of 442 Km of Livingstone-Chingola rail line, 117 km has been rehabilitated.
- Refurbishment of passenger train coaches is in progress to attract 7600 passengers per week compared to less than 5000 under the concessionaire.
- Volume of cargo transported by rail has increased to over 400,000 tonnes during the first half of the year.
- Rehabilitation of Chipata station has been completed and Zambia Railways Limited has since commenced operations on the Chipata-M'chinji rail line.
- The 162 Km Mulobezi railway line together with livestock wagons and passenger coaches are being rehabilitated.
- Work on the Copperbelt inter-mine railway network is progressing well.
- Policy constraints relating to operations of TAZARA by harmonizing positions with the Tanzanian Partners is being resolved to facilitate movement of goods and passengers and enhance local and foreign trade links.

2015 Sectoral Impact (Continued)

Monetary and Financial Sector

- The monetary policy in 2015 will remain focused on achieving single-digit inflation rates of no more than 7 percent.

- Bank of Zambia will control inflation through increased use of market based monetary tools that avoid economic distortions.

- A liberal foreign exchange system will be maintained, with Bank of Zambia's interventions limited to smoothing out short-term fluctuations in the exchange rate.

- Increased access to formal financial services remains Government's priority objective. Government intends to achieve this objective through development of a regulatory framework for agency banking aimed at encouraging financial institutions to bring banking services to the vast number of unbanked Zambians and secondly implementation of the National Strategy in financial education to provide ordinary Zambians with financial knowledge.

- Government will exercise fiscal prudence in contracting debt and borrowing will therefore be restricted to financing only critical capital investments.

- Government will further strengthen domestic revenue mobilization so that an increasing proportion of the budget is financed from domestic resources to avoid burdening future generations with unsustainable debt.

- Government will limit domestic borrowing to not more than 2 percent of GDP. This is expected to support the lowering of interest rates in the domestic market.

- K2.9 billion and K2.4 billion have been allocated for servicing of domestic and external debt obligations respectively.

- Real GDP growth is targeted at 7 percent.

Fiscal policy

- The treasury intends to continue to exercising prudent fiscal management with the overall deficit budgeted to fall to 4.6 percent of GDP.

- The deficit is targeted to be reduced over the medium term to around 3.3 percent of GDP in 2017. In recognition of these efforts, International rating agencies recently revised Zambia's outlook from stable to positive, and affirmed the country's ceiling at B+.

- Continued control of recurrent expenditure will be key to achieving fiscal deficit target and further limiting expenditure on maize marketing, ensuring cost reflective fuel pricing and rationalizing capital expenditure.

- Efficient control of resources is expected to be improved through the full operation of the Treasury Single Account. This will ensure better cash management and avoid idle balances in the banking system.

- Efforts will continue to modernize tax administration with e-based tax and customs administration systems that will enable tax payers to declare and pay tax online.

- The reform of land titling procedures and the rollout of the Zambian Integrated Land Management and Information System is expected to be completed in 2015, thereby boosting non tax revenues.

- The revenue to GDP ratio in 2015 is projected to rise to 18.5 percent from 17.2 percent projected for end - 2014.

- It is Government's desire that the concerns regarding the application of Value Added Tax (General) Administrative Rule Number 18 on proof of export requirement which some exporters have not complied with and has led to non payment of VAT refunds are resolved expeditiously and amicably.

2015 Sectoral Impact (Continued)

Small and Medium Sized Entities (SMEs) and the capital market

- K123.7 million has been allocated to various empowerment funds that cater for the youth, women and SMEs.

- The Government departments have been directed to give preference to locally produced goods in line with the industrialisation and job creation strategy and to this effect, beginning 1 January 2015, Government will review the voucher system applicable on such imports.

- In order to facilitate further lending to SMEs in 2015, Government will commit additional funds to further recapitalise the Development Bank of Zambia.

- Government will support initiatives such as Alternative Investment Market launched by LuSE which allows SMEs to raise funds from the stock market at affordable cost and tap into technical and management skills through new equity partners.

- Government will continue allocating funds to the Citizens Economic Empowerment Commission.

- Allocations to various sectors such as health (K268.2 million for the construction and rehabilitation of health infrastructure), education (K650 million for additional student accommodation), transport and communication (K5.6 billion for road infrastructure) will provide SMEs with opportunities. The continued growth of the economy and Government's prioritisation and considerable allocations to such areas like agriculture also present great opportunities for SMEs.

Tourism

- Government will continue to improve airport infrastructure, electricity connectivity and access roads to tourist areas, particularly those along the Northern circuit, Lower Zambezi and Kafue National Parks.

- Government is expanding and upgrading the Kenneth Kaunda International Airport (KKIA) in Lusaka and will construct a new airport at Simon Mwansa Kapwepwe in Ndola.

- Plans are underway to rehabilitate a number of aerodromes across the country.

Construction and infrastructure development

- To ensure construction of infrastructure development in the newly created provincial headquaters and districts, K500 million has been allocated in 2015 budget.

- Contract for the construction of the Kazungula Bridge has been signed and the contractor is mobilising.

- K650 million has been allocated to commence construction of additional student accommodation at the University of Zambia, Copperbelt University, Mulungushi University and Evelyn Hone College and to continue the construction of new universities.

- The Government will embark on the construction of King Lewanika and Luapula University in 2015.

- A further K79.6 million has been allocated towards the construction of nine trades training institutes across the country.

- K268.2 million has been allocated for the construction and rehabilitation of health infrastructure in various parts of the country.

2015 Sectoral Impact (Continued)

Energy

- The Government will continue to undertake extension and rehabilitation works on the transmission and distribution networks under the Power Rehabilitation Project.
- K600 million has been allocated to ZESCO for power generation, transmission and distribution.
- A further K70.7 million has been allocated to increase the number of rural communities across the country connected to the national grid under the Rural Electrification Programme.

Social, water and sanitation

- To advance Government's commitment to social justice, its social sector priorities in 2015 will remain focused on improving access to and enhancing delivery of education, health and water and sanitation as well as accelerating implementation of social protection programmes.
- K123.7 million has been allocated to various empowerment funds that cater for youth, women and SMEs.
- K100 million has been allocated for the establishment of a sovereign wealth fund. Going forward, a significant proportion of the dividends from State Owned Enterprises (SOEs) that will fall under the Industrial Development Corporation will form part of the fund.
- The social cash transfer scheme will continue in 2015 as a tangible demonstration of the Government's resolve and commitment to eradicate hunger and extreme poverty with an allocation of K180.59 million in the 2015 budget.
- The Government remains committed to implementing other social safety nets including the Women Empowerment Programme, Food Security Pack (which has an allocation of K50 million in the 2015 budget), the Public Welfare Assistance

Social, water and sanitation (continued)

Scheme, medical grants and the bursary scheme for students. The Government will in 2015 review some of these social safety nets with the aim of rationalizing coverage to maximize their impact.

- The Public Service Pension Fund has been allocated K805 million.
- K540.99 million has been allocated to the Water Supply and Sanitation sector.
- The Government will continue interventions aimed at increasing rural access to clean and safe drinking water from the current 64 percent to 67 percent. This will be achieved by constructing additional 2,500 water points, mainly boreholes. The Government will also rehabilitate an extra 2,000 existing water points during the same period.
- In 2015, Government also plans to continue promoting community based approaches and the construction of institutional sanitation facilities. With these interventions, rural access to sanitation facilities is targeted to increase to 45 percent in 2015 from the current 43 percent.
- Furthermore, the Government plans to increase access to clean and safe drinking water in urban and peri-urban areas from the current 83 percent to 85 percent of the population. This is expected to be achieved through the rehabilitation and construction of water supply infrastructure in the various urban towns under the 11 water and sewerage utility companies.
- The Government will provide resources to local authorities to enable them procure refuse trucks and other solid waste management equipment countrywide. The local authorities will be encouraged to embark on waste-to-energy projects through the Public Private Partnership arrangements.

2015 Sectoral Impact (Continued)

Education

- Government will continue to focus on increasing equitable access to quality education and empowering of youths through skills training.

- K9.4 billion or 20.2 percent of the budget has been allocated to the education sector.

- In order to reduce the pupil teacher ratio, K6.4 billion or 68 percent of the total allocation will go towards recruitment of 5,000 teachers and sustaining the current establishment.

- To increase access, and improve progression on rates to higher levels of learning, construction of education facilities especially at secondary and tertiary levels will remain paramount. K1.1 billion has been provided in the budget for infrastructure development for early childhood, primary and secondary education.

- K650 million has been allocated to commence construction of additional student accommodation at the University of Zambia, Copperbelt University, Mulungushi University and Evelyn Hone College. The allocation will also be used to continue the construction of new universities.

- Paul Mushindo, Chalimbana and Palabana Universities are earmarked for completion in 2015.

- Construction of King Lewanika and Luapula Universities will commence in 2015, whilst Robert Kapasa Makasa, Mukuba and Kwame Nkrumah Universities are almost complete.

- Government will continue to explore opportunities for Public Private Partnerships as an alternative form of financing of tertiary education infrastructure.

- Government will continue the program of upgrading teacher qualifications to meet the minimum standards required. Training in science, mathematics and technology subjects will be scaled up to address the inadequate numbers in these fields.

Education (contunied)

- Implementation of the revised education curriculum with emphasis of life skills to align student qualifications to the needs of industry and the wider economy will continue.

- K79.6 million has been allocated towards the construction of nine trades training institutes across the country of which three will be completed in 2015 in Isoka, Kalabo and Mwense.

- K28.5 million has been allocated for procurement of research and development equipment as well as the commencement of the construction of a National Science Centre in Chongwe, a Fisheries Centre in Samfya and Mineral Research Centre in Solwezi.

- Government will continue with the school feeding programme to promote the cognitive development of young children particularly the disadvantaged. K32 million has been allocated to the programme in order to widen the roll-out in 2015.

- To increase access to tertiary education, the allocation to bursaries has been increased by 27.9 percent to K200.2 million.

Mining

- In order to achieve a more equitable distribution of the mineral wealth between the Government and the mining companies, changes to the current mining fiscal regime have been proposed which will see the replacement of the current two tier system with the following simplified mining tax structure:

  a) 8% mineral royalty for underground mining operations as a final tax;
  b) 20% mineral royalty for open cast mining operations as a final tax;
  c) 30% corporate income tax rate on income earned from tolling; and

2015 Sectoral Impact (Continued)

Mining (continued)

d) 30% corporate tax rate on income earned from processing of purchased mineral ores, concentrates and any other semi-processed minerals, currently taxed as income from mining operations.

- The proposed changes to the mining tax regime will not apply to mining of industrial minerals. The additional revenues in 2015 as a result of these new measures are estimated at K1.7 billion.

- Amendments to the Mines and Minerals Development Act have also been proposed. However, these measures, are of a housekeeping nature and are revenue neutral.

- Out of total revenues amounting to K46.7 billion expected to be raised in 2015, K5,936.80 million representing 12.70% of the budget or 3.10% of Gross Domestic Project (GDP) will come from mineral royalties.

- Government is firmly promoting domestic auctioning of gemstones in order to minimise benefits from these resources and promote transparency and accountability in the sector.

- Government will lead the way in complying with the Lusaka Stock Exchange (LuSE) listing requirement that no single shareholder should control more than 75% of the equity in any company, by reducing its shareholding in ZCCM by 27% to bring it to 60%.

- A total of K28.5 million has been allocated towards the procurement of research and development equipment which will include a Mineral Research Centre in Solwezi.

Health

In order to continue with Government's objective of bringing cost effective quality health services as close as possible to all Zambians, an allocation of K4.5 billion has been made towards the health sector. Specific activities for 2015 are as follows:

- Increasing the availability of frontline health personnel through additional recruitment of over 2,000 personnel in 2015. This will bring the total personnel to over 15,000. K52.5 million has been allocated for net recruitment.

- Government has further commenced the construction of two new training centres for health personnel in Senanga and at Levy Mwanawasa Hospital in Lusaka.

- Enhancement of infrastructure, with 30 district hospitals under construction and a further 8 to be commenced before end of 2014. Construction of 650 health posts is underway. K268.2 million has been allocated towards construction and rehabilitation of health infrastructure in various parts of the country.

- Improvement in the provision of drugs and medical supplies through establishment of six regional hubs, two of which are already operational, in Choma and Chipata. Mongu is to be completed before the end of 2014.

- Modernisation of health facilities at the University Teaching Hospital (UTH), Kitwe and Ndola Central Hospitals and Livingstone General Hospital is well advanced. A total of K753.5 million has been allocated towards purchase of drugs, specialised equipment like CT Scans, Magnetic Resonance Imaging (MRI) machines and CATHLABs.

2015 Sectoral Impact (Continued)

Manufacturing

- Government Departments have been directed to give preference to locally produced goods in line with the Industrialisation and Job creation strategy.
- Beginning 1 January 2015 Government will review the voucher system applicable on imports.
- Government will support initiatives such as the Alternative Investment Market launched by LuSE.
- Government to also scale-up entrepreneurship training and market-relevant skills development under the Technical Education,Vocational and Entrepreneurships Training Institutions.
- Government to continue allocating funds to the Citizens Economic Empowerment Commission to support value addition development as evidenced by funding of 1,072 projects out of 1,526 projects representing over 70% achievement in 2014. The funded projects were valued at K48 million, of which 92% were in rural areas and 64% went to Women and Youths.
- Government to continue facilitating infrastructure development to support the growth of the manufacturing sector through the promotion of multi-facility economic zones and industrial parks.

Public Sector

- The Public Financial Management (PFM) Reform Strategy was launched in 2014.
- Publication of the National Planning and Budgetary Policy has been achieved and the Integrated Financial Management and Information System (IFMIS) is being rolled out to more sites.
- The Output Based Budget (OBB) for the Ministry of Education is being implemented and this will be rolled out to all Ministries, provinces and other spending Agencies. The OBB is to make the budget more results–oriented and in line with national development priorities.
- The Government has incorporated the Industrial Development Corporation (IDC).
- Government has allocated K586.76 million to the Local Government Equalisation Fund. The Fund will be based on a revenue sharing arrangement where Central Government will allocate a minimum of 5 percent of total income taxes.
- Government has commenced a review to assess the viability and sustainability of Grant Aided Institutions, and those that will be found unsustainable will either be abolished or reverted to Central Government.

Privatisation

- The Securities and Exchange Commission has been directed to ensure that all listed companies comply with LuSE listing rules which stipulate that no single shareholder should control more than 75 percent of the equity in any company. In this regard, Government will reduce its shareholding in ZCCM Investments Holding PLC from 87 percent to 60 percent. The 27 percent shares will be sold to the general public.

Review of 2014 Economic Performance

Overview

Key Performance Indicator	31 Dec 2014 (Projected)	31 Dec 2013 (Actual)
Gross Domestic Product (GDP) growth	6.5%	6.7%
Inflation (30 September 2014)	7.8%	7.1%
Commercial bank base lending rate	19.9%	16.5%
US$ Exchange rate (30 September 2014)	6.3	5.47
Non traditional export earnings (US$m)	1.64	2.49
Domestic Government debt stock (Kbn)	21.9	18.52
Foreign debt stock (US$bn)	4.7	3.1

- In the domestic economy, real GDP growth is projected at 6.5 percent in 2014, down by 0.2 percentage points compared to 2013. This growth is expected to be driven by the mining, construction, and energy sectors and the favourable performance recorded in the agricultural sector in the 2013/2014 farming season.

- The overall budget deficit in 2014 is projected at 5.1 percent of GDP, lower than the 5.5 percent factored in the 2014 budget. It is projected that total revenues and grants will reach 19.0 percent of GDP while expenditures are projected to reach 24.1 percent of GDP.

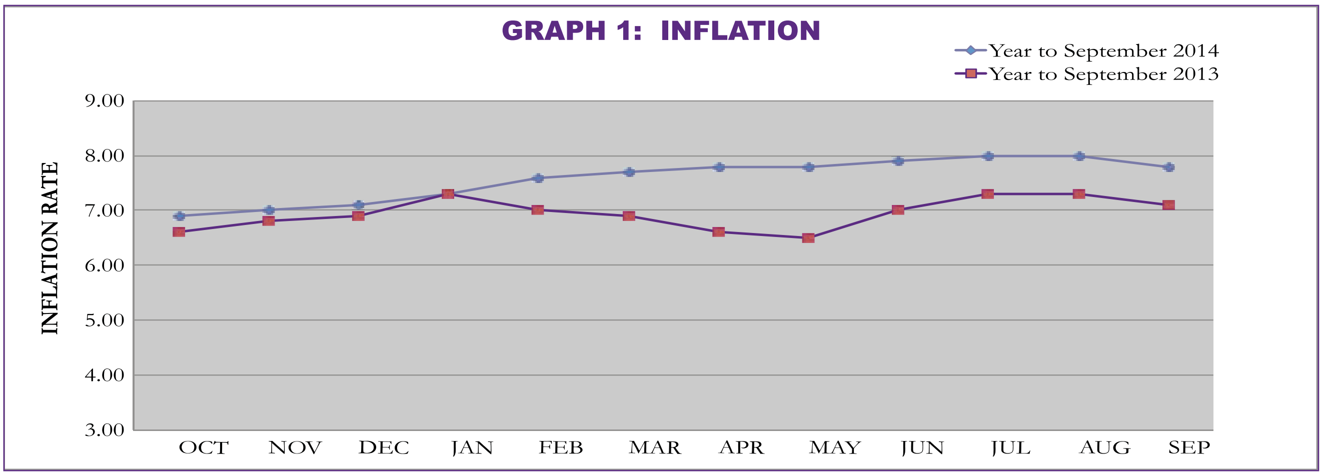
- The goal of the monetary policy in 2014 is anchored on maintaining single digit inflation. As at end of September 2014, the inflation rate had increased to 7.8 percent from 7.1 percent in December 2013. This was on account of higher food prices and the depreciation of the Kwacha. Despite the increase in the inflation rate, maintenance of single digit inflation rate remains feasible, premised on measures taken to limit the slide of the Kwacha and a reduction in food prices as the 2013/2014 season's harvest comes on market.

- In the foreign exchange market, the Kwacha depreciated by 13.6 percent in the first half of 2014 to close at K6.2601/US$ as compared to a depreciation of 5.3 percent in the first half of 2013 when it closed at K5.4172/US$. The depreciation of the Kwacha was attributed to a combination of international and domestic factors. The continued relatively lower copper prices in 2014 compared to 2013 on the international market, and their consequent impact on the country's Balance of Payment (BOP) position resulted in negative investor perceptions of the Kwacha. Domestically, liquidity levels and the comparatively high Rand purchases on the inter-currency segment of the market using the US dollar, contributed to the Dollar being scarce. Statutory Instruments number 33 and 55 were reversed during the year to boost investor confidence.

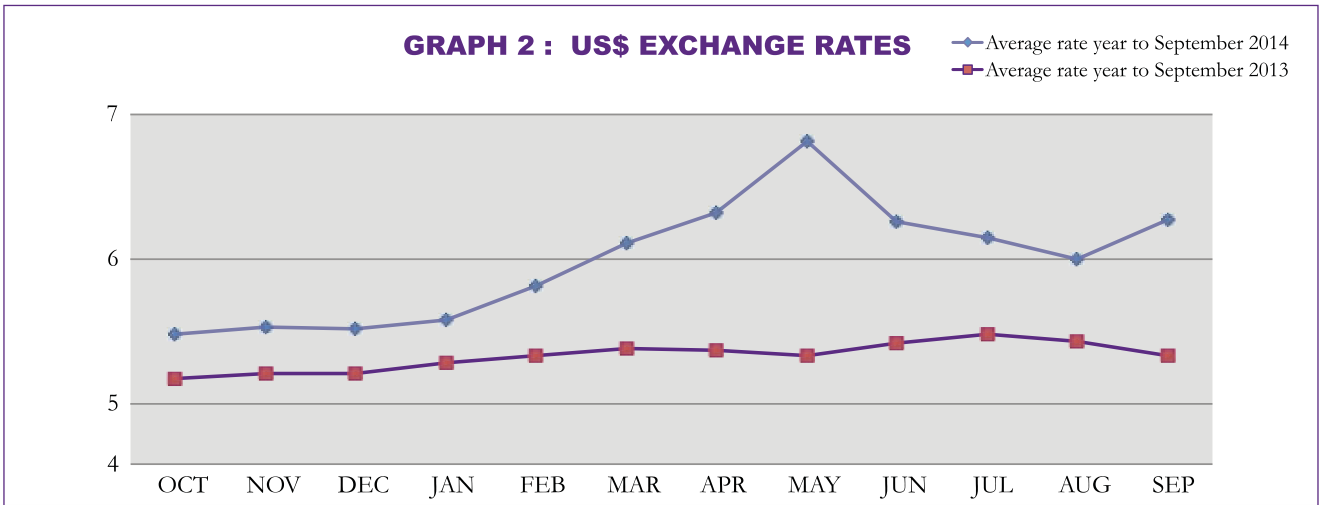
- Domestic credit fell by 7.2 percent in the first five months of 2014 to K26.7 billion from K28.7 billion in December 2013. In terms of commercial bank credit by sector, households (personal loans category) continued to account for the largest share of outstanding credit of about 34.1 percent, followed by agriculture at 18.7 percent.

- During the first half of 2014, Zambia's external sector performance was unfavourable compared with the performance recorded during the corresponding period in 2013. Preliminary data indicates that the merchandise trade surplus narrowed by 28.9 percent to US$247.5 million from US$347.8 million recorded over the same period in 2013. The lower merchandise trade surplus was largely attributed to a higher decline in merchandise export earnings relative to the merchandise import bill.

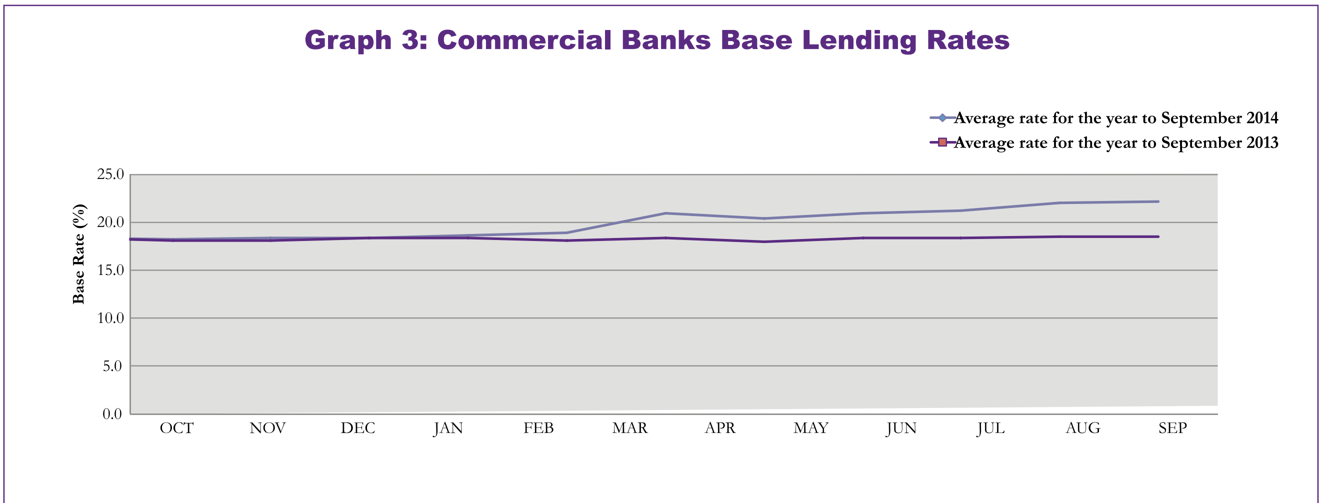
Review of 2014 Economic Performance (Continued)



Source: Central Statistical Office



Source: Bank of Zambia



Source: Bank of Zambia

Review of 2014 Economic Performance (Continued)

Overview (continued)

- Over the same period, Non-Traditional Export (NTEs) earnings declined by 34.3 percent to US$1,167.5 million from US$1,776.4 million recorded in 2013. The decline in NTEs was largely on account of lower earnings from the export of maize and maize seed, copper wire, barley tobacco, cement and lime, cotton lint, fresh fruits and vegetables, gemstones, petroleum products and fresh flowers.

Agriculture, Forestry and Fisheries

- During the 2013/14 farming season over 3.35 million metric tonnes of maize were harvested. This strong performance was due not only to an 8.1% increase in the area planted, but more importantly, a 22.3% increase in yields reflecting higher productivity by the farmers.

- The increase in the area planted is attributed mainly to crops like maize, virginia tobacco, groundnuts and millet. However, the area planted for crops like sorghum, cotton, wheat, barley and sweet potatoes declined.

- The small and medium scale farmers increased the area planted for maize by 7.2% while large scale farmers increased this by 89%.

- Following investment of K108.5 million by Government to upgrade 27 storage sheds with a total storage capacity of 117,000 metric tonnes, 8 of the sheds were completed during 2014 with the balance of 19 expected to be completed by the end of the year.

- The Food Reserve Agency (FRA) managed to purchase the targeted 500,000 metric tonnes of maize for the National Strategic Food Reserve in record time.

- An additional 7,000 hectares was brought under irrigation for small and medium scale farmers bringing the total to date to 11,500 hectares out of the 17,500 hectares planned to be achieved by 2016.

Agriculture, Forestry and Fisheries (Continued)

- The Zambia National Farmers Union (ZNFU) and the Swedish International Development Agency (SIDA) signed a K38 million agreement to enhance food security.

- The ZNFU embarked on the construction of agricultural care support centres across the country to provide one stop shop for farmers. The construction of these centres is estimated to cost US$26 million.

- The Government increased the number of beneficiaries under the Farmer Input Support Programme (FISP) from 900,000 in the previous two farming seasons to 1,000,000 in 2014/2015 farming season.

- To further support implementation of FISP, Government contracted Nitrogen Chemicals of Zambia (NCZ) to supply and deliver 97,000 metric tonnes of Compound D fertilizer in the 2013/2014 farming season and 106,410 metric tonnes in the 2014/2015 season.

- In the livestock sector, 50 additional livestock centres were constructed by Government since November 2013 bringing the total to 142 in 2014.

- Further, Government embarked on the construction of 175 dip tanks and rehabilitating another 324 tanks throughout the country to combat livestock diseases. Statutory Instrument Number 24 of 2014 (SI24) was also issued during the year making vaccination of animals against diseases compulsory.

Review of 2014 Economic Performance (Continued)

Agriculture, Forestry and Fisheries (Continued)

Commodities	31 Dec 2014 (Projected)	31 Dec 2013 (Actual)
Production of Maize (metric tonnes)	3,350,671	2,532,800
Production of Wheat (metric tonnes)	201,504	273,584
Production of Groundnuts (metric tonnes)	143,591	106,72
Production of Cotton (metric tonnes)	120,314	139,583
Production of Virginia tobacco (kgs 000s)	26,106	21,195
Production of Barley (kgs 000s)	11,524	8,425
Production of Soya Beans (metric tonnes)	214,179	261,063
Production of Irish Potatoes (metric tonnes)	33,833	22,038

Source: Ministry of Agriculture and Livestock

Tourism and Arts

- Total tourist arrivals up to June 2014 were 455,562 compared to 433,027 in the same period in 2013.
- The sector has continued to record an increase in employment levels since 2011. The targeted job creation by 2016 in the sector is 300,000.
- Investment in the sector was mainly driven by Zambians.
- A programme to equip the youth for the production of handicrafts and curios starting from Livingstone has been set up.
- The construction of a Cultural Centre in Ndola and an Art Gallery in Livingstone have been completed.
- Infrastructure development has continued, in particular, access roads and airports to enhance accessibility to tourist sites and attractions.
- Government is undertaking reforms of its policies and legislations through the Ministry of Tourism and Arts i.e the Tourism Policy of 1997, the National Parks and Wildlife Policy of 1998 and the Tourism and Hospitality Act of 2007.

Tourism and Arts (continued)

- A study has been undertaken with the assistance of the Private Sector Reform Program and the World Bank to properly package selected areas of tourism investment.
- The Government is undertaking programmes in the development of trans-boundary tourism initiatives with five countries namely: Angola, Botswana, Namibia, Zimbabwe and Malawi.
- Tourism sector has continued to optimize on the strides achieved through the hosting of the UNWTO General Assembly in 2013.

Manufacturing

- Zambia Breweries PLC signed an investment agreement with the Lusaka South Multi Facility Economic Zone (MFEZ) Limited for the construction of a 35.2 million United States Dollars Malting Plant.
- The Zambia-China Mulungushi Textiles plant in Kabwe was leased to a Tanzanian group so as to resuscitate operations.

Review of 2014 Economic Performance (Continued)

Manufacturing (Continued)

- The Nitrogen Chemicals of Zambia, a state owned enterprise has been recapitalized. It was given to supply the requirements of Farmer Input Support Programme for Compound D.

- The annual production capacity of Nitrogen Chemicals of Zambia to produce Compound D fertilizer has increased to 150,000 metric tonnes following the recapitalisation.

- The Government expects the recapitalisation programme to continue to enable the company recommence production of ammonium nitrate to facilitate local manufacture of the top dressing fertiliser and explosives thereby creating further employment opportunities and reducing the importation of fertilisers into the country.

- All the funds allocated to Development Bank of Zambia (DBZ) in the 2014 budget to support the financing needs of Small and Medium Scale Enterprises (SMEs) have been disbursed to 47 SMSs involved in various sectors including agro-processing, manufacturing, engineering, fisheries, tourism and hospitality as well as in construction and agriculture.

- The Government has further embarked on the design of industrial clusters that are going to be established in each district as a way of realizing economic independence for citizens. The clusters are expected to provide industrial workshops from which entrepreneurs will be able to manufacture various products thus promoting value addition particularly in the areas of metal fabrication, timber and agro processing, aquaculture and automotive industry.

Construction and Infrastructure Development

- The Government approved the transfer of the functions of the Public Private Partnership (PPP) unit to the Zambia Development Agency. The merger is aimed at optimally using PPP to attract investment in infrastructure projects.

- Construction of infrastructure in five (5) of the new districts including the upgrading of infrastructure in Choma and Chinsali as new provincial headquarters of Southern and Muchinga provinces respectively was started.

- Progress is being made on all major road projects such as Link Zambia 8000, Pave Zambia 2000 and Lusaka 400.

- 22 works contracts were signed as of July 2014 covering 2,245 kilometers under the Link Zambia 8000.

- The major road projects include:

    - Leopards Hill Road to Chirundu in Lusaka Province;

    - Kitwe Chingola Dual Carriage way on the Copperbelt.;

    - The Bottom Road in Southern Province;

    - Mongu – Kalabo in Western Province;

    - Itezhi Tezhi – Mumbwa in Central Province;

    - Chipata – Chadiza – Katete in Eastern Province;

    - Kawambwa – Mushota in Luapula Province;

    - Chingola – Solwezi Road; and

    - Mbala – Nakonde Road.

Review of 2014 Economic Performance (Continued)

Construction and Infrastructure Development (continued)

- Completed roads include the following:
    - Kasama – Luwingu Road in Northern Province;
    - Sesheke – Senanga in Western Province; and
    - Mutanda – Chavuma in North-western Province
- Under the Pave Zambia 2000, distribution of equipment has been completed in all the 10 provinces.
- The Lusaka 400 project involving construction, maintenance, rehabilitation and upgrading of roads around the city has progressed.
- Twin Palm shopping mall developed by PMTP Zambia with 26 stores was officially opened in August 2014.
- The Zambia Development Agency (ZDA) – Henam Guoji Development Limited completed construction of about 373 houses from a total of 427 at the Silverest Gardens Housing complex in Chongwe by August 2014.
- The Government engaged Construction For Africa to build a market in Kamuchanga township, Mufulira at a cost of K12 million.
- The Government created opportunities for 259 local contracting companies who are participating in road construction under the 20% sub-contracting policy.

Energy

- The Government has continued to implement projects in generation, transmission and distribution.
- The second unit (180 MW) at the Kariba North Bank Hydro Power Extension project was completed in April 2014.
- Ndola Heavy Fuel Oil plant was completed. The plant was constructed by a private company called Ndola Energy Company with a capacity of 50 megawatts (MW) and currently 48 megawatts is being supplied to the National Grid.
- Progress is being made to complete the Itezhi Tezhi Hydro Power and Maamba Thermal Power projects. Works are ongoing on the Kafue Gorge Lower and Lusiwasi Hydro Power Projects.
- The infrastructure works at Itezhi Tezhi Power plant are 100% done while works on the main power plant are progressing. Once completed the plant is expected to add 120 megawatts to the country's generation capacity.
- The construction of the Chimfunshi electricity gridline under the Rural Electrification Authority (REA) is almost complete.
- Expansion of the 15 MW Lunzua Hydro Power Station in Mbala has also reached an advanced stage. The US$52 million project will be connected to the National Grid and expected to improve power supply in Mbala, Mpulungu and other surrounding areas.
- The Government has continued implementing the Rural Electrification Programme under the Rural Electrification Authority (REA) with a focus on the new districts. Sioma and Nkeyema in Western Province have been electrified while works to connect Nalolo, Luampa and Sikongo are ongoing.
- Feasibility studies are at an advanced stage in Luapula province for the 700 MW Luapula Hydro

Review of 2014 Economic Performance (Continued)

Energy (Continued)

Electric Scheme by Copperbelt Energy Corporation PLC. This is in addition to the USD215 million (40 MW) Kabompo Gorge Hydro – electric venture in North Western province. Excavation works are currently being undertaken by the EPC contractor Sino Hydro Corporation.

- Zambia and the Democratic Republic of Congo (DRC) are in the process of signing the inter-governmental Memorandum of Understanding (MoU) for the development of hydro power on the Luapula River located on the Mambilima Falls and Mopututa Falls. This is expected to enhance security of power supply, promote electricity trade and stimulate social and economic development.

- The construction works at the Maamba Coal Fired Thermal Plant (300 megawatts) are ongoing at 55% progress. Scheduled completion of Unit 1 (150 MW) and Unit – 2 (150 megawatts) is October 2014 and January 2015 respectively.

- The Energy Regulations Board (ERB) approved electricity tariff increments effective 1 July 2014 as follows:

Commercial consumers	15.38%
Small power	19.49%
Large power	5.11%
Social services	15.38%

- The country's installed generation capacity is as shown below:

Energy (Continued)

- Funds have been secured through the World Bank for undertaking feasibility studies for the Batoka Gorge Hydroelectric Project (1600 MW). Preparatory activities for the development of the project have started. This project is being managed by Zambezi River Authority (ZRA).

- The Governments of Zambia, Tanzania and Kenya agreed to interconnect their power systems in order to enhance security and reliability of electricity supply, promote electricity trade and foster regional economic development and integration. The project will emanate from Kabwe through Pensulo, Kasama, Mbeya, Iringa, Singida, Arusha and terminate at Isinya, Kenya at an estimated cost of investment in excess of over US$1.2 billion. The feasibility study for the sections in Tanzania and Kenya has been completed. The feasibility study for the Mbeya-Kasama section is expected to be completed by the end of this year while the Kasama – Pensulo – Kabwe section of the transmission line is yet to be done.

Project	Project runner	Source	Capacity (MW)
Kafue Gorge	ZESCO	Hydro	990
Kariba North Bank	ZESCO	Hydro	720
Kariba North Bank Extension	ZESCO	Hydro	360
Victoria Falls	ZESCO	Hydro	108
Lunsemfwa and Mulungushi	Lunsemfwa Hydro Power Company (IPP)	Hydro	56
Ndola Energy	Ndola Energy Company (IPP)	Thermal	50
Small (Lusiwasi, Chishimba, Musonda and Lunzua)	ZESCO	Hydro	24
Thermal (Diesel)	ZESCO	Thermal	8
Total			2,316

Review of 2014 Economic Performance (Continued)

Energy (Continued)

- The Mpika Fuel Depot has been commissioned while the Solwezi and Mongu Fuel Depots are expected to be completed in 2015. The identification of additional sites in the remaining provinces is in progress.

- The Government is reviewing the petroleum supply chain and the financing options. Further alternative sources of fuel supply are being pursued to reduce costs.

- Discussions at bilateral level with oil producing countries for the supply of crude and finished products have commenced to streamline the procurement process by eliminating middlemen.

Education

- By 30 June 2014, the Treasury released K378 million to the Ministry of Education of which K240 million is for school infrastructure projects in the various provinces and K10 million is for student tuition fees.

- To enhance the intellectual growth of children from a young age, Government has introduced formal learning at pre-school level. It has recruited and deployed 1,000 Early Childhood Education teachers. In addition a curriculum for Early Childhood Education teachers has been developed.

- In order to improve access and quality of higher education the construction of secondary schools has continued. Of the planned 84 new secondary schools, 41 have been completed whilst 43 are at various stages of construction.

- A two-tier education system has been introduced in the country. Students in grade 10 and above will also have vocational training in order to develop skills that they can use for self-employment after school. Government has invested in infrastructure for skills training in Kalabo, Isoka, Mwense, Mporokoso and Sesheke.

Education (continued)

- In a drive to have a university in each of the ten (10) provinces, the construction of new universities namely Robert Makasa, Paul Mushindo and Palabana is in progress. Additional infrastructure is also being put up at Chalimbana, Mukuba and Kwame Nkurumah universities.

- Using both direct budget support and Public Private Partnership, the Government has embarked on a programme to construct student hostels with 4,160 bed spaces at University of Zambia, 3,200 bed spaces at the Copperbelt University, 1,280 bed spaces at Mulungushi University and 960 bed spaces at Evelyn Hone College of Applied Arts and Commerce. This is aimed at alleviating the shortage of accommodation at our institutions of higher learning.

- To promote professionalism and improve standards in our education sector, the Government has established the Teaching Council of Zambia and is in the process of establishing the Higher Education Authority and the Zambia Qualification Authority.

Health

- Good health is one of the prerequisites for National Development and it is for this reason that Government continued to increase availability of health frontline staff, health infrastructure, drugs, other medical supplies and equipment.

- Government has rehabilitated and constructed training institutions to mitigate the shortage of skilled health personnel. Two new training institutions are under construction in Senanga and Lusaka at Levy Mwanawasa General Hospital. An additional 27 training institutions countrywide are under rehabilitation and expansion.

- A total of 132 flats for health personnel were completed at Chipata, Mansa, Kasama, Lewanika, Livingstone and Levy Mwanawasa General Hospitals.

Review of 2014 Economic Performance (Continued)

Health (continued)

- The Government and three Indian construction companies signed a Memorandum of Understanding (MoU) of about US$55 million for the construction of 650 pre-fabricated Health posts. Construction of the 650 Health posts commenced and is expected to be completed by 2016.

- 30 District hospitals are under construction in various parts of the country. Government will embark on construction of 8 District hospitals in Mafinga, Ikelenge, Nalolo, Limulunga, Vubwi, Mansa, Mufulira and Chilubi by the end of this year.

- Expansion works at the Cancer Disease Hospital including the construction of wards with 220 beds capacity was completed.

- Modernization of University Teaching Hospital, Kitwe Central Hospital, Ndola Central Hospital and Livingstone General Hospital are underway. Livingstone General Hospital has been elevated to the same status as Ndola and Kitwe Central Hospitals. Other constructions that commenced were general hospitals in Mazabuka, Mporokoso, Bangweulu and Lusaka West.

- Modern and specialized medical equipment were procured and installed at the University Teaching Hospital, Ndola Central Hospital and Livingstone General Hospital. The following equipment was procured:

    - CT Scanners;
    - Cardiac Catheterization Laboratory Services;
    - Mammography X-Ray; and
    - X Ray Machines,

- Government procured and distributed 160 basic life support ambulances and 42 advanced life support ambulances throughout the country to strengthen emergency response and enhance the referral system.

Health (continued)

- Decentralisation of the operations of Medical Stores Limited progressed and six regional hubs were established. Two regional hubs are fully operational in Chipata and Choma.

- Infant mortality rate reduced by 35.7% from 70 per 1000 live births to 45. Child mortality rate declined by 40.4% from 52 per 1,000 lives births to 31. Under five mortality rate declined by 37% from 119 deaths per 1,000 live births to 75.

Transport and Telecommunications

- Road construction works progressing under the Link 8000, Link 400 and Pave Zambia 2000.

- Completion of Harry Mwanga Nkumbula International Airport in Livingstone.

- KLM announced pulling out from Zambia on their four weekly flights in and out of Europe.

- Government announced plans to construct an additional pipeline from Dar es Salaam to Ndola.

- Mahogany Air invested K8 million in Operations. Operations have since been suspended.

- Zambia Railways Limited revamped railway transport through commencement of rehabilitation of 1,062 km of the railway line and launched the Chipata – Mchinji line. This resulted in improved freight cargo and passenger transportation performance.

- Maintenance and repair of Mulobezi railway line network commenced and is near completion.

- Zambia and Tanzania agreed to inject US$80 million into the operations of the Tanzania-Zambia Railway Authority (TAZARA).

Review of 2014 Economic Performance (Continued)

Transport and Telecommunications (continued)

- Fuel prices remained high due to the depreciation of the Kwacha.

- ZICTA engaged the International Telecommunication Union to help draft the National Child Online Protection Strategy.

- Continued preparations by the Government to ensure Zambia is on course with Digital Migration scheduled for June 17, 2015. Installation of infrastructure will start before the end of the year.

- Installation of 108 out of 204 towers in various chiefdoms was completed

- Launching of the National Addressing and Post Code project in June 2014.

- The Civil Aviation Authority has engaged the European Union (EU) to lift the ban on Zambian registered aircrafts.

- Procurement of dredgers to facilitate clearance of canals and rivers was done.

- Passenger and cargo vessels, cargo handling equipment and speed boats have been procured.

- Establishment of two (2) out of the projected ten (10) provincial television stations in Choma and Solwezi. The other eight (8) will be constructed progressively.

- Zambia signed a framework loan agreement for a concessional loan for the upgrade of the Kenneth Kaunda International Airport (KKIA) with China. Works on KKIA ultra-modern international terminal have commenced.

Transport and Telecommunications (continued)

- Embarked on plans to relocate and construct the new Simon Mwansa Kapwepwe Airport in Ndola.

- Government introduced the National Road Tolling programme in November 2013.

- Set up of the first VSAT hub in Lusaka by ISAT Africa Zambia.

- Award to Daewoo E & C of South Korea of Kazungula bridge project.

- Rehabilitation of Kazungula, Kapiri Mposhi and Old Kafue weigh bridges now complete (under the Axle Load Control Programme).

- The mobile subscriber base reduced from 10.4 million at the end of 2013 to 8.6 million at the end of June 2014 due to sim card registration.

Mining

Mining continued to play a significant role in the economy as a source of employment, foreign exchange earnings and contribution to the Gross Domestic Product (GDP). The major developments in the sector in 2014 can be summarized as follows:

- Production in the sector in the first eight (8) months of 2014 at 448,613 metric tonnes was about 50,000 metric tonnes lower than the corresponding period in 2013. The lower outturn was largely on account of a significant fall in output recorded at one of the major mines due to temporary suspension of mining operations as a result of operational challenges and depletion of oxide ore at some mines and stockpiling of concentrates.

- A slump in copper prices was recorded. Prices averaged US$7,097 per metric tonne during the first nine months, down from US$7,752 per metric tonne in 2013. This reflected sluggish demand particularly from China.

Review of 2014 Economic Performance (Continued)

Mining (continued)

- The Chamber of Mines of Zambia initiated efforts on behalf of mining companies to recover VAT refunds owed mostly to mining companies amounting to over US$600 million withheld by the Zambia Revenue Authority (ZRA) on account of VAT Rule 18 which requires import certificates from destination countries to which minerals were exported by the mining companies before the refunds can be paid.

- Glencore (owners of Mopani Copper Mines) threatened to halt operations at its Sable Zinc Kabwe Mine because of withheld VAT refunds owed to the company. Mopani Copper Mines also indicated that they would consider suspending plans to boost copper production.

- Copper production continued to show an upward trend and is expected to reach one million metric tonnes annually by 2017 when the Kalumbila Sentinel Mine goes into full production. A slump in copper prices however, was recorded.

- Construction of the Copper Smelter at First Quantum Minerals at a cost of US$650 million was still work in progress.

- The copper exploration project by VEN Mining Limited in the Katoka Mema area in Kasempa District continued to be undertaken.

- The Government re-emphasized its policy of auctioning gemstones locally in order to maximize benefits from the resource and promote transparency in the gemstones sector.

- Maamba Collieries recorded an increase in coal production to over 400,000 tonnes from 90,000 tonnes in 2012.

Mining (continued)

- Australian based mineral exploration and development company, Argonaut, increased its ownership of the Lumwana West Copper Concentrate Project in the North-Western province, from 51% to 90% through a final payment of US$1.1 million to the project promoters.

- Approval for the Environmental Impact Statement (EIS) related to the proposed lead/zinc recovery and copper processing at the Kabwe Mine was issued to Berkely Mineral Resources (BMR) of the United Kingdom by the Zambia Environmental Management Agency (ZEMA).

- The International Council of Mining and Metals (ICMM) launched its final report on the findings from the first ever independent study of mining's contribution to Zambia's economic and social development.

- The Copperbelt Mining Trade Expo and Conference (CBM –TEC) was held from 28 – 29 April 2014 where the mining industry was able to connect, network and do face to face business with Zambia's US$7.5 billion copper sector.

Structural Reforms and Public Sector

- Government approved the transfer of the functions of the Public Private Partnership to the Zambia Development Agency to facilitate the merger of the two institutions.

- To enhance transparency, accountability and citizen participation in the planning and budgeting process, Government has developed the first ever National Planning and Budgeting Policy. The main aim of the policy is to create a coordinated and integrated national development planning and budgeting system that is responsive, transparent, accountable and result based with increased parliamentary oversight. This policy forms the basis for the enactment of the planning and budgeting legislation as provided for in the constitution.

Review of 2014 Economic Performance (Continued)

Structural Reforms and Public Sector (continued)

- The Public Service Pensions Fund received K21.7 million as employer's share towards the June 2014 pension contributions.

- All the 32 newly created districts have been operationalized. Construction of infrastructure has commenced in five (5) of these districts. Construction of district office and infrastructure in the remaining 27 districts will commence before the end of 2014. In addition infrastructure in Choma and Chinsali, the new provincial headquarters of Southern and Muchinga provinces respectively, is being upgraded.

- Government has established the Industrial Development Corporation (IDC) to oversee and manage the State-Owned Enterprises as well as complement private sector investment in strategic areas.

- Government has also been recapitalizing a number of State Owned Enterprises for them to run on a commercial basis and contribute to the Treasury. The State Owned Enterprises recapitalised include National Savings and Credit Bank (NATSAVE), Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH), Zambia National Building Society (ZNBS), Zambia Railways Limited (ZRL) and Nitrogen Chemicals of Zambia (NCZ).

- To address the challenge of climate change, the National Climate Change Policy will be in place before the end of this year. This will provide for a coordinated response to climate change. It will further guide the growth of the Zambian economy in an environmentally sustainable manner.

- To ensure sustainable utilization of our natural resources, Government is revising the National Forestry Policy. The policy will address high rates of deforestation, environmental degradation and loss of bio-diversity. Further, the policy will facilitate local community and private sector participation in forest management. The illegal harvesting of Mukula tree has become a serious issue that requires immediate attention.

Structural Reforms and Public Sector (continued)

- In an effort to ensure that the legal and justice system remain current and responsive to the needs of our country and its people, government has put in place a Legal and Justice Reform Commission. The Commission will be recommending measures for transformation and modernization of our legal and justice system.

- Government's resolve to fight corruption in all its forms remains strong. Government has re-instated the Abuse of Office Clause in the Anti-Corruption Commission Act. Government has also strengthened the capacity of the Commission by establishing the Special Investigations Unit to deal with complex financial crimes which is now fully operational. Government shall continue to implement various programmes to streamline corruption prevention measures in both Public and Private Institutions.

- Government will strengthen and expand the operations of the Anti-Money Laundering Investigations Unit under the Drug Enforcement Commission (DEC) in order to adequately investigate financial intelligence being disseminated by the Financial Intelligence Unit (FIU).

- Government is committed to having a professional and efficient Public Service. In this regard, Government has established the National School of Government. In collaboration with the National Institute of Public Administration (NIPA), the School will offer training to those intending to join the public service and those already serving at all levels with a view to enhancing productivity.

- Further, Government this year approved the implementation of the Human Resources management reforms aimed at enhancing coordination among the service commissions, decision making, as well as decentralising human resource management. To this effect, a Bill will be tabled by 2015 in Parliament.

Review of 2014 Economic Performance (Continued)

Structural Reforms and Public Sector (continued)

- In addition, Government is transforming the delivery of Public Services through the use of

  Information and Communication Technology (ICT) to interface with Government, citizens and businesses. Citizens and business houses can now access some Government services Online. These services include application for passports, land management, and payment for some public services and registration of companies. This will lower the cost of doing business.

- The Customary Land Administration Bill has been drafted and will be tabled before Parliament in 2015. Once the legislation is enacted, it will ensure that the interests of local people in the rural farming communities are protected and promoted as well as improve the possibilities for better economic utilisation of land.

Micro, Small and Medium Enterprises (MSMEs) and the capital market

- During 2014, trading activity on the Lusaka Stock Exchange (LuSE) increased, reflecting improved investor sentiment and participation on the local bourse.

- Market capitalization increased by 8% to K62.9 billion while All-share index rose by 17% to 6,620.9 by end September 2014.

- The LuSE is in the process of Demutualising itself. Demutualisation is a process of opening up the LuSE to more shareholders from the current 10 members and it is a process of separating the shareholding of the Exchange from the stockbrokers.

Micro, Small and Medium Enterprises (MSMEs) and the capital market (continued)

- The market turnover reflected an increase of 635% to K765 million for the period to 30 June 2014 in comparison to the same period to 30 June 2013. This increase is mainly attributable to the sale by the Lafarge majority shareholder in order to comply with the Lusaka Stock Exchange Listing Rules. The volume of shares transacted as at 30 June 2014 grew by 52% to 267,128,616 shares as against 175,638,249 shares as at 30 June 2013. The number of trades for the first 8 months of 2014 reflected a 2% increase to 3,003 trades from 2,931 trades over the same period in 2013.

- The Debt Securities trading turnover for the period to 30 June 2014 declined by 2% to K912 million from K1,031 million over the same period under review in 2013.

- The total number of listed companies went up to 22 from 21 with the listing of Madison Financial Services. The primary listing for 21 companies is on LuSE whilst for one company it is the Johannesburg Stock Exchange (JSE). The Zambian Kwacha (ZM) has also been listed on the JSE.

- SEC, LuSE and the Private Sector Development Programme (PSDP) continue to work towards the establishment of an Alternative Investment Market (Alt-M) for Small and Medium Enterprises (SMEs).

- Madison Financial Services successfully listed 50 million shares through its Initial Public Offering (IPO) of 20 million shares at K3.10 which closed on 1 August 2014.

- Focus Financial Services Limited listed K400 million Medium Term Note Programme on the LUSE and issued the first tranche of K100 million on which the first interest payment is scheduled for October 2014.

Review of 2014 Economic Performance (Continued)

Micro, Small and Medium Enterprises (MSMEs) and the capital market (continued)

- IZWE loans listed K265 million Medium Term Note Programme on the LUSE and issued 2000 Notes per Series under Tranche I of series 1A, 1B and 2A valued at K10,000 per Note and 2000 Notes at US$ 10,000 per note under Tranche I of Series 3A.

- ZCCM-IH made a Rights Offer and reorganised its balance sheet so as to capitalize the Government of the Republic of Zambia indebtedness.

- Under the Empowerment Fund, the Citizens Economic Empowerment Commission (CEEC) funded a total of 800 projects country-wide which have created 13,423 jobs as at June 2014. Additionally, since 2011, government has disbursed a total of K32.6 million towards Youth empowerment. The Fund has been accessed by 759 Youth-led enterprises creating about 2,300 jobs in the informal sector nation-wide.

- Government has made progress in reducing the cost of doing business. Zambia's ranking on the 2014 Global Ease of Doing Business Index stands at 83 from 94 in 2013. In Africa, Zambia ranks eighth, fifth in SADC and fourth in COMESA.

- Furthermore, Zambia's ranking on the global Competitiveness Index also improved from 115 in 2010/2011 to 93 in 2013/2014.

- Of the landlocked countries in Africa, Zambia received the highest Foreign Direct Investment (FDI) in 2014.

Social Sector

- The Government's comprehensive Social Protection Policy to cushion the high levels of poverty in the country has been put in place.

- The Social Cash Transfer Scheme to cover the whole country is underway and 31 additional districts were brought on board.

- Government increased allocation to Social Cash Transfers by 700% under the cash transfer programme. The increment resulted in the number of beneficiary households rising from 63,000 in 2013 to 145,000 and this included 20,000 persons living with disabilities. The programme is expected to benefit about 500,000 households by 2016.

- Government upgraded all Classified Daily employees to permanent and pensionable employees.

- Public employment exchange centres were established and operational in all the provincial labour offices.

- The Online Job Portal to complement the public employment exchange centres was launched.

- Government adopted an industralisation and job creation strategy focusing on specific growth sectors such as agro-processing, manufacturing, tourism, construction, creative industries, information technology, metal fabrication, steel production, clothing and textiles.

- Various formal jobs in various sectors of the economy were created. The Government has a target of creating one million formal jobs by 2016.

- The Government initiated a programme to equip youths with tools, equipment and skills for the production of handicrafts and curios.

- Government accelerated the construction and rehabilitation of Arts and Cultural Centres in various parts of the country. The construction of a Cultural Centre in Ndola and an Art Gallery in Livingstone were completed.

Review of 2014 Economic Performance (Continued)

Monetary and Financial Sector

- The annual rate of inflation, as measured by the all items Consumer Price Index (CPI), at the end of September 2014 was 7.8%. The Government had set an inflation target of 6.5% for 2014.
- The Kwacha experienced rapid depreciation against other major partner trading currencies in the foreign exchange market in the second quarter of 2014. The Kwacha has since remained relatively stable due to corrective measures taken by Bank of Zambia (BoZ) which were mostly aimed at limiting excess liquidity in the market in the short term.
- The exchange of old for rebased currency at Commercial Banks ceased on 30 June 2014. The exchange of old currency for the rebased currency will only be conducted at the Bank of Zambia in Lusaka and Ndola for a further period of 18 months until 31 December 2015, which will mark the final cessation of the currency rebasing exercise.
- In order to tackle inflationary pressure and combat the volatility in the exchange rate, the Bank of Zambia tightened Monetary Policy by raising the policy rate from 9.75% in January 2014 to 12.0% in April 2014. The Statutory Reserve requirement was also increased by 600 basis points to 14% with effect from 10 March 2014. Following persistent volatility in the exchange rate, the Bank of Zambia took further measures to tighten liquidity in the banking system by extending the application of statutory reserves to government deposits and Vostro accounts, as well as tightening the maintenance regime for statutory reserves. Further, the Bank of Zambia extended the application of statutory reserve ratios to Government and other deposits not already subject to the reserve ratio. In addition, the Penal Rate on the overnight lending facility was raised and access limited to once a week. Finally, the maintenance of Statutory Reserves by commercial banks was tightened from a weekly average to a daily average basis. The measures the Bank of Zambia implemented had been successful in restoring relative stability in the foreign exchange market and in the financial sector in general. In July 2014, the Bank of Zambia was able to begin the process of easing the tight liquidity conditions in a gradual manner.

Monetary and Financial Sector (continued)

- Domestic credit rose to K21.9 billion end September 2014 from K19.7 billion at end December 2013.
- The daily average interbank rate reduced to 12.8% as at end September 2014 from 25% at end June 2014.
- The financial sector's aggregate capital adequacy and earning performance improved.

Privatisation

- Government has intensified efforts to re-establish a national airline to help boost the country's tourism sector.
- Government has made progress in operationalising the multi-facility economic zones in various parts of the country. The Chambishi multi-facility economic zone is operational and so far US$1.2 billion has been invested in the zone, creating over 8,000 jobs while progress has been made at the Lusaka East Multi-Facility Economic Zone.
- The Lusaka South Multi-Facility Economic Zone is also operational with initial private sector investment totalling US$52.5 million. This year, construction works on a US$10 million pharmaceutical plant commenced. In addition, work has started on the Zambian Breweries malting plant estimated at over US$30 million.

Budget Highlights

Taxation

The Honourable Minister of Finance and National Planning, in his Budget Speech indicated that the main objectives of the revenue measures are to consolidate Government's fiscal position and make the tax system simpler and more effective. This will entail accelerating the modernisation of tax administration and restructuring the current mining tax regime in order to capture more resources.

Personal Taxation

No changes have been made to the tax bands in the 2015 Budget. The tax bands therefore remain as they were for the fiscal Year to 31 December 2014.

Year to 31st December 2015

	%
First K36,000 per annum	Nil
Next K9,600 per annum	25
Next K25,200 per annum	30
Above K70,800 per annum	35

Year to 31st December 2014

	%
First K36,000 per annum	Nil
Next K9,600 per annum	25
Next K25,200 per annum	30
Above K70,800 per annum	35

The effects of these measures are that:

- a 30% rate will apply to income above K3,800 per month; and
- a top rate of 35% will apply on income above K5,900 per month.

Budget Highlights (Continued)

Company Tax	**31 December 2015 %**	**31 December 2014 %**
Tax rates		
Farming		
- Local	10	10
- Export of cotton	35	35
Rural manufacturing business for first 5 years	30	30
Export of non-traditional products	15	15
Other sources:		
- Manufacturing	35	35
- Others	35	35
- Fertilizers	10	10
Trusts, deceased or bankrupt estates	35	35
Banks	35	35
Companies listed on the Lusaka Stock Exchange:		
- Existing	33	33
- New (only for the first year)	34.3	34.3
- New with more than 33% shares taken up by Zambians (Only for the first year)	32.5	32.5
Mining:		
- All other mining companies (mining industrial minerals)	30	30
- Tolling	30	-
- Income earned from processing of purchased Mineral ores, concentrates and any other Semi – processed minerals	30	30
- Mineral royalty: (final tax)		
- Underground mining operations	8	6
- Open cast mining operations	20	6
- Capital allowances Rate for capital equipment	25	25

- Capital expenditure on new projects to be ring-fenced and deductible when production commences.
- A reference price deemed to be at arm's length, will be the basis for assessing of mineral royalties on base metals, gemstones and precious metals. The reference price shall be the price tenable on the London Metal Exchange, Metal Bulletin or any other commodity exchange market recognized by the Commissioner General.

Telecommunications:		
- On income up to K250 million	35	35
- Excess income	40	40

Budget Highlights (Continued)

Company Tax (continued)	**31 December 2015 %**	**31 December 2014 %**
Others:		
- Carry forward of losses from 5 years to 10 years for the energy sector.		
- Companies with turnover of K800 million and below (Income tax will be on turnover)	3	3
- Advance income tax on commercial imports by non registered traders	6	6
- Refund of up to 15% of expenses incurred in shooting movies locally		
Withholding Tax		
Individuals		
- Interest (final tax)	15	15
- Dividends (final tax)	15	15
- Dividends earned by individuals from companies listed on LuSE	0	0
- Royalties and management fees - resident	0	0
- Royalties, management and consultancy fees – non-resident	20	20
- Rents (final tax)	10	10
- Commissions - resident	15	15
- Commissions - non - resident	20	20
- Gaming, lotteries and betting (final)	20	20

Budget Highlights (Continued)

Withholding Tax (continued)	**31 December 2015 %**	**31 December 2014 %**
• **Persons other than individuals**		
Dividends (final tax)		
- other	15	15
- mining	0	0
Interest (not final tax)		
- other	15	15
- mining	15	15
- MFEZ and Industrial parks (foreign contractors)	0	0
Royalties and management fees – resident	15	15
Royalties, management and consultancy fees – non-resident	20	20
- commissions, public entertainment fees and contractor – non-resident	20	20
- mining companies	15	15
- MFEZ and Industrial Parks (foreign contractors)	0	0
- Commissions	15	15
- Branch profits distribution	15	15
• **Other payments**		
- Non-resident contractors	20	20
- Public entertainment fees (non-resident only)	20	20
• **Property transfer tax**		
- On the realisable value of the property (Property means: any land and improvements thereon and any share issued by a company in Zambia)	10	10
- Exclusion from liabilities of interest on related party loans used to purchase shares, unless conducted at arm's length.		
- Sale or transfer of mining right	10	10

Budget Highlights (Continued)

- **Indirect Taxes**

	Effective Date
- Increase the specific duty rate on refined edible oil to K2.2 per kilogram from 85 ngwee per kilogram	01.01.2015
- Increase Customs Duty on explosives to 25% and on roofing sheets to 30%	01.01.2015
- Increase Excise Duty on imported un-denatured spirits or alcoholic content of 80% or higher by volume to 125% from 0%	01.01.2015
(only applicable to importers who are not licenced to manufacture excisable products).	
- Removal of the 5% Customs Duty on Aviation Fuel	01.01.2015

Direct Taxes	**Effective Date**
• Double the Presumptive Tax payable by the operators of the public service vehicles	01.01.2015
• Redesign the mining fiscal regime by replacing the current two tier system with the following mining structure:	
- 8% mineral royalty for underground mining operations as a final tax;	01.01.2015
- 20% mineral royalty for open cast mining operations as a final tax;	01.01.2015
- 30% corporate income tax on income earned from tolling; and	01.01.2015
- 30% corporate income tax rate on income earned from processing of purchased mineral ores, concentrates and other semi-processed minerals, currently taxed as income from mining operations.	01.01.2015

Budget Highlights (Continued)

Non tax revenues

- Amendments to the following so as to update, strengthen and remove ambiguities in certain Acts:

  - Customs and Excise Duty;
  - Value Added Tax Act;
  - Income Tax Act;
  - Property Transfer Tax Act; and
  - Mines and Minerals Development Act.

- Reform of Land Titling procedures and the roll out of the Zambia Integrated Land Management and Information System.

Detailed Analysis of Budget

Revenue	Note	2015 K'million	%	2014 K'million	%
Domestic Revenue and Financing					
Mineral Royalty Tax		5,936.88	12.7	2,185.7	5.1
Income Tax	1	11,793.25	25.3	10,780.7	25.3
Value Added Tax		6,576.73	14.1	8,099.1	18.9
Customs and Excise duty	2	6,974.80	14.9	5,577.4	13.1
Non-Tax Revenue	3	10,012.59	21.5	6,397.4	14.9
Total Domestic Revenue and Financing		**41,294.25**	**88.5**	**33,040.3**	**77.3**
Foreign Grants and Loans					
Project financing	4	3,889.72	8.3	3,057.9	7.2
Non-project financing	5	1,482.59	3.2	6,583.8	15.5
Total Foreign Grants and Loans		**5.372.31**	**11.5**	**9,641.7**	**22.7**
Total Revenue and Financing		**46,666.56**	**100.0**	**42,682.0**	**100.0**

Notes:

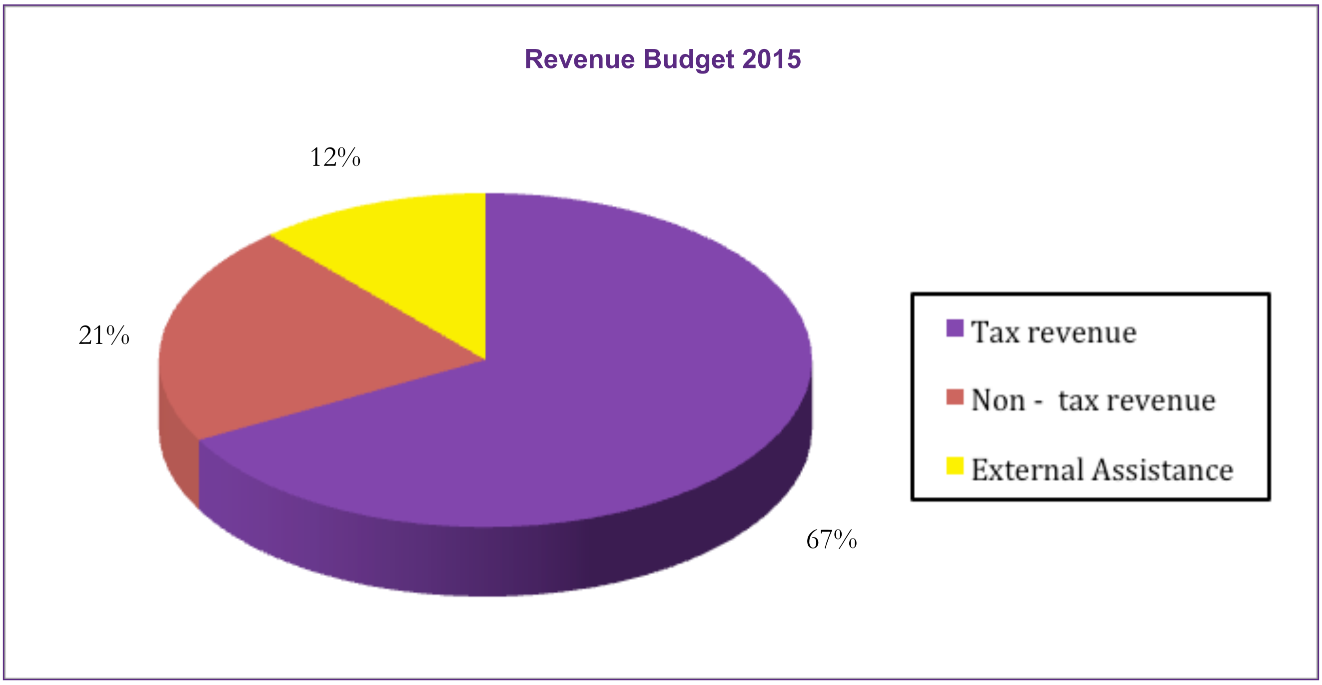
		K'million 2015	K'million 2014
1)	**Income tax**		
	Company income tax	2,399.44	4,046.9
	PAYE	7,466.90	5,132.1
	Withholding and other taxes	1,926.91	1,601.7
		11,793.25	10,780.7
2)	**Customs and excise duty**		
	Customs duty	3,341.38	2,330.9
	Fuel levy	903.13	861.0
	Excise duty	2,730.29	2,385.5
		6,974.80	5,577.4
3)	**Non-tax revenue**		
	Fees and fines	468.58	483.6
	Dividends and Exceptional	3,354.11	2,412.1
	Domestic borrowing and Bond proceeds	6,189.90	3,501.8
		10,012.59	6,397.5
4)	**Project Financing**		
	Project loans	2,676.13	1,515.1
	Project grants	1,213.59	1,542.8
		3,889.72	3,057.9
5)	**Non-project Financing**		
	General budget support	-	1,083.8
	Programme loans	1,482.59	5,500.0
		1,482.59	6,583.8

Detailed Analysis of Budget (Continued)

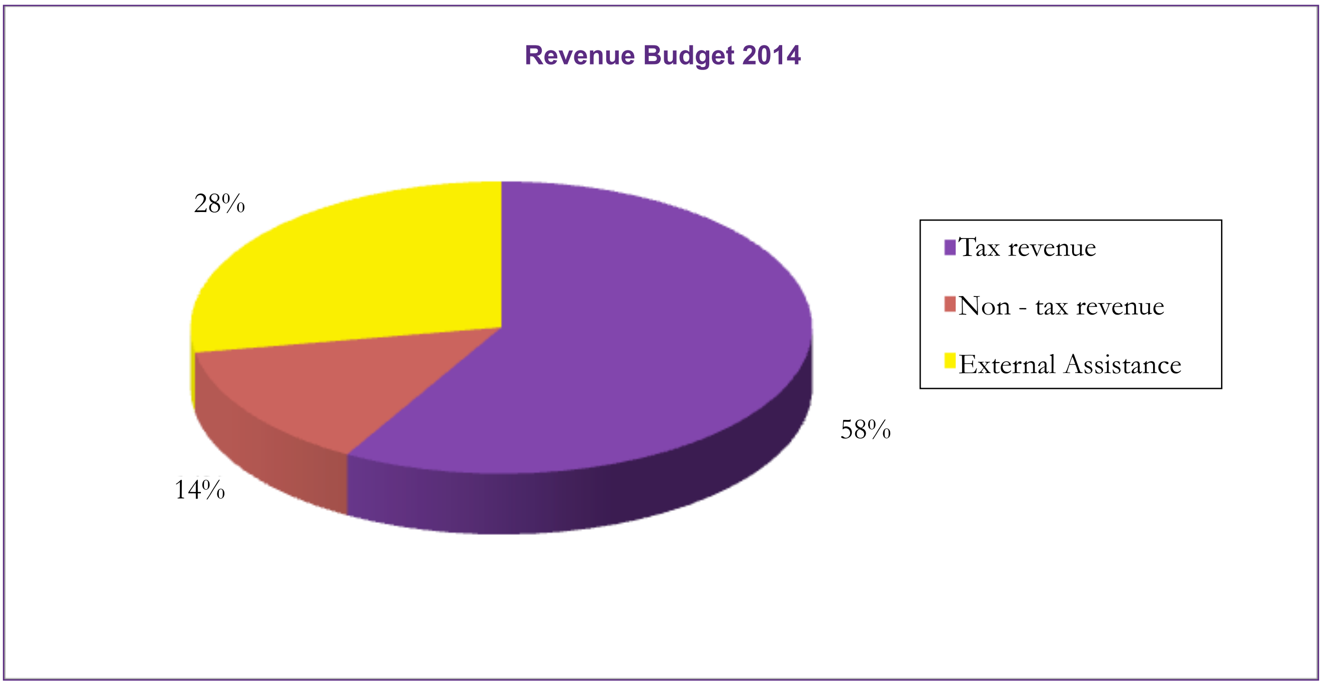
Expenditure	Note	2015 K'million	%	2014 K'million	%
General Public Services	1	12,040.2	26	10,729.3	25
Defence		3,247.2	6	2,744.3	6
Public Order and Safety		2,180.0	4	2,121.4	5
Economic Affairs	2	12,746.6	28	11,943.4	28
Environmental Protection		175.0	0	165.2	0
Housing and Community Amenities		798.7	2	661.0	2
Health	3	4,464.1	10	4,228.4	10
Recreation, Culture and Religion		323.6	1	299.0	1
Education	4	9,433.3	20	8,607.0	20
Social Protection	5	1,257.8	3	1,183.0	3
Total expenditure		**46,666.5**	**100**	**42,682.0**	**100**

Notes:		**K'million**
1)	The total amount includes:	
	- Local Government Grants	586.8
	- Constituency Development Fund	210.0
	- Domestic debt	2,896.2
	- External debt interest & amortisation	2,391.7
	- Compensation and awards	100.0
	- Constitution making process	29.7
	- Infrastructure in new districts	500.0
2)	The total amount includes:	
	- Economic Empowerment Funds	123.7
	- Sovereign Funds	100.0
	- Strategic Food Reserves	992.9
	- Farmer Input Support Programme	1,083.2
	- Rural Electrification Fund	70.7
	- E- Voucher System	254.9
	- Power Rehabilitation Project (ZESCO)	600.0
	- Construction and Rehabilitation of Dams	164.5
	- Roads Infrastructure	5,626.5
	- Livestock Disease Control	307.0
3)	The total amount includes:	
	- Drugs and Medical Supplies	753.5
	- Medical Infrastructure & Equipment	268.2
	- Recruitment of Health Personnel	52.5
4)	The total amount includes:	
	- School Infrastructure (Primary & Secondary)	1,069.5
	- University Infrastructure	650.0
	- Construction of Trade Institutes	79.6
	- Research and Development	28.5
	- Bursaries	200.2
	- School Fees Programmes	32.0
5)	The total amount includes:	
	- Public Service Pension Fund	805.0
	- Social Cash Transfer	180.6
	- Food Security Pack	50.0

Detailed Analysis of Budget (Continued)

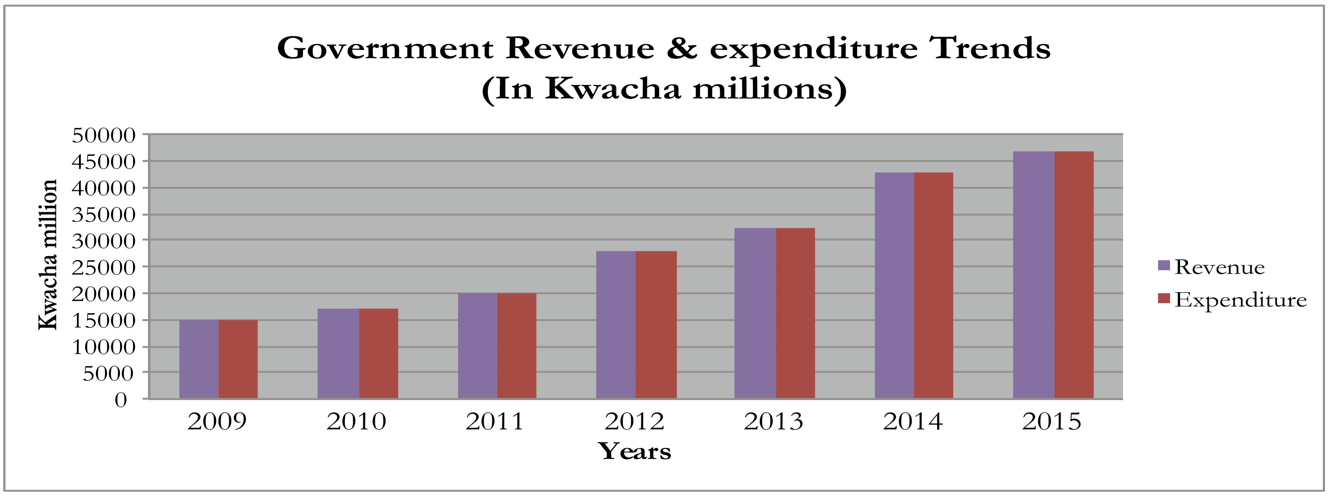


Source: 2015 Budget

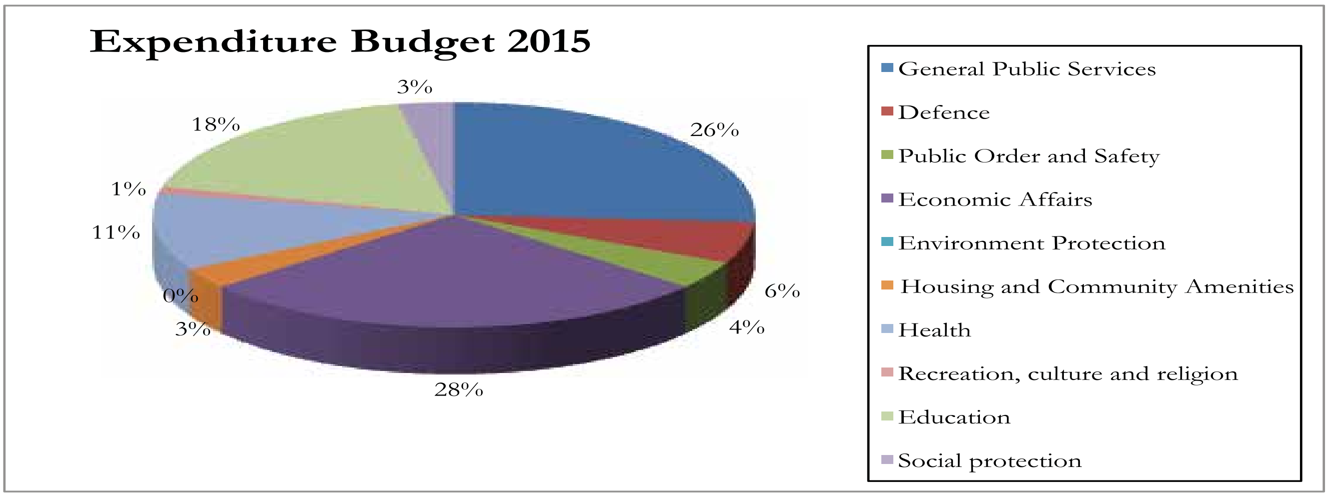


Source: 2014 Budget

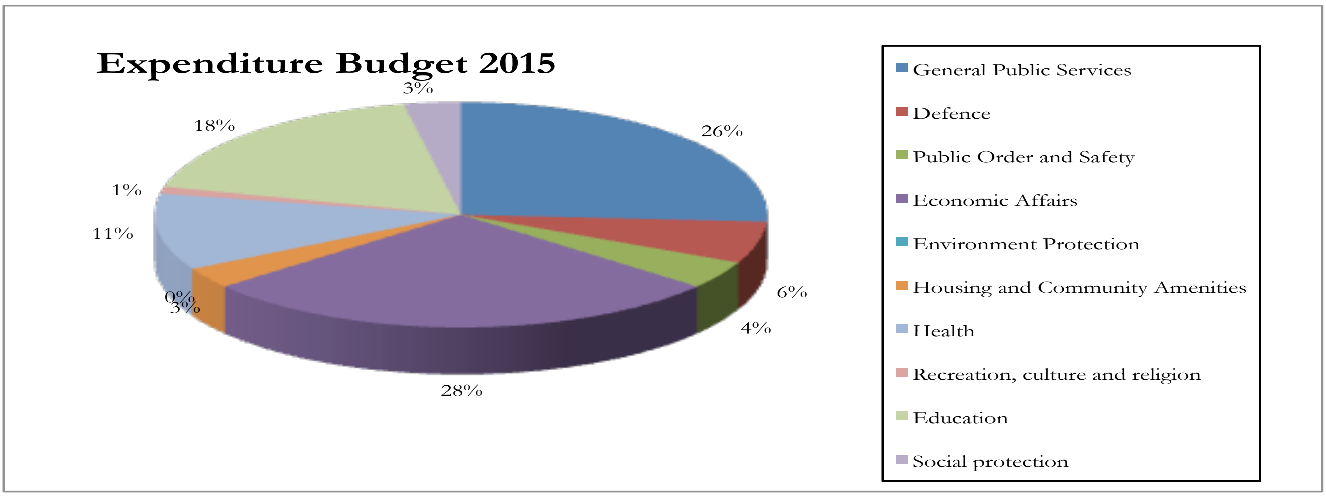
Detailed Analysis of Budget (Continued)



Source: Annual budget 2015



Source: Annual budget 2015



Source: Annual budget 2014

Tax Measures Specified By Zambia Revenue Authority (ZRA)

1.0 Direct Taxes

1.1 Compensating Measures

1.2 Redesign the tax regime for mining operations as follows:

- replace the Corporate Income Tax on income from mining operations that currently has a combination of corporate tax and variable profit tax with a simple mineral royalty based system by increasing the Mineral Royalty rate from 6 percent to:

  - 8 percent for underground mining operations; and
  - 20 percent for open cast mining operations.

- increase mineral royalty rate from 6 percent to 20 percent on a person in possession of minerals where the supplier to that person has not paid mineral royalty;

- maintain mineral royalty rate at the rate of 6 percent on industrial minerals; and

- provide for a Corporate Income tax rate at 30 percent on income from tolling; and

- provide for a Corporate Income tax rate at 30 percent on income earned from processing of purchased mineral ores, concentrates and any other semi-processed minerals, currently taxed as income from mining operations.

- The measure is intended to optimise Government revenue from the mining sector given that mineral resources are non-renewable. It is also intended to simplify the mining tax regime by making it less susceptible to tax evasion and avoidance. The proposed tax regime takes into consideration that underground mining and open cast mining have different cost structures.

- The companies mining industrial minerals will still be liable to corporate income tax on the income from their operations.

1.3 Increase the Presumptive Tax payable by public service vehicles as follows:

Type of vehicle (seating capacity)	**Current amount of tax per vehicle (per annum) K**	**Proposed amount of tax per vehicle (per annum) K**
64- seater and above	7,200	14,400
50-63 seater	6,000	12,000
36-49 seater	4,800	9,600
22-35 seater	3,600	7,200
18-21 seater	2,400	4,800
12-17 seater	1,200	2,400
Below 12 seater	600	1,200

Tax Measures Specified By Zambia Revenue Authority (ZRA) (Continued)

1.0 Direct Taxes (continued)

- The measure is intended to increase Presumptive Tax on public service vehicles to take into account the loss in real value of taxes due to inflation. The Presumptive Tax rates have not been changed since the introduction of the tax in 2004.

2.0 House Keeping Measures

2.1 Amend the relevant tax legislation so as to provide for:

- a different due date (i.e. 5th of the month) for the filing of manual returns relating to PAYE and Turnover Tax;

- mandatory electronic filing of Turnover Tax returns for businesses whose turnover exceeds K200,000 per annum; and mandatory electronic filing for Annual Income Tax returns, PAYE returns and VAT returns.

- The measures are intended to increase the uptake of electronically filed returns. This will reduce both the cost of administration and compliance as well as enhance efficiency. The due date for manual submission of returns will be brought forward to the 5th day of the month from the 14th day following the period the returns relate to. The late submission of returns will attract penalties.

2.2 Amend Section 2 of the Income Tax Act by changing the definition of Minerals" to align it with the definition provided in the Mines and Minerals Development Act No 7 of 2008.

- The amendment is intended to harmonise the understanding of what constitutes minerals with the provisions of the Mines and Minerals Development Act. Currently the definition in the Income Tax Act excludes most minerals that are won through quarrying.

2.0 House Keeping Measures (continued)

2.3 Provide for the taxation of income earned by a business resident in Zambia and arising from the carriage of persons, mail, livestock or any other goods shipped or loaded outside Zambia to other destinations outside Zambia to prevent double non-taxation.

- Zambia implements the source rule regime for taxation of income. This means that only income with a source in or deemed to have a source in Zambia can be taxed.

2.4 Amend section 81AA of the Income Tax Act to align the definition of "permanent establishment" with current international definitions.

- This measure is meant to align the definition of "permanent establishment" with current definitions used in international models and the updated Zambian model of Tax Treaties. This will ensure that full taxing rights are provided in our domestic legislation where we have variances with what is contained in the Tax Treaties signed with other countries.

2.5 Amend the sub-heading in Paragraph 6A of the Second Schedule to align it with the substantive provisions of paragraph 6A of the Second Schedule to the Income Tax Act.

- The measure is intended to amend the sub-heading under Paragraph 6A to cover other entities that are exempt from Income Tax but are still subject to Withholding Tax on interest arising from treasury bills, Government bonds, corporate bonds or any financial instrument or securities.

Tax Measures Specified By Zambia Revenue Authority (ZRA) (Continued)

2.0 House Keeping Measures (continued)

2.6 Provide for the accounting of Withholding Tax deduction on profits repatriated by a branch of a foreign company.

- This measure is intended to provide for the accounting of Withholding Tax on branch profits repatriated by a foreign company.

2.7 Amend the definition of "turnover" in the Turnover Tax Regulations to exclude interest, rental income, royalties and dividends as provided under the Income Tax Act.

- The measure is intended to clarify that passive income is excluded from the turnover Tax regime. This will align the definition with the provisions in the Act.

2.8 Remove the requirement for businesses to submit financial statements and other information together with electronically filed annual Income Tax returns.

- This measure is intended to remove the requirement for businesses to submit financial statements together with annual Income Tax returns, following the introduction of electronic filing.

2.9 Limit exemption from Property Transfer Tax on the transfer of property where there is group re-organisation to a group of companies that has a holding company incorporated in Zambia.

- This measure is intended to ensure that relief is restricted to only a group of companies whose holding companies are resident in Zambia. The measure will also encourage holding companies to incorporate in Zambia.

2.0 House Keeping Measures (continued)

2.10 Restrict the deduction of bad and doubtful debts incurred by banks and other financial institutions in determining taxable income only to the extent not covered by security or collateral pledged.

- The measure is intended to disallow bad debts secured by collateral when determining taxable income. Currently, deduction of bad and doubtful debt is allowed in determining taxable income whether secured or not.

2.11 Align the Income Tax Act (Charging Schedule) that provides for Income Tax incentives provided through ZDA to the ZDA (Multi-Facility Economic Zone and Industrial Park) (Priority Sectors) (Declaration) Order of 2014 (Statutory Instrument No. 17 of 2014)

- Government has been streamlining the tax incentive structure to limit it to the priority sectors and align it to its priorities of taking development to the rural areas. In doing so, the Income Tax incentives have been restricted to manufacturing activities in rural areas, in Multi-Facility Economic Zones and Industrial Parks. To improve administration of the Income Tax incentives, there is need to align the Income Tax Act to the amendments made during the year under the Statutory Instrument No.17 of 2014 on priority sectors.

Tax Measures Specified By Zambia Revenue Authority (ZRA) (Continued)

2.0 House Keeping Measures (continued)

2.12 Align the Tax exemptions on income of entities or persons in the Income Tax Act to the provisions of the Millennium Challenge Compact Act No. 6 of 2013.

- The measure is intended to amend the Income Tax Act to cover all eligible entities or persons such as contractors, consultants and other vendors that may qualify for tax exemption on income from the Millennium Challenge Account (MCA) as provided in the Millennium Challenge Compact Act No. 6 of 2013.

3.0 Value Added Tax Measures

3.1 House Keeping Measures

3.2 Amend the law on Intending Trader Scheme to:

- restrict deductions of input tax; and
- provide for the Commissioner General to make Administrative Rules on the deduction of input tax incurred by intending traders.
- The VAT Law provides for an intending trader scheme where a business can claim input VAT prior to commencement of business or trading activities. This measure will restrict input tax deductible by intending traders to corresponding business lines after the expiry of the period where one has not commenced trading.

3.0 Value Added Tax Measures (continued)

3.3 Amend Section 17 of the VAT Act to clarify the effective date of charging penalty on delayed payment of tax due on a VAT Return.

- The measure is intended to ensure that the penalty for late payment is linked to the due date of the return. Currently, the Act provides for penalties on delayed submission and delayed payment of tax on the return. However, the start date of the penalty on late payment is linked to the date of submission of the return instead of to the due date of the payment.

3.4 Enhance the anti-avoidance provisions in Section 50 of the VAT Act.

- This measure is intended to enhance the anti-avoidance provisions where a scheme to obtain undue benefit is detected if either of the conditions provided in section 50 of the VAT Act are met. Currently, the provisions for anti-avoidance can only be invoked if both conditions, on which undue tax benefit is obtained, are fulfilled.

3.5 Allow suppliers whose turnover falls below the registration threshold for VAT within an accounting year to de-register after the end of such an accounting year.

- This measure is meant to enable taxpayers to complete an accounting year with minimal disruption to business as it relates to VAT registration.

Tax Measures Specified By Zambia Revenue Authority (ZRA) (Continued)

3.0 Value Added Tax Measures (continued)

3.6 Provide clarity on the nature of agricultural products that are exempt under Group 16 of the First Schedule of the VAT Act by changing the punctuation in the provision.

- The measure is intended to bring clarity by tidying up the wording in the Law. Currently, the VAT Exemption Order on agricultural products is not very clear on the exempt products due to the punctuation in the text.

3.7 Provide clarification on what items qualify for zero rating under projects funded by Donor funds or co-financed with the Government.

- The measure is intended to clarify that only goods and services that are deductible under the VAT Act qualify for zero-rating under the relevant agreement and the good/services qualifying are those for the project/programme and not for the contractors so as to avoid possible abuse.

3.8 Amend Group 16 (e) (iv) of the first schedule of the VAT Act by substituting "stock feeds" with "animal feed"

- This measure is intended to harmonise the provisions on animal feed with the Animal Health Act of 2010.

4.0 Customs And Excise Measures

4.1 Concessions

4.2 Remove Customs Duty of 5 percent on aviation fuel

- The measure is intended to remove Customs Duty on aviation fuel to reduce costs in the aviation sub-sector.

5.0 Compensating Measures

5.1 Increase Excise Duty on un-denatured spirits of alcoholic content of 80 percent or higher, by volume, from zero percent to 125 percent

- The measure is intended to restore the collection of Import Excise Duty on imported un-denatured spirits of alcoholic content of 80 percent or higher, by volume, when imported by unlicensed importers.

5.2 Suspend Excise Duty on un-denatured spirits of alcoholic content of 80 percent or higher, by volume, to zero (0) percent, when imported by a licenced excise manufacturer.

- This measure is intended to support the growth of the local manufacturers of potable spirits.

5.3 Increase Customs Duty on explosives to 25 percent from 15 percent.

- This measure is aimed at stimulating local production of explosives for use in mining, quarrying and road construction activities.

Tax Measures Specified By Zambia Revenue Authority (ZRA) (Continued)

5.0 Compensating Measures

5.4 Increase Customs Duty on roofing sheets to 30 percent from 25 percent

- This measure is intended to discourage imports and stimulate local production of roofing sheets while at the same time creating employment opportunities.

5.5 Increase the specific Customs Duty on refined edible oil to K2.20 per kilogram from K0.85 per kilogram

- The measure is intended to bring the current specific rate at par with the ad valorem rate of 25 percent charged on imported refined edible oils so that there is no incentive for undervaluation at importation. Currently, edible oils attract ustoms Duty at 25 percent or a specific rate of K0.85 per kilogram whichever is higher.

6.0 House Keeping Measures

6.1 Introduce a penalty of 5000 penalty units (K1,000) for submission of multiple declarations for the same transaction by Declarants and provide for de-registration after the third offence.

6.2 Amend the Customs and Excise Act to distinguish among the various value addition services offered by mobile phone service providers

- This measure is intended to separate tariff codes for various services offered by mobile phone service providers such as voice, data and SMS . Currently there is only one tariff code that covers all the various services offered by mobile phone service providers.

6.0 House Keeping Measures (continued)

6.3 Increase the ASYCUDA processing fee to 415 fee units (K83.00) from 278 fee units (K55.60)

- The ASYCUDA processing fee is meant for the maintenance, replacement and expansion of automated Customs services including the provision of internet connectivity for enhanced real-time communication.

7.0 Cross-Cutting Measures

7.1 House Keeping Measures

7.2 Provide for the indemnification of the Zambia Revenue Authority against any form of order obtained to seize its property.

- The measure is intended to indemnify the Authority against exposure to the risk of having property seized by bailiffs as such action often results in serious disruption of operations and is detrimental to revenue collection.

Medium Term Expenditure Framework (MTEF) – 2015 to 2017

Introduction

To attain the development objectives in the Revised Sixth National Development Plan, the Government's focus, in the medium term is on:

- ensuring economic growth is more inclusive, especially for those in rural areas;
- development of infrastructure and human capacities;
- reducing poverty and inequality on a sustainable basis; and
- building upon the favourable microeconomic performance recorded over the last five years such as:
  - attainment of single digit inflation rate
  - high economic growth rates
  - positive trade balances.

To ensure programme implementation in the above areas, Government is to:

- promote high growth in labour intensive sectors of agriculture, tourism, manufacturing and construction;
- sustain economic growth rates of not less than 7 percent;
- restrain non-priority spending;
- keep inflation low and stable;
- promote Zambia as an investor friendly destination; and
- implement structural reforms aimed at reducing the cost of doing business.

The Government will continue to implement reforms aimed at enhancing domestic resource mobilization and orienting public expenditure to strategic programmes in order to deliver social justice and inclusive development.

Introduction (continued)

The focus of Government will also be to ensure that growth is inclusive and pro-poor so that the benefits of a stable microeconomic environment, positive economic growth and single digit inflation bring about improved standards of living for the Zambian people. This will be achieved by stepping up both human effort and financial resources in areas that have a direct impact on the improvement of individuals' quality of life such as:

- education and skills development;
- health care;
- agricultural support;
- citizen empowerment;
- employment creation;
- provision of public infrastructure; and
- social amenities.

The Government's fiscal strategy will include creation of additional fiscal space by:

- strengthening domestic resource mobilization efforts;
- streamlining of tax and non tax policy and administration;
- continuing to constrain non priority spending;
- implementation of structural reforms in supporting private sector led growth; and
- strengthening public sector management.

The microeconomic framework and policy environment have been premised on a number of domestic and external assumptions which could affect microeconomic outcomes over the MTEF period such as:

- any slowdown in the projected global economic growth could have adverse effects on the domestic economy;
- lower copper prices;
- significant reduction in programmed levels of external financing;
- exchange rate volatility;
- higher oil prices;
- adverse weather conditions; and
- significant power deficits if there are delays in commencement of planned power generating projects.

Medium Term Expenditure Framework (MTEF) – 2015 to 2017 (Continued)

Macroeconomic policy

The Government policies in the medium term will continue to focus on creating jobs and reducing poverty and inequality on a sustainable basis. The specific broad socio-economic policy intentions during the MTEF period will be to:

- achieve average annual real GDP growth rate above 7 percent;
- maintain single digit inflation;
- raise domestic revenue collections to over 18 percent of GDP;
- accelerate the diversification of the economy;
- increase international reserves to 4 months of import cover by end of 2017;
- contain domestic borrowing to less than 2.0 percent of GDP by 2017;
- continue to promote Zambia as an investor friendly destination;
- continue with structural reforms aimed at reducing the cost of doing business; and
- accelerate the implementation of interventions in the health, education and water and sanitation sectors.

Economic and sector policies

Agriculture, livestock and fisheries

The strategic focus for the sector by Government will be to:
- increase productivity and value addition in the crops, livestock, fisheries and horticultural subsectors;
- facilitate modernisation and mechanisation;
- promote and enhance crop diversification from maize to other crops;
- increase the area under irrigation;
- enhance and decentralise research and extension services;
- promote conservation farming;
- increase the use of improved seed variaties and adoption of appropriate technology;
- establish livestock breeding centres;
- promote artificial insemination;
- increase milk collection centres;

Agriculture, livestock and fisheries (continued)

- prioritise infrastructure development and rehabilitation;
- enhance livestock disease controls;
- focus on acquaculture development;
- improve infrastructure for fish research and marketing;
- ensure agro-processing is encouraged;
- strengthen co-management of capture fisheries in natural water bodies i.e. fish restocking and promoting use of sustainable fishing methods and practices;
- improve access to finance especially in rural areas;
- enhance storage facilities; and
- improve farmers' access to finance and to local and international markets.

Tourism

The key areas of intervention during the MTEF period will be:
- infrastructure development particularly access roads and airports;
- facilitation of diversification and expansion of tourism products;
- enhancement of tourism marketing; and
- improvement in quality of service provision and promotion of sustainable tourism development.

The Government will also continue putting in place measures to:
- streamline processes and simplify the legal and regulatory framework by reviewing the Tourism and Hospitality Act of 2007 and the Zambia Wildlife Act of 1998.

Manufacturing

The Government will continue with industrial expansion which will be facilitated through infrastructure development in industrial parks and Multi Facility Economic Zones (MFEZs). It is anticipated that the following MFEZs will be completed by 2017:

Medium Term Expenditure Framework (MTEF) – 2015 to 2017 (Continued)

Manufacturing (continued)

- Chambeshi
- Lusaka South
- Lusaka East
- Lumwana

Construction works for an MFEZ will commence in Choma.

The following industrial parks will become fully operational by 2015:

- Roma Industrial Park; and
- Sub-Sahara Gemstone Exchange Industrial Park.

The Government will also continue to provide for Micro, Small and Medium Enterprises (MSMEs) by:

- focusing on entrepreneurship training and development;
- technological skill development and on-farm agro-processing training;
- establishment of business incubation centres and industrial clusters; and
- establishment of business linkages between MSMEs and Multi-National Corporations.

Construction

In order to deal with the deficit in residential, commercial and public infrastructure and seize the enormous potential that the construction sector holds for job creation and alleviation of poverty for the majority Zambians, the Government will:

- promote the use of sub-contracting as a measure to build capacity of local contractors;
- facilitate business linkages between large and small scale contractors;
- enforce the preferential procurement threshold provision for public works;
- promote training and skills acquisition in road construction, bricklaying and related works in order to meet the demand for inputs for construction; and
- continue to facilitate the development of quality, adequate and affordable housing units for all income groups.

Construction (continued)

In order to create employment opportunities, Government will further:

- utilize labour intensive road construction techniques;
- hasten the implementation of the Pave Zambia 2000 project; and
- promote the use of cobblestones and pavers instead of bitumen for township roads.

Energy

The overall goal in the energy sector will be to ensure availability of adequate and reliable supplies of energy at the lowest cost while taking due regard to environmental protection.

In the electricity sub-sector:

- power generation capacity will be increased by investment in additional and new generation power plants;
- the rural electrification program will continue in order to increase access to electricity in rural areas; and
- transmission capacity will also be enhanced through the construction of new transmission lines across the country.

In the petroleum sub-sector, Government will focus on:

- ensuring security of supply of petroleum products;
- construction of additional strategic petroleum reserve depots; and
- putting in place an efficient mechanism for procuring petroleum strategic stocks.

Medium Term Expenditure Framework (MTEF) – 2015 to 2017 (Continued)

Transport infrastructure

The Government will continue to enhance connectivity of national and regional transport infrastructure. At national level, focus will be:

- to construct additional inter-provincial and inter-district roads to open up the country mainly through:
  - the Link Zambia 8000;
  - Pave Zambia 2000 project;
- feeder roads, urban roads and access roads to tourist sites; and
- the core road network will continue to be rehabilitated and maintained.

At regional level, emphasis will be placed on:

- addressing gaps under the realm of the spatial development initiative covering:
  - the North-South corridor;
  - Walvis Bay;
  - Nacala, Dar-es-Salaam, Beira/Lobito; and
  - Shire Zambezi.

Under rail transport, focus will be on:

- Rehabilitation and maintenance to complement the other modes of transport.

The focus of the water transport sub-sector will be to:

- Rehabilitate and upgrade the existing canal network to facilitate efficient local, national and regional trade; and
- Rehabilitate and expand of Mpulungu harbour.

In the aviation sub-sector, focus will be on the construction, upgrading and rehabilitation of airports and aerodromes in selected districts.

Transport infrastructure (continued)

The Government will also explore alternative sources of financing the transport sector such as the use of Public-Private Partnerships (PPPs). This will include the use of various modes such as the Build Operate and Transfer (BOT).

Further, measures will be reinforced aimed at streamlining the operations of road tolls and facilitate the involvement of the private sector in road construction.

Mining

The mining sector will continue to play a dominant role in the economy. Copper production is projected to reach over 1,000,000 metric tonnes by 2017. The Government will thus:

- provide diversification to minerals such as gemstones, nickel, gold, manganese and iron. The Government will continue to encourage both local and foreign investment for production of these minerals.

Information and Communication Technologies (ICT)

The Government intends to mainstream ICT in key sectors of the economy in order to:

- promote innovation;
- improve efficiency; and
- accelerate development.

Further, the Government will promote the development and maintenance of ICT and meteological infrastructure, delivery of integrated, accessible and convenient e-services in areas such as:

- health;
- education;
- local government; and
- business services.

Medium Term Expenditure Framework (MTEF) – 2015 to 2017 (Continued)

Information and Communication Technologies (ICT) (continued)

The Government will also enhance access to print and broadcast media in the provincial capitals and rural areas. The Government will facilitate the expedient replacement of equipment for migration of information and communication systems from Analogue to Digital Technology by 2015.

The Government will also continue with the universal access project in under-serviced areas which will involve the construction of over 600 Transmission Towers.

Education and skills development

The Government will continue to focus on increasing equitable access to quality education and skills relevant to the needs of Society over the period 2015 – 2017, in order to increase access by:

- construction of education facilities at all levels;
- Early Childhood Development Education (ECDE) will remain paramount, particularly in rural areas; and
- ensuring that children acquire literacy and numeracy skills in early grades.

The Government will also continue to improve the quality of education by:

- continuing the programme of upgrading teacher qualifications to meet minimum required standards;
- reviewing the education curriculum to put emphasis on life skills;
- promoting research and greater collaboration between industry and research institutions.

The training of teachers in Science, Mathematics and Technology (SMT) subjects will be scaled up in 2015 – 2017. The Government will also continue to implement the school feeding programme in order to provide the cognitive development of young children, particularly the disadvantaged.

Health

In the health sector, the Government's objective will be to increase access to quality health care. This will be achieved by:

- increasing the availability of human resources;
- establishing specialised health centres of excellence;
- initiating community based interventions aimed at preventing and controlling the spread of diseases.

Government will also put in place a National Social Health Insurance (NSHI) scheme which will provide alternative healthcare financing.

The Government will continue to provide cost effective primary healthcare and specialised referral medical care to all, which will be achieved through:

- provision of essential drugs and medical supplies;
- recruitment of qualified medical personnel; and
- provision of appropriate infrastructure and equipment.

Water supply and sanitation

To ensure provision of reliable and safe water supply and sanitation services, Government will continue to focus on improving water and sanitation infrastructure. Government will also put in place measures for effective water resource management. It is projected that the population accessing safe water will exceed 90 percent by 2017.

Social protection

The Government will continue to implement the Social Cash Transfer and Food Security Pack programmes in order to reduce the number of people in extreme poverty.

Medium Term Expenditure Framework (MTEF) – 2015 to 2017 (Continued)

Structural reforms

Fiscal decentralisation

Government will put in place an equitable, efficient and transparent intergovernmental fiscal regime in order to prepare for the effective devolution of functions to Councils.

The Local Government Equalisation Fund (LGEF) will be established in 2015.

The Government will also transfer some capital project finances that are currently allocated under sector ministries to provincial administration offices as a first step in bringing both resources and decisions closer to the communities where projects are implemented.

Public financial management

The Government has prioritised the implementation of Public Financial Management (PFM) reforms and will thus:

- enact the Planning and Budgetary Bill;
- review the Public Finance Act;
- fully operationalize the Treasury Single Account (TSA);
- establish mining sector monitoring systems;
- restructure the Zambia Public Procurement Authority (ZPPA); and
- strengthen internal audit mechanisms.

The Government will also review the status of all Grant Aided Institutions in order to assess viability and the possibility of reverting unsustainable institutions back to Central Government or their abolition/possible mergers.

In order to enhance the performance orientation of the budget, the Government will move from Activity Based Budgeting (ABB) to Output Based Budgeting (OBB).

Pension Reform

The Government has identified the urgent need for medium and long term measures to overhaul and rationalize the pension system. In this regard the Government has proposed to redesign the pension rules and framework, in order to harmonise the social security legislation into a single Pension Act and broaden private sector participation in fund management.

Public sector development

Government will consolidate the implementation of interventions that are aimed at creating jobs and wealth, which will entail continuation of reforms to streamline business registration, licensing and granting of incentives.

Fiscal policy for the 2015 - 2017 MTEF

The fiscal policy over the next three years will focus on consolidation, which entails the implementation of strategies for minimising deficits and the accumulation of more debt. The Government will continue to enhance domestic resource mobilization by implementing tax policy and administration measures to increase domestic revenue as a share of GDP to approximately 18.3 percent by 2017. Other fiscal measures will include expenditure rationalization. The overall fiscal deficit as a proportion of GDP is projected as follows:

- 2015 – 4.4 percent;
- 2016 – 4.1 percent; and
- 2017 – 3.2 percent.

Revenue mobilisation and financing

The Government plans to enhance domestic revenues by implementing the following policy and administrative measures:

- stiffen sanctions for tax evasion;
- set up a Task Force to undertake spontaneous tax inspections;
- introduce measures to promote production and consumption of goods which are locally produced by Zambian companies;

Medium Term Expenditure Framework (MTEF) – 2015 to 2017 (Continued)

Revenue mobilisation and financing (continued)

- recapitalization of strategic parastatal institutions such as the Development Bank of Zambia (DBZ) and National Savings and Credit Bank (NATSAVE);

- Government will also institute deliberate efforts to provide SMEs and protect these "infant" industries through:
  - introduction of specific measures to make locally produced goods more competitive;
  - restrict Ministries from importing goods that are otherwise locally manufactured;
  - make it mandatory for Government Projects, including those funded by loans or borrowings, to have a minimum level of Zambian content in their materials.
  - review and negotiate where possible avoidance of Double Taxation Agreements (DTAs), to ensure that the benefits of such Agreements also accrue to Zambia.

Total expenditure over the MTEF period will amount to K148.0 billion broken down as follows:

Year	K'billion
2015	44.3
2016	49.6
2017	54.1
Total	**148.0**

The table below summaries selected macroeconomic indicators for 2013 – 2017

Table 1: Selected Macroeconomic Indicators (2013-2017)

	2013*	2014**	2015**	2016**	2017**
Real GDP (%) growth	6.7	6.5	7.3	7.9	7.7
Inflation (end of period) (%)	7.2	7.0	7.0	5.5	5.3
Inflation (annual average) (%)	7	8.1	7.8	6.7	5.9
Domestic Revenue (% of GDP)	20.9	21.1	19.8	21.5	22.3
Overall Fiscal Deficit, incl. grants (% of GDP)	6.6	5.1	4.4	4.1	3.3
Domestic borrowing (% of GDP)	1.7	2.1	2.0	1.9	1,7
Current account balance, incl. grants (% of GDP)	0.7	1.5	2.1	0.8	0.1
Gross International Reserves (months of import cover)	2.6	3.4	3.6	3.8	3.9
Gross International Reserves (Total, US$ billions)	2,684	2,990	3,539	4,188	4,837
Nominal GDP (K'millions)	144,775	166,078	189,783	216,645	244,561
Nominal GDP (US$ 'billions)	26,845	25,950	28,790	31,908	34,970
GDP per capita (in US$)	1,911	1,847	1,999	2,216	2,369
Copper prices (US cents/1b)	3.3	3.1	3.1	3.1	3
Copper prices (US$/MT)	7,331	6,880	6,783	6,740	6,698
Oil price (US$/barrel)	104.1	104.2	97.9	93	90

Source: Ministry of Finance

* Preliminary

** Projections

Doing Business in Zambia

- Zambia was recently voted as having attracted the largest Foreign Direct Investments (FDIs) among the landlocked countries in Africa in 2014. This attests to the attractiveness of doing business in Zambia. Since 1991 the Government of the Republic of Zambia (GRZ) has been providing an enabling environment for businesses, both public and private to thrive. For the last 50 years since its independence in 1964, Zambia has been politically stable and has a young and stable democracy. It is an oasis of peace.

- The Government continues to create an enabling and conducive regulatory environment for operating business in Zambia through:

  - Revamping of the Patents and Companies Registration Agency (PACRA) and the creation of a one stop shop.

  - Elimination of the minimum capital requirement for the business start up.

  - Land registry computerisation and creation of customer service centre to eliminate the backlog of registration requests. As a result, the time required to register property in the country has reduced.

  - Positioning the country well with comparator economies on the ease of obtaining credit by strengthening access to credit information by use of credit reference reports and data provided to the Credit Reference Bureau by banks and non- bank financial institutions.

  - Implementation by Zambia Revenue Authority (ZRA) of electronic filing and payment (e-filing and payment) systems to enhance tax compliance.

  - Implementation of one - stop border posts at Chirundu, Livingstone, Kasumbalesa and Nakonde to ease trade for importers and exporters of goods. Zambia Revenue Authority (ZRA) has also launched web-based submission of customs declaration and scanning machines at some border posts.

- Globally the table below shows how Zambia stands in ranking of 189 economies in terms of Doing Business:

Ease of Getting Credit	13
Ease of Starting a Business	45
Dealing with Construction Permits	57
Ease of paying taxes	68
Ease of Resolving Insolvency	73
Protecting Investors	80
Registering Property	102
Ease of Enforcing Contracts	120
Getting Electricity	152
Ease of trading across borders	163

Source: World Bank Group Corporate Flagship – 11th edition

Payment for Domestic Goods and services in foreign currency in Zambia

- The Government issued Statutory Instruments Number 33 (SI33) and Number 78 (SI78) of 2012 which effectively prohibited a person or business to quote, pay or demand to be paid or receive foreign currency as legal tender for goods, services or any other domestic transaction in Zambia. However, the two Statutory Instruments were subsequently revoked in March 2014 by the Government due to challenges businesses faced as a result of implementation of the Statutory Instruments.

Monitoring of Balance of payments

- The Government issued Statutory Instrument Number 55 (SI 55) to monitor balance of payments effective 1 July 2013. This SI was also subsequently revoked by the Government in March 2014 due to implementation challenges faced by businesses.

Doing Business in Zambia (Continued)

Why Invest in Zambia

- Zambia is a large country with a relatively small population, good climate to live in and has abundant natural resources and consequently a conducive country to do business in. Some of the salient statistics of Zambia are shown in the table below:

Land area	752,618 sq. km
Population	Approximately.14 million, constituting a large population of young people and relatively skilled labour force.
Gross Domestic Product (GDP) per capita	Approximately. US$ 1,350
GDP growth (annual)	About 6.5%
Exchange rate	US$1=6.3 Zambian Kwacha (K)
Inflation rate	Approximately. 7%
Repatriation of Profits	100%
Exchange Control	None. Free floating currency
Natural Resources	Abundant
Taxation system	Attractive and Progressive
Electricity and Energy	Abundant but relatively expensive
Average Lending Rate (ALR)	Approximately. 16%
Legal Framework	Zambian Companies Act and Statutory Instruments subsequently issued

Source: ZDA (why invest in Zambia)

- The Government has continually streamlined the licensing and administrative processes for the private sector through a Private Sector Development and Reform Program (PSDRP).

- The Certificate of Registration for investments under the ZDA Act 2006 provides investment guarantees and protection against state nationalisation.

- In addition to the statistics shown above the Government of the Republic of Zambia has formulated very attractive Investment Incentives. Investors are allowed to form any type of companies but GRZ encourages partnering with local businesses and people.

- Zambia has been moving towards a One Stop Shop for Business Registration (OSSBR) by bringing in the Zambia Development Agency (ZDA), the Investment Centre, Patents and Companies Registration Agency (PACRA) and other agencies as an OSSBR. The objectives are to improve efficiency, reduce cost and time, make business registration more accessible and increase level of compliance. This has been done through streamlining business registration procedures, having integrated IT systems, decentralisation and carrying out sensitisation and awareness campaigns.

- The mainstay of the Zambian economy remains mining (mainly copper). The other major sectors are tourism, agriculture, construction and transport. There is potential in the Manufacturing and Financial Services sectors which are growing and thriving. There are also various other niche sectors which offer attractive investment opportunities.

Doing Business in Zambia (Continued)

Why Invest in Zambia (continued)

- The Financial Services sector is regulated by the Banking and Financial Services Act through the Bank of Zambia (BOZ) which falls under the Ministry of Finance and the Pensions and Insurance Acts through the Pension and Insurance Authority (PIA).

- The banking sector in Zambia comprises some large and internationally renowned commercial banks such as Barclays Bank, Standard Chartered, Stanbic Bank and First National Bank of South Africa and local banks such as the Zambia National Commercial Bank (the largest bank in Zambia), Finance Bank, Investrust Bank and Cavmont Bank.

- There is also a thriving Micro Financial Services Sector dominated by the private sector such as CETZAM PLC, Bayport Financial Services, Micro Bankers Trust and Focus Financial Services Limited.

- The Insurance companies and Pension Funds are both public and privately owned ones. These include the National Pension Scheme Authority (NAPSA), Zambia State Insurance Corporation (ZSIC), Local Authorities Superannuation Fund (LASF), Madison Insurance Group (Madison), Professional Insurance Corporation of Zambia (PICZ), Focus General Insurance (Focus), Prima Reinsurance and Goldman Insurance (Goldman).

Profile on Grant Thornton and our services

Who we are

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms. We help dynamic organizations unlock their potential for growth by providing meaningful, actionable advice through a broad range of services. Our portfolio of core consultancy, accounting, audit and tax services is enriched by our knowledge of the local operating environment, regulatory requirements and an insight into existing business cultures and practices.

National Network

In Zambia, Grant Thornton has offices in Lusaka and Kitwe. The Zambian firm is supported by a large network of about 38,500 accountants and business advisors operating in more than 131 countries worldwide.

We unite with all member firms in living our global values: Unite through global **Collaboration**, demonstrate **Leadership** in all we do, promote a consistent culture of **Excellence,** act with **Agility**, ensure deep **Respect** for people and take **Responsibility** for our actions.

Our geographical spread, knowledge and understanding of the local business environment is unsurpassed. Our offices are staffed with professional staff many of whom are either citizens or residents in the country and are therefore fully conversant with the most effective methods of operating required to meet client needs in the local business and economic environment. This instills confidence in our clients that they are dealing with business advisors who will help them succeed in an increasingly sophisticated and competitive market place.

How we work

It is a distinctive feature in Grant Thornton that one partner/director assumes overall responsibility for a client's affairs. Proactive and skilled teams of advisors led by approachable partners/directors use insights, experience and instinct to solve complex issues for privately owned, publicly listed and public sector clients. "Engagement teams" work closely with clients to interpret their business needs, identify opportunities for growth and minimise risks.

What we do

Audit/Assurance

- Statutory financial statements Audit
- Grant aided project audit
- Agreed upon procedures

Taxation services

- Preparation of corporate tax computations
- Preparation of annual returns
- VAT accounting
- Withholding tax accounting
- Tax planning

Advisory

- Human resources
- Information technology
- Corporate finance
- Mergers and acquisitions
- Internal audit services
- Due diligence

Other services

- Corporate Recovery
- Statutory and business services

Insight

Grant Thornton's business advisory services provide assistance to organisations at the different stages of their development.

Our experience and approach enables us to bring insight to the whole range of issues affecting businesses. Our services are targeted at identifying opportunities for growth and profitability. Our specialists will advise on matters such as business strategy, financial management, investment opportunities and procedures and transaction support.

Audits undertaken by Grant Thornton are not about only establishing the overall financial position but about gaining insight into all aspects of the business, from management structures to buying policies. We then use that insight to give relevant and constructive advice, which adds value to the business.

Our tax specialists are able to assist with determining an efficient tax structure for a business. An efficient tax structure is important to the financial health and growth of a business. We always want to ensure that we advise our clients on the steps to undertake in order to maximize the benefits to the business.

These are just an indication of some of the areas where we can help. Further details of our services can be obtained from a partner/director at your nearest Grant Thornton office or visit us at www.gt.com.zm

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