CPIA Detailed Report

Country: Zambia

Exercise Year: CPIA Exercise 2023

Currency: Zambian Kwacha (ZMW)

City: Lusaka

Income Group: Lower middle income

Lending Category: IDA

Final CPIA Score: 3.444

(A) Economic Management

Cluster Score: 2.833

01. Fiscal Policy

Criteria Score: 2

1. Fiscal Policy

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

Government’s fiscal stance over the 2020-2022 medium-term was aimed at fiscal consolidation, but public expenditure increased due to the need for increased health sector spending and growth-stimulus responses, mainly through the Bank of Zambia targeted Medium Term Financing Facility to keep businesses afloat and promotion of economic recovery and growth. There was an improvement in revenue collection in the first half of 2021 on account of revenues and grants performing above target by 46 percent. During the 2020-2022 period, revenue and grants accounted for 22.2percent of the GDP. The share of total revenue and grants to GDP increasedfrom 20.6 percent in 2020 to 21.6 percent in 2022 due to favorable copper prices and enhanced mechanismsfor revenue collection. Tax revenues accounted for 16.9 percent of totalrevenues, non-tax revenues contributed 4.8 percent, while grants made up 0.5 percent. In terms of public spending, total expenditure decreased from37.1 percent of GDP in 2020 to 30.2 percent of GDP in 2022. Expenditure on assets and liabilitiesalso declined from 11.5 percent of GDP in 2020 to 5.8 percent of GDP in2022. For the period July to December 2023, revenue collections are projected to align within forecasts levels and meet the budget target. Thisis on account of strengthened enforcement measures aimed at increasingtax compliance amidst projected improvements in economic activities dueto increased liquidity conditions, arising from among others, payment ofNAPSA pre-retirement benefits. However, volatile prices of commodities,alongside disruptions in supply chain and the continued lower copper production, may present a challenge to achieving the revenue target.

The effort aimed at fiscal reforms has been sustained with a reduction in the cash fiscal deficit in 2022 to 8.1% of GDP from 9.0% in 2021. The projections remain positive with a continued decline in the fiscal deficits throughout the medium-term period (2023-2025). The factors driving this positive outlook are the improvement in revenue performance, improved fiscal management associated with sustained debt resolution efforts, and the structural reforms currently being undertaken by the GRZ.

02. Monetary Policy

Criteria Score: 3.5

2. Monetary Policy

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

The Bank of Zambia (BoZ) has been implementing a prudent monetary policy to promote price stability with mixed results. The Zambian Government has pursued a Monetary Policy to contain inflation and as such the policy rater was at 9.0% in 2022 but was raised to 9.25% on 15 February 2023 basedon the projection that inflation will increase and stay above the target range of 6-8%. Nevertheless,inflation has continued to decelerate, though at a much slower pace as observed in the fourth quarter of 2022 to 9.8 compared to 9.9% in the third quarter of the same year. Inflation continued to decline, albeit dismally in the first quarter of 2023 to 9.4%, and the main driving factor being the decline inthe non-food inflation stemming from the lagged pass-through effect from the appreciation of theKwacha against the US dollar in the last quarter of 2021 and in the first three quarters of 2022. Theforecast of the increase in inflation above the target range of 6-8% is contrary to the earlierprojections of a return to the target range 6-8% in 2024. As such, inflation is projected to average11.1% in 2023 and 10.1% in 2024, a sharp contrast to the previous projection of 8.5% in 2023. The driving factors for the increase in inflation are fast depreciation of the Kwacha against the US dollar,expected increase in electricity tariffs, anticipated poor maize harvest, the worsening globalfinancial conditions, and the ongoing negative sentiments from the protracted debt restructuringnegotiations.

03. Debt Policy

Criteria Score: 3

3. Debt Policy

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

As at end-June 2022, Zambia’s total public debt was USD 31.5bn excluding interest arrears, and USD 32.5bn including interest arrears. The end-June 2022 external debt stock, excluding interest arrears, of Central Government debt, guaranteed SOEs loans and nonguaranteed SOEs loans, amounted to USD 13.2bn, USD 1.5bn and USD 113.7mn, respectively. The GRZ has committed itself to managing the public and publicly guaranteed debt and is taking various measures to that are expected to return the country back to a path of moderate debt risk in the medium term (2025) from the current category of high debt distress risk situation. The talks between the GRZ and the IMF over debt have progressed quickly since the new dawn government came to office, and GRZ has committed itself to a front-loaded program of fiscal consolidation and reforms. The debt restructuring consultations have also moved considerably well, and the GRZ concluded the debt restructuring consultations and negotiations with official creditors on June 22, 2023.

The IMF Executive Board completed the first review of the progress made by Zambia under the 38-month Extended Credit Facility (ECF), providing the country with access to SDR 139.88 million (about US$ 189 million). Zambia’s performance under the program remains strong. All quantitative performance criteria for the first review and nine structural benchmarks have been met, with only marginal delays in the remaining two. The authorities have taken bold steps to restore fiscal sustainability, raise social spending, and strengthen economic governance. This ambitious reform agenda aims to reverse the impact of past economic mismanagement and shocks, such as COVID-19, and raise growth, create jobs, and reduce poverty.

(B) Structural Policy

Cluster Score: 3.556

04. Policies and Institutions for Economic Cooperation, RI and Trade

Criteria Score: 3.5

4.a. Regional Integration and Economic Cooperation

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Zambia is making notable progress towards deepening regional integration through Membership to the Common Market for Eastern and Southern Africa (COMESA), the Southern Africa Development Community (SADC) and recently the Africa Continental Free Trade Area (AfCFTA). The Africa Regional Integration Index (2022) ranks Zambia as the third highest performer at 0.52 in COMESA, just below the regional average rating of 0.33 in SADC with trade integration indicator rated highest in both blocs. However, the infrastructure indicator is rated among the lowest, thus well below the regional average for both blocs at 0.32 and 0.22 respectively. The agriculture sector presents significant opportunities for Zambia in regional and international markets value chains in the long term. However, failure to meet international product standards and specifications, inadequate infrastructure among others continue to constrain access to markets. Although landlocked, with several key corridors traversing the country and sharing borders with eight other countries, presents the opportunity for Zambia to tap into regional logistics value chains by developing the required infrastructure and improving border management in collaboration with the neighbouring countries. Zambia’s location and richness in raw materials also presents it with opportunities to develop value chains in Agro-processing through the common Agro-park between Zambia and Zimbabwe, mining beneficiation and downstream processing such as development of electric batteries between DR Congo and Zambia.

Notable as well, the Government reported progress under the AfCFTA, whichcomprises the development of a national implementation strategy (NIS) in consultation with keyeconomic operators. The NIS has a ten-year implementation plan (2020-2030) and is aligned to theEighth National Development Plan (8th-NDP), a blueprint for ensuring inclusive participation ofstakeholders in attaining the maximum benefits under the AfCFTA. Under the 8th NDP thegovernment recognizes the importance of access to finance for promoting exports. It furtherrecognizes the tremendous potential of economic diversification and deepening of the country'svalue chains and increased industrialization. Export expansion would however be contingent upontrade and investment reforms targeted at aligning national policies, legal, regulatory and institutionalarrangements with the regional approaches Specificprogrammes would target the improvement of quality infrastructure equipment, adherence tosanitary and phytosanitary requirements. Construction of more laboratories would help in sustaininggovernment efforts towards ensuring uniformity of standards and certification that would facilitatemarket access both domestically and internationally. Such measures are expected to reduce Non-Tariff Barriers to trade. Timely fast-tracking of trade facilitation reforms such as transport andlogistics upgrades including construction of One-Stop-Border-Posts (OSBPs) is needed. In addition, the country's bordersrequire better facilities to improve turnaround times while capturing efficiency gains and stakeholdersatisfaction from digitalization. Attention also needs to be focused towards strengthening Zambia's SMEs to enabletheir effective participation in the AfCFTA through product diversification.

4.b. Trade restrictiveness

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Zambia is making notable progress towards deepening regional integration through Membership to the Common Market for Eastern and Southern Africa (COMESA), the Southern Africa Development Community (SADC) and recently the Africa Continental Free Trade Area (AfCFTA). The Africa Regional Integration Index (2022) ranks Zambia as the third highest performer at 0.52 in COMESA, just below the regional average rating of 0.33 in SADC with trade integration indicator rated highest in both blocs. However, the infrastructure indicator is rated among the lowest, thus well below the regional average for both blocs at 0.32 and 0.22 respectively. The agriculture sector presents significant opportunities for Zambia in regional and international markets value chains in the long term. However, failure to meet international product standards and specifications, inadequate infrastructure among others continue to constrain access to markets. Although landlocked, with several key corridors traversing the country and sharing borders with eight other countries, presents the opportunity for Zambia to tap into regional logistics value chains by developing the required infrastructure and improving border management in collaboration with the neighbouring countries. Zambia's location and richness in raw materials also presents it with opportunities to develop value chains in Agro-processing through the common Agro-park between Zambia and Zimbabwe, mining beneficiation and downstream processing such as development of electric batteries between DR Congo and Zambia.

While Zambia is a fairly open economy, the cost of conducting cross border trade transactions remain high rendering the country less competitive. This is largely due to the delays at border post due to cumbersome import and export compliance requirements, the use of Non-Tariff Barriers (NTBs) especially along major transport corridors such as the North-South Corridor (NSC), which results in inflated transportation costs. It is also notable that the government often resorts to import and export restrictions of certain staple commodities such as maize from time to time to ensure food security. Customs duties range between 0-40%, whihc includes VAT on all imported goods according to the applicable doemstic rate i.e. standard rate of 16%, zero or exempt.

4.c. Customs/trade facilitation

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

A core part of the Zambian government vision is to act as a trade hub through One Stop Border Post (OSBP) for SADC and COMESA countries. Zambia's trade facilitation reform activities are primarily donor funded and supported. In addition to TFA ratification, Zambia has also shown impressive improvements over the past decade in removing business barriers and improving its logistics performance, which have contributed to an overall enabling environment for trade facilitation. Zambia is the 120 most competitive nation in the world out of 140 countries ranked in the 2019 edition of the Global Competitiveness Report published by the World Economic Forum. It should also be noted that as a result of Zambia's business environment reforms, the country is now ranked 5th in the Southern African Development Community (SADC) and 4th in the Common Market for Eastern and Southern Africa (COMASA) in terms of the ease of doing business.

Despite progress, Zambia's efforts towards institutional reforms that facilitate and deepen trade facilitation efforts are not without their challenges. These challenges can be grouped under four key areas: the absence of formal evaluation systems that give a complete overview of existing data (clearance times, type of goods, etc.) and trade facilitation activities at the borders; the need for institutional reform and enforcement mechanisms that will hold government agencies accountable in terms of implementing trade facilitation reforms and activities, the need for a well-trained body of customs clearing agents; and the failure to implement functioning Single Window systems.

05. Financial Sector Development

Criteria Score: 3.167

5.a. Financial stability

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

State Capture can be framed with reference to state institutions, such as the judiciary, civil service and state agencies/parastatals, in their failure to uphold institutional integrity or integrity of institution, thereby failing to operate independently and within the strict framework of the law by which such institutions were created and defying the purpose for which they were composed. Zambia has been through a gradual decay of institutional values marked by decisions of officers in the civil service, judiciary and other linked state agencies pursuing goals and making decisions that are skewed towards benefiting a segment of the society, usually political elite groups linked to the ruling party.

Laws against election-related violence are poorly enforced. In 2019, political violence involving the ruling party and opposition groups continued with impunity, especially in the run-up to parliamentary and local by-elections. Three opposition party supporters were killed in separate clashes with the ruling in April and October. Again, corruption in government is perceived to be widespread, and impunity is common. Prosecutions and court decisions on corruption charges, when they do occur, are often thought to reflect political motivations. In a sign of the scope of the problem, the United Kingdom, Ireland, Finland, and Sweden decided in 2018 to withdraw aid to Zambia amid allegations that $4.7 million in donor funds had been embezzled by government ministries.

Limited funding and enforcement restrict the efficacy of institutional safeguards against corruption, and ruling party leaders and the government sometimes undermine the work of anticorruption bodies. For instance, the Financial Intelligence Centre (FIC), a government anticorruption watchdog, came under pressure over the May 2019 publication of its 2018 *Money Laundering/Terrorist Financing Trends Report*, which found that corruption cost the government 6.1 billion kwacha (US$474 million) in 2018, up from 4.5 billion kwacha (US$350 million) in 2017. In June 2019, FIC staff reported receiving death threats. By September, the existing FIC board had been replaced with a more progovernment panel.

5.b. Sector's efficiency, depth, and resource mobilization strength

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

Zambia’s financial sector is dominated by 19 banks, with foreign owned banks accounting for 83% of total bank assets.Non-bank financial institutions are led by pension funds (72 % of total non-bank assets). Micro-finance institutions (MFIs) including deposit-taking, and non-deposit MFIs comprise 10% of total financial sector assets, and the insurance companies 7%. The financial sector is regulated and supervised by three agencies, namely the Bank of Zambia (BOZ), the Pensions and Insurance Authority (PIA), and the Securities and Exchange Commission (SEC). The main challenge to the baking sector is directly linked to the nexus between the current macroeconomic difficulty, public debt and arrears, and the banking sector. This connection has elevated credit risk problem and undermines capital adequacy position of the banks.

The improved performance in the financial sector in 2021 and 2022 was due to increased economic activity. The NPL Ratio improved from 9.1 percent at end June 2021 to 6.2% at end June in 2022 (Mid-Year Economic report 2022) due to business recoveries, improved credit performance, and write-off of bad loans. Credit to the private sector as a percentage of GDP was 8.9% in 2021 and 9.2% in 2022, mainly augmented by the government’s Targeted Medium Term Refinancing Facility. The sector remains resilient, and well capitalized, with stable profitability as well as prudential measures.

However, under the Zambian Government National Financial Inclusion Strategy (NFIS, 2017 – 2022) capital market development is being supported to enable inclusive and sustainable growth for Zambian households and SMEs. The NFIS states that capital markets in Zambia remain underdeveloped; less than one per cent of adults use capital market instruments, such as equity or bond investments and a lack of access to long-term finance such as private equity and crowdfunding is hampering enterprise growth. The Security Exchange Commission of Zambia engages in capacity building initiatives with entities such as Financial Sector Deepening Africa (FSD) to develop the capital market sector and broaden the long-term financing base of the Zambian economy. It is also notable that, SEC Zambia has started engaging in knowledge sharing with capital market regulators across Africa.

5.c. Access to financial services

Score Type	Value

Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Again, access to financial services remains low, but Digital Financial Services (DFS) offers opportunity to improve the rate of financial access, specifically to the unbanked poor and youth. The 2019 survey conducted by BoZ jointly with Alliance for Financial Inclusion (AFI) shows marked improvement in financial inclusion to 59% of the adult population from 38% in 2015. The increase is mainly attributed to the rapid growth in digital financial services (DFS) supported by public regulatory reforms. Financial market development as indicated by the scores for financial system depth, and stability declined to 3.7 from 3.8 in 2016, and 4.5 in 2012 as shown in the 2019 Global Competitiveness Report, thus demonstrating the challenges that the banking sector is facing in the current macro-economic environment. Measures to improve the macroeconomic, debt and public arrears problem are key to improvement of the financial sector position.

06. Business Regulatory Environment

Criteria Score: 4

6.a. Regulations affecting entry, exit, and competition

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Competitiveness and business environment has improved through policy and institutional reforms. However, Zambia’s rankings on the World Economic Forum Global Competitive Index (GCI) fell from 115th/ 135 in 2017 to 118th/140 in 2018 and 120th/140 in 2019 and is projected to be at 118th in 2021. The ranking mainly reflects a loss of ground or stagnation in terms of macroeconomic stability. Zambia is ranked 85 among 190 economies in the ease of doing business, according to the latest World Bank annual ratings. The rank of Zambia improved slightly from 87 in 2018 to 85 in 2019. There is a marginal decline in some areas monitored by the index, such as *Obtaining a building permit* (70th in 2019 vs. 67th in 2018); *Protection of minority investors* (110th in 2019 vs 72nd in 2018); and *resolving of insolvency* (99th in 2019 vs 79th in 2018).

It is notable that lack of cohesion and coordination between government institutions affects the requisite level of facilitation that translate into improved business environment. However, there is progress in other areas such as *payment of taxes* (117th in 2019, same as in 2018). Despite a recent marginal decline in some areas of doing business, Zambia still has a supportive business environment. The country however needs to draw lessons from the impact of COVID-19 on its private sector and implement the necessary structural reforms to enable the sector to actively participate in local value and supply chains.

6.b. Regulations of ongoing business operations

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Zambia has made efforts at improving regulatory rules and laws governing business operations, but these regulations have been mainly aligned to the World Bank doing Business measures tailored for formal businesses. For instance, the Companies Act No. 10 of 2017 which is operationalized through a statutory instrument (June 2018) and implementing regulations (February 2019) acts to foster accountability and transparency in the management of companies. Again, in order to facilitate improved access to credit, the Patents and Company Registration Office (PACRA) established the collateral registry system, a central database that records all registrations of charges or collaterals created by borrowers to secure credits provided by lenders. This service allows lenders to search for collateral offered by loan applicants to see if that collateral already has an existing claim registered against it. Creditors can also register security interests against the proposed collateral to protect their priority status in accordance with the Movable Property (Security Interest) Act No. 3 of 2016. Generally, the first registered security interest in the collateral has first priority over any subsequent registrations.

Usually Proposed laws and regulations are, however, often insufficiently vetted with interest groups, or are not released in draft form for public comment. Nevertheless, opportunities for comment on proposed laws and regulations sometimes exist through trade associations, such as the Zambia Chamber of Commerce and Industry, Zambia Association of Manufacturers, Zambia Chamber of Mines, and American Chamber of Commerce in Zambia. Stakeholder consultation in developing legislation and regulation has, however, generally been poor under the current administration. Invariably, Zambia is a signatory to several regulatory rules, but harmonization of these rules into the national rules has been a challenge. For instance, it is notable that while one-stop border posts have existed for several years and agencies are co-located at some border crossings, agencies still had conflicting regulations and processes.

In terms of inclusivity it is worth noting that Zambia's private sector is comprised of a vast majority of informal micro-small businesses MSMEs) which are outside regulatory considerations. On average, these MSMEs are not covered by regulatory initiatives. Existence outside regulatory policies can only mean that policies that should be aimed at empowering them with both skills and financial services is lacking. It is also notable regarding formal business regulation that even though the Zambian government has initiated pro-business reforms, the country still confronts the challenge of diversifying its economy and accelerating private-led growth to address the poverty of its people. There are still some cumbersome administrative procedures, and unpredictability of legal and regulatory changes such as intermittence of import and export bans on commodities, especially on maize (corn) and other grains, is a deterrent to private sector participation in commodity markets.

The key challenges the private sector faces regarding the policy environment includes: (i) the absence of or inadequate consultation on the various policies Government is putting in place, such as the review of the ZDA Act, which is currently on going, with the private sector concerned that their views and concerns are not being adequately addressed; (ii) the need for effective support to SMEs particularly the provision of guarantee scheme support commercial Banks in de-risking the lending to the SMEs . The infrastructure, energy, manufacturing and agriculture were highlighted as the key private sector areas that would spur economic transformation and job creation, and that Government through the Industrial Development Corporation (IDC) has embarked on several initiatives in these sectors, which the Bank could become a key partner in providing financing for these projects (iii) the need to support various government agencies digitalization for the purpose of project profiling so as to enable proper packing of investment opportunities to effectively attract FDI investments into the country.

Public Private Partnerships offers Zambia a great potential for private sector engagement. It is notable that even though the PPP Act has been in place since 2009 and was subsequently amended in 2018 (PPP amendment act 9 of 2018) there have been only thirteen (13) concessional agreements signed of which four (4 are operational under the build operate and transfer financing model, where are the remaining 9 did not achieve financial closure).

However, the Act has been in place for over a decade now, but it was inadequate hence impeding the successful implementation of PPPs in Zambia. Key challenges include (i) weak legal and institutional framework, (ii) lack of clarity on the scope and applicability of PPP Act, i.e. it does not expressly provide which sector should participate, (iii) inadequate resources to undertake feasibility studies to determine the bankability, affordability, and public benefits of the various project pipeline the government has developed, (iv) limited capacity within the PPP unit, and (v) limited participation of SME. The revision to the Act is progressing well, which should address some of the challenges mentioned above. The bill was be tabled before Parliament and approved in the first quarter of 2023. The PPP unit is currently engaging Contracting Authorities (line Ministries) on the processes and procedures of implementing PPPs. These engagements include capacity building on how to conceptualize PPP interventions from concept stage to pre-feasibility, feasibility, procurement and contracting. These engagements have been necessitated by the challenges Contracting Authorities have been facing to development of PPP projects due to capacity limitations.

Currently the dedicated PPP unit in the ministry of Finance and National Planning has a pipeline of PPP-projects under consideration which the Bank will review and identify how best to support and provide financing to these projects. With regards future engagements with Bank, the PPP unit indicated that they would need support in assisting Contracting Authorities with undertaking pre and full feasibility studies to develop the identified projects in the pipeline to bankability stage and procurement and contracting.

6.c. Regulations of factor markets (labor and land)

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Labor Regulation

The Zambian law is quite clear on rights and obligations of workers and employers and provides for the right of most workers to form and join independent unions, conduct legal strikes, and bargain collectively. Statutory restrictions regulate these rights, and the government has discretionary power to exclude certain categories of workers from unionizing, including prison staff, judges, court registrars, magistrates, and local court justices. The government, through the Ministry of Labor and Social Security, brokers labor disputes between employers and employees. The law provides the right of employees not to be prevented, dismissed, penalized, victimized, or discriminated against or deterred from exercising their rights conferred on them under the law, and it provides remedies for dismissals for union activities. Casualization and unjustifiable termination of employment contracts is illegal; the law defines a casual employee as an employee whose terms of employment contract provide for his or her payment at the end of each day and is engaged for a period of not more than six months. The law was not enforced effectively.

In 2018, Zambia made a moderate advancement in efforts to eliminate the worst forms of child labor. The government developed national action plans on Child Labor and Anti-Human Trafficking in line with Zambia’s 7th National Development Plan. It also increased the number of inspectors, significantly increased the number of labor inspections conducted, identified 511 child labor law violations, and achieved 5 convictions for the crime of child trafficking. In addition, the government published studies that provide insights into child labor and child commercial sexual exploitation and included child labor for the first time in its Labor Force Survey. However, children in Zambia still engage in the worst forms of child labor, including in agriculture and commercial sexual exploitation, sometimes as a result of human trafficking. The Education Act does not specify a compulsory education age, and human trafficking laws are discordant with international standards because they require threats, the use of force, or coercion to be established for the crime of child trafficking. In addition, labor inspectors lack sufficient resources to enforce child labor laws. However, it is also notable that Zambia has ratified international labor related conventions but harmonization and execution gaps still do occur.

Land Regulation

The right to property is guaranteed protection of the Zambian Constitution, subordinate legislation, and regional and international instruments. In land regulation, the Ministry of Lands, Natural Resources is the overall government agency that oversees all matters related to land and regulation. Whereas the laws for protection of rights to land, including the acquisition process are very clear ,there are inefficiencies related to the processes. The cost of enforcing legal guarantees (protection from compulsory deprivation of property rights) in the said pieces of legislation and instruments is prohibitively high, such that it could amount to de facto (indirect) denial or violation of the right to property. Again, it is notable that the legal, regulatory and institutional framework for the protection of titles and interests in land in Zambia does not provide adequate incentives for efficient protection of titles and interests in land which is situated in statutory and improvement areas. In particular, it is notable that (a) after repeal of Housing (Statutory and Improvement Areas) Act, most protective provisions such those relating to registration of titles, interests, charges, and the lodgment of caveats were not reproduced in the repealing and successor law—the Urban and Regional Planning Act 2015, (b) the cost of enforcing property rights and interests in land which is situated in statutory and improvement areas under the new legal, regulatory and institutional framework is likely to be much higher than the cost which would have been incurred under the old system. The problems in dealing with land issues is compounded further by several inefficiencies such as the mere fact that the agency in charge of immovable property registration agency does not formally commit to deliver a legally binding document that proves property ownership within a specific timeframe –and if so, the big question remains on how does it communicate the service standard. In addition, there is no specific and independent mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration.

(C) Policies for Social Inclusion/Equity

Cluster Score: 3.64

07. Gender Equality

Criteria Score: 3.167

7.a. Promotion of equal access for men and women to human capital development opportunities

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0

Final Score	3.0

Country Notes:

Zambia has several legal and policy frameworks – both nationaland regional/international - which if implemented would ensure gender equality and women'srights. The Constitution of Zambia provides for fundamental human rights, equity, equalityincluding non-discrimination on the grounds of sex. (Constitution of Zambia, Sec. 8). The GenderEquity and Equality Act (GEEA) of 2015 domesticates some of the provisions in regional,continental and international instruments to which Zambia is party to. The GEEA address relevantissues of women empowerment as Political Voice in legislature, executive and judiciary (Sec. 29)and Access to justice and protection before the law (Sec. 14). At the same time, Gender responsivesustainable development and reduction of inequalities are central tenets that underpin Zambia's 8thNational Development Plan.

The National Gender Policy of 2014 (currently under review) seeksto create a Zambian society where there is gender equity and equality for sustainable development.Other legal frameworks that explicitly promote gender equality and the empowerment of womeninclude, Intestate Succession Act, which provides daughters and sons with the same rights to inheritland and non-land assets; Public Procurement Act, 2008 and Public Procurement Regulations, 2011which identify women as part of a target group for preference and reservation schemes. The AntiGBV Act of 2011 provides for the protection of victims of gender-based violence; constitution ofthe Anti-Gender-Based Violence Committee and establishment of the Anti-Gender-Based ViolenceFund. The Bank of Zambia has made significant strides in spearheading financial inclusion forwomen. One of the objectives in the Bank of Zambia's current Strategic Plan (2020 – 2023) is "toentrench gender mainstreaming within the Bank of Zambia and the financial sector, to contributeto gender equality in Zambia." Zambia has also ratified ILO Conventions C100 and C111 aiming to fight discrimination on the basis of sex in employment and this has been domesticated in Zambia Industrial and Labour Relations Act.

Despite these policy and legal frameworks, gender inequality is still a challenge in thecountry. Key gender challenges include (i) limited access to finance for women ownedenterprises, majority of which are informal and often viewed as high risk by financial institutions;(ii) lack of financial products and services tailored for women (iii) deep rooted social cultural normswhich limit girls and women's education, employment opportunities and property ownershipincluding land; (iv) gender based violence which has been exacerbated by the COVID-19 lockdowns; and (iv) low participation of girls in education especially in STEM. This has an impact onemployment opportunities for young women. Key priorities to advance gender equality during theCSP extension period include; (i) expanding access to credit for women owned businesses; (ii) capacity building for effective gender mainstreaming across all sectors; (iii) effective mainstreaming of gender across operations that results in gender responsive infrastructure andaccess to services.

7.b. Promotion of equal access for men and women to productive and economic resources

Score Type	Value
Draft Score	3.5

Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

The ratio of female to male labor force participation rate (%) (national estimate) in Zambia was reported at 57.9 % in 2018 according to the World Bank collection of development indicators, compiled from officially recognized sources. This remains unchanged in the periods of 2019 and 2020. Other indicators of access to productive and economic resources such as financial inclusion also shows a disparity between men and women. Even though Zambia has made progress in achieving increased rate of financial inclusion (60%), there is a 10% difference between men and women access to financial services and products. It is notable that the Bank of Zambia (BoZ) is a member of the Alliance for Financial Inclusion and is committed to taking initiatives that promote financial inclusion for women. For instance, the BoZ engages and encourages financial institutions to develop gender specific products and services that fits the economic activities of women, in addition to promoting digital financial services, which is the predominant factor behind increased financial inclusion in Zambia. It is also notable that the duality aspect of the Zambian legal system (statutory and customs law) is likely to subject women to a disadvantaged position with regard to land ownership. The significance of this lies in the fact that women participation in agricultural labor is the highest, specifically in small scale farming.

7.c. Men and women equal status and protection under the law

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The Zambian gender gap is exacerbated by social mores and the gaps in our competing legal systems despite the enactment of a raft of laws enshrining gender equality, from the 2011 Act against Gender Based Violence (GBV) to the Gender Equity and Equality Rights Bill. However, some of the social and economic mores and the dual structure of statutory law and customary law frustrate the progress that have been made. It is notable that in the Zambian statutory (national) law and customary (traditional/local) law are given equal primacy. This duality engenders unintended dimensions of gender-based inequalities; in reproductive health, and economic activity that have continued to breed severe consequences on the quality of life that men and women enjoy in Zambia. Gender rights activists in Zambia have noted the contradiction that rights which are supposed to be protected under statutory law, are not necessarily observed and women endure unfair treatment in terms of child marriage, unequal distribution of property as supported by the selective application or primacy of the customary law. However, the government through the Ministry of Gender continues to plan, take initiates and coordination of women empowerment activities focusing on value addition in the agriculture sectors using the community/chiefdoms as the basis for empowerment through cooperatives or enterprises.

08. Equity of Public Resource Use

Criteria Score: 2.833

8.a. Poverty Measurement

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

60% of the population lives below national poverty line according to the 2022 Household survey as compared to the 54.% from the 2015 Household survey. The inequality rate is also high (Gini Coefficient of 0.53). However, Zambia's high economic growth in the last two decades has translated into some positive gains in human development, although poverty and unemployment levels have remained high. According to the 2018 Statistical Update of Human Development Indices and Indicators, Zambia is classified in the medium human development category, with a Human Development Index (HDI) value of 0.588 in 2017, having improved from 0.401 in 1990. During the same period, there was an improvement in other areas: 'Life expectancy at birth' increased from 49.2 to 63.5 years; 'Mean years of schooling' increased from 4.7 to 7.1 years; while 'expected years of schooling' increased from 7.5 to 12.1 years.

Although Zambia is above the average of 0.537 for countries in Sub-Saharan Africa, its HDI score remains below the average of 0.645 for countries in the medium human development group. Poverty levels remain high, with highest figures in rural areas (77%) compared to urban areas (23%). Zambia's labour force, according to ILO estimates, amounted to 6.3 million people, of which 7.79% (2017)were unemployed. Unemployment among the youth remains high at 15.3%, but the figure for the youth who are neither in education nor employment or training (NEET) is much higher at 25%. According to the 2019 Global Competitiveness Report, the unemployment rate had slightly declined to 7.2%. However, unemployment figures are expected to rise significantly due to the impact of the COVID-19 pandemic on the country's economy. The most significant losses inemployment are expected to be in the wholesale and retail sector and tourism, which also affected the informal sector, where most Zambians are employed.

8.b. Public Expenditures: Priorities and strategies

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The proportion of the national budget allocated to the health sector has decreased from 9.3% in 2019, to 8.8% in 2020, and 8.1% in 2021. He urged the Government of the Republic of Zambia to increase domestic financing and allocating adequate national funding to ensure a stable and responsive health sector. He also expressed concern with budget allocations and failure to release the funding.

The entire 900 million kwacha 2020 budget for essential medicines and medical supplies was disbursed. However, the annual budget required to meet the growing Zambian population is estimated at 5 billion kwacha. In addition, although an estimated 750 million kwacha was allocated to the drug debt, the debt remains at a staggering two billion kwacha. Further, the 1.4 billion kwacha for essential medicines and medical supplies in the 2021 budget is far below meeting both the required needs and settling the outstanding drug debt.

8.c. Regressive Tax

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The Zambian tax system includes both indirect tax and direct tax. The direct taxes are basically income tax, which operates on a source-based principle. Thus, every person or entity who receives income from a source deemed to be within Zambia will be liable to income tax in Zambia. Apart from the source principle, the issue of residence of a taxpayer becomes critical with regards to taxation of interest and dividends received from a source outside of Zambia. Other direct taxes include withholding tax, which is charged on dividends, interest, royalties, rent and management or consultancy fees. The last type of direct tax is the property transfer tax, which is chargeable on transfer of shares, land and more recently mineral rights. In addition to this, there is also a Pay As You Earn tax (PAYE). This is income tax charged on the earnings of an employee's emoluments.

Zambia charges value-added tax (VAT) on any transaction relating to the sale of goods and services conducted in the country. It is important to note that services procured outside of Zambia, but used in the country, are subject to a reverse charge VAT in the absence of the provider of a service appointing a tax agent in Zambia. An excise duty is payable on goods manufactured in Zambia and also on the sale of airtime. Customs duty is charged on the importation of goods.

Zambia has also signed various double-taxation treaties with various countries, which are part of the national legislation as schedules to the Income Tax Act. The 2016 Constitution also now requires that future treaties be ratified by the Parliament. Zambia is member of the Inclusive Framework on Base Erosion and Profit Sharing (BEPS) established by the Organization for Economic Co-operation and Development (OECD) and the G20.

In terms of regressive tax, the taxation of digital mobile services which are also critical to poverty eradication stands out. The expectation is that government would formulate and enforce taxation favorable to digitalization for the purpose of poverty alleviation, and as aligned to the Smart Zambia Master Plan. This Plan includes reducing the cost of communication services in Zambia, and establishing high capacity broadband infrastructure for government, business, citizens and information and communications technology (ICT) regional hub services. As it currently stands, for a low consumption basket (500MB of data), the poorest 20% of the population in Zambia spend approximately 19.0% of their monthly income on mobile ownership, while a medium consumption basket (1GB of data) would cost approximately 38.3% of their monthly earnings. This is significantly higher than the current United Nations (UN) 5% affordability threshold and suggests significant improvements to affordability are required.

Taxes on the mobile sector are high compared to levels in other Sub-Saharan countries. The mobile sector makes a disproportionate contribution in taxes and fees relative to its economic footprint. In 2017, the total tax contribution was estimated at $189m. This represents 35% of the total market revenue, compared to an average of 32% in a sample of other Sub-Saharan countries. While the mobile market revenue accounted for 2.1% of Zambia's GDP, the sector's tax and fee payments accounted for around 4.8% of government total tax revenue. This means that the mobile tax contribution is more than double its size in the economy. This is higher than in other countries in Sub-Saharan Africa (SSA), including Cameroon (1.9), Ghana (1.5), Rwanda (1.3) and Senegal (1.1).

09. Building Human Resources

Criteria Score: 4

9.a. Health and nutrition services

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Maternal and child health outcomes continue to improve, and better access to treatment continues to contain the spread of HIV and AIDS.The most recent health indicators show that in Zambia, births assisted by skilled health personnel from 2008-2014 was at 63.3% (WHO, 2018), which may explain the decline in maternal mortality which has fallen to 225 per 100,000 in 2015 compared to 480 per 100,000 in 2008. HIV and AIDS prevalence rates are decreasing in Zambia. However, chronic malnutrition remains a concern with prevalence above 35% in 2018, the second highest in Southern Africa, according to the 2018 Demographic and Health Survey report. The Government target is to reduce stunting to 30% and has launched a Nutrition Advocacy Plan 2017–2019 to create an enabling environment for improved nutrition in Zambia.

It is also notable that the government commenced in 2019 the implementation of the National Health Insurance Act No. 2 of 2018 in a phased manner. The aim is to ensure universal access to quality healthcare services.

9.b. Education, ECD, training and literacy programs

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Zambia remains committed to improving education as demonstrated by a steady increase in the budget for public education. However, more investment in skills development and job creating initiatives will be required to boost opportunities for youth employment. In Zambia, primary school net enrolment continues to remain above 95% for both girls and boys. Net enrolment remains 100% for boys and girls, with completion rates reaching over 99%. Key challenges remain limited infrastructure, lack of qualified teachers, limited access to teaching materials and resources, and insufficient number of classrooms leading to low quality of education. In 2017, the Government of Zambia launched an Education Enhancement Project, which aims to strengthen teacher training and increasing access to education in rural areas. Furthermore, high population growth in Zambia increases the demand for jobs, health, and other social services, which the economy is not able to provide at present. According to the World Bank (2017), Zambia would need to create over 10 million new jobs by 2050 to keep labor force participation and unemployment at the current level of population growth. Zambia will need to increase investment in skills development, and job creating initiatives to maximize its demographic dividend.

9.c. Prevention and treatment of HIV/AIDS, tuberculosis, and malaria

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Zambia is among the 20 countries with the highest malaria incidence and mortality globally. The country carries 2% of the global malaria case burden and 5.2% of the case burden in East and Southern Africa. However, progress has been made and severe malaria cases decreased by 58% from 15.8 cases per 1,000 population in 2010 to 6.6 cases per 1,000 in 2015. The country is expected to be able to reduce case burden by 40% by 2020. Human immunodeficiency virus (HIV) prevalence in Zambia has also continued to decline. The recent Zambia Population HIV Impact Assessment (ZAMPHIA) survey shows a reduction of about 1.7 percentage points from 13.3% in 2014 to 11.6% in 2016. The health sector has also recorded remarkable progress on antiretroviral treatment (ART) coverage, which stands at 72% of the eligible people against the United Nations AIDS (UNAIDS) global target of 90%. The country's national tuberculosis (TB) notification rate also declined from 321 cases per 100,000 population in 2012 to 314 cases per 100,000 population, and has continued to improve into 2019 and 2020. However, the problem of undetected cases have been on the rise. Cases detected late are difficult and costly to treat. The Ministry of Health therefore launched the guidelines for Management of Latent Tuberculosis (TB) Infection during the 2019 World TB Day commemoration to strengthen the treatment of the disease at primary care level. The positive, but challenging trend continued into 2019 and 2020, although there are concerns the urgent healthcare sector concerns and interventions over Covid-19 is competing and draining out both financial and human resources that have always been dedicated to most prevalent health concerns over malaria, HIV, and tuberculosis.

10. Social Protection and Labor

Criteria Score: 3.7

10.a. Social safety net programs

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Social protection programmes are an essential safety net for poor and vulnerable populations in Zambia where poverty levels are high with a Gini coefficient of 0.69. An estimated 54.4% of the population are poor, 76.6% of whom are found in rural areas and 40.8% are categorized as extremely poor. Shifting climatic conditions that affect crop production, food shortages and rising commodity prices, make the poorest segments of the population more susceptible to shocks and this reduces their ability to have access to basic social services such as health and education. In order to promote a coordinated multisectoral response towards improving the livelihoods and welfare of those most vulnerable to potential environmental shocks, the Government of the Republic of Zambia implements different social protection programmes through the National Social Protection Policy (NSPP), as a means of sustainable poverty reduction. Nevertheless, effective implementation of these programmes and projects has been hampered by inadequate resources, poor coordination and poor targeting mechanisms. The UNICEF (2020) report recommends a unified National Safety Net Program comprising cash transfers and public works to reach the poorest 20 percent of the population. The estimated cost could be slightly over US$100 million per year. This is less than 2 percent of public spending and around 15 percent of the current subsidies programs benefiting the non-poor.

10.b. Protection of basic labour standards

Score Type	Value
Draft Score	5.0
Reviewed Score	5.0
Second Draft Score	5.0
Final Score	5.0

Country Notes:

The Zambian law is quite clear on rights and obligations of workers and employers and provides for the right of most workers to form and join independent unions, conduct legal strikes, and bargain collectively. Statutory restrictions regulate these rights, and the government has discretionary power to exclude certain categories of workers from unionizing, including prison staff, judges, court registrars, magistrates, and local court justices. The government, through the Ministry of Labor and Social Security, brokers labor disputes between employers and employees. The law provides the right of employees not to be prevented, dismissed, penalized, victimized, or discriminated against or deterred from exercising their rights conferred on them under the law, and it provides remedies for dismissals for union activities. Casualization and unjustifiable termination of employment contracts is illegal; the law defines a casual employee as an employee whose terms of employment contract provide for his or her payment at the end of each day and is engaged for a period of not more than six months. The law was not enforced effectively.

10.c. Labour market regulations

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Zambian labor market regulations are progressive and offer basic and fundamental protections to workers while also catering to the interests of employers. The labor market regulations also provide for equal rights of all without discrimination in forms such as gender. However, much still needs to be done regarding child labor.

In 2018, Zambia made a moderate advancement in efforts to eliminate the worst forms of child labor. The government developed national action plans on Child Labor and Anti-Human Trafficking in line with Zambia's 7th National Development Plan. It also increased the number of inspectors, significantly increased the number of labor inspections conducted, identified 511 child labor law violations, and achieved 5 convictions for the crime of child trafficking. In addition, the government published studies that provide insights into child labor and child commercial sexual exploitation and included child labor for the first time in its Labor Force Survey. However, children in Zambia still engage in the worst forms of child labor, including in agriculture and commercial sexual exploitation, sometimes as a result of human trafficking. The Education Act does not specify a compulsory education age, and human trafficking laws are discordant with international standards because they require threats, the use of force, or coercion to be established for the crime of child trafficking. In addition, labor inspectors lack sufficient resources to enforce child labor laws. However, it is also notable that Zambia has ratified international labor related conventions but harmonization and execution gaps still do occur.

10.d. Community driven initiatives

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Community-based development approach is very much alive in Zambia and marks a watershed instance of active community-government-development partners and all forms of donors collaboration. This approach also is an indicator of democratic practice in participatory development. Currently education projects take up 33.11 % of resources going into this category of development effort, while women's empowerment receives 26%, and general economic development 40.89%. The recent Covid-19 interventions to protect the most vulnerable members of society by community-based initiatives also attest to the active status of the actors. Various community groups have regularly **engaged with the government's COVID community engagement group** and have made positive contributions including providing guidance that comes from the community perspective and commenting on the draft Government Standard Operating Procedures for Community Engagement. COVID has presented an opportunity to **raise the voices** of the many **Zambian Community Service Organizations** that have stepped up to meet local needs as INGOs and other international stakeholders have evacuated staff and suspended programming.

10.e. Pension and old age savings programs

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

The national pension system in Zambia is administered by the National Pension Scheme Authority (NAPSA), which was established in 2000 as a successor to the Zambia National Provident Fund under the National Pension Scheme Act No. 40 1996. Both employers and employees are required to make contributions to the National Pension Scheme Authority (NAPSA). The contribution rate is 5% of the employee's total earnings (a total 10% contribution from both the employer and employee), subject to a limit as prescribed by the authority. The maximum contribution limit for 2020 is 1,149.60 Zambian kwacha (ZMW) per employee per month (i.e. a total of ZMW 2,299.20 from both the employer and employee per month). The greatest development in the Zambian Pension system is the inclusion of informal workers into the pension system. The rate of pension coverage in Africa is a paltry 29.6%, and that for Zambia is around 20%.

The country recently introduced a Social Cash Transfer (SCT) Programme that is intended to contribute towards reducing extreme poverty and hunger by providing non-conditional transfers to extremely poor households. The programme targets households with persons with severe disabilities; the elderly, aged at least 65; child-headed households (0-18 years and not married); chronically ill persons who are on palliative care; and female-headed households with 3 or more children. It has been estimated that at the end of the year 2019, the total number of beneficiary households was 632,327. This translated into 3,255,500 poor and vulnerable individuals, which is about 19.5 percent of the national population based on the 2019 CSO population projection of 16.9 million. The programme covered 47.7 percent of the 40.8 percent extremely poor in the country. Out of the total caseload of 632,327, two thirds (74 percent) were females, with males constituting 26 percent. Allocations to persons with disabilities accounted for 11 percent. Assessments of the Social Cash Transfer have shown that programme objectives are being met although faced with some operational challenges. The major constraint facing the programmes is sustainability given the fiscal challenges that the country is going through. This is illustrated by the fact that households have payment arrears in some cases exceeding 24 months.

11. Environmental Policies and Regulations

Criteria Score: 4.5

11. Environmental Policies and Regulations

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Fostering sustainable development, building national resilience against the risks of climate change and the capacity to withstand natural and man-made disasters, remain a government priority in Zambia. The country has put in place policies and institutions to protect its considerable environmental assets, such as forests, a rich wildlife and protected area system covering 36% of the total land area. The key environmental challenges the country faces include deforestation, and an increasingly volatile weather system. Since 2018, the government, with support of partners has been implementing a USD 32.8 million Integrated Forestry Landscape Project in Eastern Province aimed at, among other things, reducing deforestation, unsustainable agricultural expansion and vulnerability to climate change with the support of Cooperating Partners. Zambia's environmental intervention is guided by the Environmental Management Act of 2011 and several other related pieces of legislation that regulate urban and rural planning, forestry, wildlife, mining, radiation, and water. In 2021, through the Economic recovery Program 2020-2023, the government of Zambia adopted the option of Debt for nature Swaps which will be considered for the use in the reduction of sovereign debt. This in itself will contribute to strengthening the initiatives towards green growth.

(D) Public Sector Management and Institutions

Cluster Score: 3.425

12. Property Rights and Rule-based Governance

Criteria Score: 3.75

12.a. Legal basis for secure property and contract rights

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Zambia's Constitution recognizes property rights and protects all individuals against the deprivation of property. Article 2(1) prohibits discrimination by race, tribe, sex and marital status—"no law shall make any provision that is discriminatory either of itself or in its effect." Article 23(4) (c) and (d) of the Constitution, however, explicitly excludes customary law and personal or family law. Therefore, where customary and personal laws discriminate against women, the Constitution provides little support and may actually lend legal support to such discrimination. Most women in Zambia do not enjoy the same land rights as men. Zambia's Lands Act provides support for women who hold statutory land, but the law does not apply to customary land. Most land is held under custom and most customary tenure systems do not provide women with significant land rights — even when they do, traditional institutions often do not effectively implement the rules.

12.b. Predictability, transparency, and impartiality of laws affecting economic activity

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The Zambian legal code is primarily predictable, transparent, and nominally impartial in the application to economic activities. It is notable that Zambian legal framework for investment and economic activities also emanates from some international treaties and obligations. Zambia has signed a number of international conventions and treaties that facilitate investment protection. This includes the Avoidance of Double Taxation Treaties which the country has signed with most trading partners and other regional programmes and arrangements of the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA) relating to the establishment of a Common Investment Area (OECD, 2012). Zambia's membership to the International Centre for the Settlement of Investment Disputes (ICSID) and the United Nations Commission of International Trade Law (UNCITRAL) also implies that if the Zambian High Court fails to settle internal dispute settlement arrangements on investment, international arbitration would be used by the parties. In addition, Zambia is a signatory to the Multilateral Investment Guarantee Agency (MIGA) of the World Bank and other international agreements. This guarantees foreign investment protection in cases of war, strife, disasters, and other disturbances, or in cases of expropriation. Zambia has signed bilateral reciprocal promotional and protection of investment protocols with a number of countries. The ZDA also offers further security for investments in the country through the signing of the Investment Promotion and Protection Agreements (IPPAs). Investments may only be legally expropriated by an act of Parliament relating to the specific property expropriated.

However, while there are clear legal procurement guidelines, concerns persist regarding transparency and a level playing field for businesses, and perhaps individuals. To enhance the transparency in procurements in 2018, the Cabinet approved legislation to repeal the Public Procurement Act of 2008 in order to introduce price benchmarking and expert estimates in tendering for capital projects and other high value goods and services, but Parliament has not passed the measure as of April 2020.

12.c. Difficulty in obtaining business licenses

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5

Second Draft Score	3.5
Final Score	3.5

Country Notes:

Businesses operating in Zambia are typically required to obtain one or more licenses and permits, depending on the activities of their enterprise. Zambia has an online portal where the licenses one will require to start a business can searched. The portal also has the relevant Forms and fees required for obtaining a license. Zambia is ranked 85 among 190 economies in the ease of doing business, according to the latest World Bank annual ratings. The rank of Zambia improved to 85 in 2019 from 87 in 2018.There is a marginal decline in some areas monitored by the index, such as *Obtaining a building permit* (70th in 2019 vs. 67th in 2018, but again at 67 in 2020). Again, it is notable that Zambia still scored higher than its regional peers such as Namibia Zimbabwe, and Angola, and only behind Botswana and South Africa.

12.d. Crime and violence as an impediment to economic activity

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Zambia is relatively safely, and there are no major crime and violence impeding economic activities at a macro-level. Crime frequency is however correlated to the presence of high density residential areas in big cities and towns. For instance, in Lusaka's high-density residential neighborhoods or compounds (e.g. Chalala, Bauleni, Kalingalinga, Kanyama, Chibolya, and Chainda), groups of criminals commit crimes that go uninvestigated due to a lack of police resources. More affluent neighborhoods are also to a less extent targeted by criminal gangs who commit burglary. Daylight street crimes also do happen, but not at an alarming rate. The incidence of credit card theft and fraud is low in comparison to i.e. South Africa and other middle and advanced economies. Cybercrime involving extortionate tendencies from unsolicited communications on mobile gadgets is growing, though still at a rudimentary level.

13. Quality of Budgetary and Financial Management

Criteria Score: 3.125

13.a. Comprehensive and credible budget

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

It is notable that the budget preparation took an open-door, active participation and inclusive stance to ensure all important stakeholders and interest groups participated in proposing expenditures, developmental, tax, and non-tax measures for the 2022, 2023and 2024 National Budget process. This approach ensured that the budget process and outcome has been well aligned to the Eighth National Development Plan (8NDP 2022-2026) under its key theme of “socioeconomic transformation for improved livelihoods”. Notably, the common denominator in the budgets is the key focus on social sector investments such as health, education, water and sanitation on the on one hand and public investments that could lead to enhanced job creation. Overall, the fiscal performance complied with the budget in 2022, a contrast to the past years, which has increased Zambia’s budget credibility. Public expenditure was kept within budget limits. Notable as well is that social spending was increased as set out in the budget, reversing past trends of chronically low budget execution.

We can further elaborate of the quality of the budgetary and financial management system when considering comprehensiveness and transparency of the budget, how responsive are the budgets based on policy-based budgeting framework, and predictability and control in budget execution.

***Policy-based budgeting**:* A clear annual budget calendar exists, and it defines key stages of the preparation process along with the specific roles of key stakeholders. The National Planning and Budgeting Act 2020 addressed a key recommendation of the IMF Technical Assistance Report whereby the Minister of Finance is supposed to lay before the National Assembly the sources of finance proposed for any supplementary expenses and its impact. Controlling Officers are accountable for the attainment of output targets set up in the estimates of revenue and expenditures falling under their mandate and are liable for disciplinary action in case they contravene the law by their appointing authority. The weakness is that the determination of disciplinary action is at the discretion of the appointing officer. The Act has also put in place measure for monitoring MTEF whereby the Minister responsible for head of expenditure submit a budget performance report of the previous year to the National Assembly by last Friday of June or the end of sitting in a financial year of the National Assembly whichever is later. There is robust procedure for budget scrutiny which leads to timely approval of the budget. However, the review does not extend to Medium Term Fiscal Forecasts and priorities.

Predictability and control in budget execution*:* Effective budget implementation is achieved through the existence of well-supported execution system and effective internal controls which ensures resources needed are obtained timely and used for the intended purposes. The assessment noted improvement in payroll management and commitment controls through the ongoing rollout of IFMIS and TSA. Furthermore, the Government is addressing challenges raised by the Auditor General Report of 2021 which include failure to reconcile and collect significant tax arrears, call bond covers for unaccounted for removal in transit, collect taxes on various imports, irregular refund of VAT and not fully utilizing the developed Modules for Tax Online and growing domestic arrears with majority maintained outside the IFMIS, The reforms include (i) Creation of partnership with Local Authorities, Agriculture Co-operatives, Mineral Agents for collection of Rental Income Tax, Turnover Tax, Base Tax and withholding of Mineral Royalty Tax (ii) Creation of Units to manage Artisanal and Small-Scale Miners, and Mineral Value Chain Data analysis and (iii) Improving Customs-Self Assessing (CSA) and Pre-arrival processing which involves pre-clearance of imports in Customs'(iv) Intensifying reconciliation with tax payers and giving incentives to waive penalties for those who comply and (v) implementation of domestic arrears dismantling strategy 2022-2026 by allocating annual budgets to reduce the arrears.

Current Risks – Weakness in revenue administration, weak predictability in release of resources and commitment controls leading to expenditure arrears, and donor funded operations currently not comprehensively captured in terms of COFOG standards, particularly those not mainstreamed into MPSAs and disbursed through the Central Banking System.

Mitigation– The Zambian government is currently implementing reforms recommended during the recent IMF Diagnostic Governance and Corruption Report 2022 to enhance the planning and budget process to ensure execution as planned and improve service delivery of the Public Sector, implementing the Domestic Arrears clearance strategy 2022-2026 by budgeting adequate funds to clear the existing arrears and operationalize the Project Module in IFMIS to facilitate capturing Project Activities in the System.

13.b. Effective financial management systems

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5

Final Score	3.5

Country Notes:

Generally, the Government has implemented several reforms since the last Public expenditure and Financial Accountability (PEFA) and Country Fiduciary Risk Assessment 2017 (CFRA). The Government has rolled out the Integrated Financial Management Systems (IFMIS) to 62 Heads of Expenditures (including MPAs) and they are using the Treasury Single Account (TSA) to process payments and activated the Commitment Control Module in IFMIS that Links procurement commitments to the annual budget to ensure that budget commitments are within the budget ceilings. The Public Finance Act 2020 Section 25 provide broad principles for the operation of treasury function from the establishment of a Consolidated Fund and treasury account through collections, banking arrangements, commitment controls, tracking and reporting. However, the Act does not apply to Statutory Corporations, State Owned Enterprises and Local Authorities.

The assessment noted IFMIS has not been fully rolled out to some key ministries, namely Health, Agriculture and Education at provincial and district level therefore they are excluded from the TSA as is the case with Local Authorities. There are bank accounts especially held in the commercial banks that are still not part of the TSA, the Government has taken measures to track them through central treasury account 99 which is not reconciled in real time. The existing tools in the treasury system does not allow for full tracking of external aid resources/inflow partially attributed to non -operationalization of the Projects Module in IFMIS and exclusion of Statutory Corporations and State-owned Enterprises to be part of the TSA. As a result, full reliance cannot be placed on the TSA's capability for administering all aid funds, particularly those that do not go through the central treasury account.

Current Risk – Existing tools in the treasury system does not allow for full tracking of external aid resources/inflows. Currently, the system has the capacity only to track on real time transactions that are carried out and funded through the central treasury account (control 99). The Statutory Corporation, State owned Enterprises and Local Authorities are excluded from the TSA.

Accounting and Reporting: The accounting and reporting provisions in the Public Finance Act 2018 are quite comprehensive. The requirements to prepare and present annual financial statements covering the year to 31 December each year are set out in the Constitution of Zambia[1] which requires MPSAs to submit their financial statements to the Accountant General's (AGs) Department by the end of March each year for review and consolidation within four months. The consolidated accounts are then submitted to the Office of the Auditor General (OAG) for external auditing within six months. Audited financial statements are finally submitted to Parliament by the Minister of Finance in line with the provisions of the new Constitution[2]. Overall performance has been strong in terms of completeness of annual financial reports and timeliness for submission of reports for external audit, as alluded to in the 2017 PEFA. The Government has been applying International Public Sector Accounting Standards (IPSAS)- the cash basis for preparation of its financial statements since 2009 and is in the process of migrating to accrual basis in 2024. The assessment noted that bank accounts maintained through the IFMIS, and TSA are reconciled regularly and timely on a monthly basis. The challenge lies with accounts which are not covered by both the IFMIS and TSA which are not reconciled regularly as reported in the Auditor General reports. The Auditor General's report has reported weaknesses in management of inventory and fixed assets with unaccounted for inventory and assets and disposal of assets. The non- operationalization of the projects Modules in IFMIS hinders the ability of the system to record investment project (excluding Policy Based Operations) financed by the Bank and be able to accommodate specific reporting requirements in a timely manner.

Current Risks – Weaknesses on reporting on inventory, assets and disposal of assets. The roll out of IFMIS to some Ministries such as Health and Education has not been completed especially at the Local Government Level, therefore affecting timely reporting.

Internal Control: In Zambia all transactions involving public funds are supposed to be processed in accordance with provisions in the Public Finance Act (PFA) 2018 and its Regulations, National Payment Systems Act (NPSA) 2007, and Zambia Public Procurement Act (ZPPA) 2020, as well as other relevant statute. According to the Acts and regulations Accounting Officers are prevented from incurring unauthorized commitments. However, the Assessment noted that strict adherence to these directives by MPSAs has been a challenge due to weak predictability in availability of funds to MPSAs for expenditure commitment. MPSAs override commitment and cash controls and incur excess expenditures through supplier credits to enable them carryout their functions which contributes to arrears accumulation and was revealed in PEFA 2017 report and recent Auditor General's reports. The 2021 OAG's report highlighted a number of internal control weaknesses found in MPSAs including unaccounted for revenues, flouting of procurement procedures, unaccounted for stores, unvouched expenditures, undelivered materials, overpayments, wasteful expenditures, poor custody of financial records, unretired accountable Imprest and misapplication of funds etc. .The ongoing roll out of IFMIS once completed and implementation of the Domestic Arrears strategy 2022- 2026 will significant resolve some of the issues. The challenge will remain with the Local Government Authorities who are not affected by the TSA.

The assessment also noted the existence of a functional internal audit department (IAD) that derives its mandates under the PFA of 2008[3]. The IAD is headed by the Controller of Internal Audits (CIA) who in the performance of his/her duties is subjected to the direction of the Secretary to the Treasury (ST). The IA function has adopted IIA standards and applies them to all internal audit activities. An internal audit manual that is aligned to the IIA standards is in place and include the Quality Assurance and Improvement Program (QAIPs); and training has been provided to number of IA officers. There has been improvement in recent times as evident in increased internal audit coverage with efforts being focused on undertaking revenue audits, expenditure reviews, special assignments, as well as arrears audit in all MPSAs. However, the assessment noted the IAD is constrained with inadequate number of skilled staff, tools and equipment such as; laptops, digital cameras, vehicles, and inadequate operating budget etc.

Current Risks: Relates primarily to the instances of non-compliance with established rules and procedures, and less than satisfactory response rate as regards external audit findings

[1] Article 118(1); and in line with FR 198(1)

[2] Article 121 requires the Minister of Finance to submit audited financial statements to Parliament within nine months after year end.

Section 14(1) of the Public Finance Act No. 1 of 2018 established the Controller of Internal Audit in the Ministry of Finance.

13.c. Timely and accurate fiscal reporting

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The accounting and reporting provisions in the Public Finance Act 2018 are quite comprehensive. The requirements to prepare and present annual financial statements covering the year to 31 December each year are set out in the Constitution of Zambia which requires MPSAs to submit their financial statements to the Accountant General's (AGs) Department by the end of March each year for review and consolidation within four months. The consolidated accounts are then submitted to the Office of the Auditor General (OAG) for external auditing within six months. Audited financial statements are finally submitted to Parliament by the Minister of Finance in line with the provisions of the new Constitution.

Overall performance has been strong in terms of completeness of annual financial reports and timeliness for submission of reports for external audit, as alluded to in the 2017 PEFA. The Government has been applying International Public Sector Accounting Standards (IPSAS)- the cash basis for preparation of its financial statements since 2009 and is in the process of migrating to accrual basis in 2024. The assessment noted that accounts maintained through the IFMIS, and TSA are reconciled regularly and are timely on a monthly basis. The challenge lies with accounts which are not covered by both the IFMIS and TSA which are not reconciled regularly as reported in the Auditor General reports. The Auditor General's report indicated weaknesses in management of inventory and fixed assets with unaccounted for inventory and assets and disposal of assets. The non- operationalization of the projects Modules in IFMIS hinders the ability of the system to record investment projects and be able to accommodate specific reporting requirements in a timely manner.

Current Risks – Most of the ongoing donor-funded projects are not accommodated by IFMIS, weaknesses on reporting on inventory, assets and disposal of assets. The roll out of IFMIS to some Ministries such as Health and Education has not been completed especially at the Local Government Level, therefore affecting timely reporting.

13.d. Clear and balanced assignment of expenditures and revenues to each level of government

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

A clear annual budget calendar exists, and it defines key stages of the preparation process along with the specific roles of key stakeholders, including all the ministries which ensures all levels of the government are represented. Adding to the credibility of the process, the National Planning and Budgeting Act 2020 addressed a key recommendation of the IMF Technical Assistance Report whereby the Minister of Finance is supposed to lay before the National Assembly the sources of finance proposed for any supplementary expenses and its impact. Controlling Officers are accountable for the attainment of output targets set up in the estimates of revenue and expenditures falling under their mandate and are liable for disciplinary action in case they contravene the law by their appointing authority. The weakness is that the determination of disciplinary action is at the discretion of the appointing officer. The Act has also put in place measure for monitoring MTEF whereby the Minister responsible for head of expenditure submit a budget performance report of the previous year to the National Assembly by last Friday of June or the end of sitting in a financial year of the National Assembly whichever is later. There is robust procedure for budget scrutiny which leads to timely approval of the budget. However, the review does not extend to Medium Term Fiscal Forecasts and priorities.

The migration of the full cycle of public financial management into the IFMIS may be a positive step to create fiscal discipline, but it will take time to roll it out at levels of the government, which also requires building both technical and soft human capital to internalize the use of the new system. Resource allocation and actual disbursement to all levels of the government in the budgetary process also deserves heightened level of transparency so that the public (media, civil society, and elected representatives) can easily evaluate whether the government executed the budget according to the public budget pronouncements. Delays in resource transfers to the subnational government level is also a problem that still undermines budget execution, service delivery, interferes with timely audit processes, and may even inadvertently increase costs due to the arrears accumulated.

14. Efficiency of Revenue Mobilization

Criteria Score: 3.75

14.a. Tax policy

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

The revenue growth has been positive despite an underperformance from the mining sector due to production challenges and lower copper prices. Substantive reforms are underway to modernize the Zambia Revenue Authority (ZRA), reduce the tax compliance gap, and improve the service delivery for taxpayers, also contributing to an improved business environment.

Reforms in tax policy and administration currently underway has been crucial for the Government's efforts to create fiscal space to finance critical development programs and enhance social protection. In this regard, Zambia Revenue Authority (ZRA) has embarked on a wide range of initiatives largely focused on enhancing the efficiency and effectiveness of tax administration while harnessing the use of technology and establishing collaborations with other Government agencies to boost revenue mobilization. The Domestic Tax Division has been restructured and this has helped to enhance specialization. The new Tax Online system has helped to achieve a more robust, flexible and interactive and user-friendly tax administration system. Through the TaxOnphone reform, taxpayers can now use their mobile phones to register for taxes and file returns. This has eliminated the need for physical visits by taxpayers to ZRA offices for tax-related transactions. Electronic fiscal devices have been introduced with a view to improving the monitoring of transactions for tax purposes and help with data analysis. As part of international trade facilitation efforts, customs processes and procedures continue to be simplified and the number of agencies on the electronic single window platform is increasing. ZRA has signed MOUs with 116 municipalities that will serve as tax collection agents for informal sector taxes. Forensic audit of the mining sector has achieved significant benefits and a number of other new initiatives are being considered, including vehicle tracking management system. Two areas highlighted for possible Bank support include (i) capacity building, and (ii) minimize VAT leakages by expanding the provision of gadgets to all VAT-registered suppliers. ZRA confirmed that most of the identified areas remain relevant, but some adjustments may be necessary in view of evolving priorities.

Improved Revenues Collection and Investment Environment: In September 2022, the government introduced tax policy measures that aim to yield up to 3.2 percent of GDP over 2022–2025 (including reinstating VAT and excise on fuel from October 2022). In addition, there has been a **2023 switch to a marginal mineral royalty tax (MRT) to smoothen the impact of changing prices on fiscal revenues and make them more stable.**Notably perennial instability in the mineral tax regime hindered investment and, despite increasing the tax burden, did not lead to higher revenue yields. The authorities are confident that the new regime will provide greater predictability and reduction in the distortive impact of the tax regime on the mining sector. This is expected to bring much needed investment to scale-up production and boost growth.

Taxation and Equity: Some reforms were introduced in 2023 to provide some relief to low and middle-income households. These reforms raised the exemption threshold to partly account for inflation, reduced the lowest marginal rate from 25 to 20 percent, and widened the income bands subject to the marginal rates of 20 and 30 percent.

Clearing VAT-refund arrears: To clear the stock of accumulated VAT-refund arrears, the authorities increased monthly VAT-refunds by 50 percent on average compared to the previous five years, using both cash payments and offsets. In parallel, the authorities also stepped-up the pace of VAT-refund audits, adding to the flow of verified refund requests. Consequently, the flow of newly verified refund requests has outstripped the pace of refunds. The pace of new refund requests will accelerate further with the planned switch to risk-based audits. Hence, to measure progress on the timely payment of VAT refunds, a modified IT on the clearance of VAT-refund arrears is proposed, to distinguish between clearance of the legacy stock and dealing with the current flow of refund claims.

14.b. Tax administration

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The government tax administration revolves around growing the tax net, curbing individual and corporate tax evasion, and increasing the tax-to GDP ratio to 22.6 percent by 2025. 15 percent Tax-GDP ratio is considered as reasonable level at which a country is capable of generating sufficient revenue to support growth and development. Currently Zambia is revenues stand at the 17.8% of GDP. However, the Government has made efforts to achieve modernization and automation of revenue collection processes and provision of Government services. This is mainly targeting resource mobilization efficiency which through implementation of a service platform and payment gateway helps to create efficiencies in service delivery and enhance tracking of revenues.

Tax revenues collected in 2021 amounted to 16.74% of the GDP which was above the target of 16.0%. In 2022, the Authority posted gross revenue collection was 17.8 percent of the Gross Domestic Product (GDP).In terms of specific tax types, VAT collections were 15 percent above target at K9.4 billion against a target of K8.2 billion. Customs duties were above target by 19 percent at K2.5 billion while Excise duties were below target by 8 percent at K2.1 billion against a target of K2.5 billion. Insurance premium collections were above target by 30 percent at K81.8 million against a target of K63.1 million. Income tax collections for the period under review amounted to K19.6 billion against the target of K14.2 billion and were above target by 38 percent. The increased usage of IT system has contributed immensely to the positive trend.

While it is notable that Zambia Revenue Authority has a sound tax administration system that encourages compliance, several shortcomings, however, do exist. These include a high number of untimely tax filings, a high number of tax arrears incidents, a VAT refund backlog, and an inaccurate tax registration database. These shortcomings influence the negative compliance rate, which is also affected by the strong presence of the informal sector.

15. Quality of Public Administration

Criteria Score: 3.167

15.a. Policy coordination and responsiveness

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The Zambian government has performed better in coordination and implementation of policy goals such as the introduction of a minimum wage, and basic infrastructure projects such road building project, but has largely failed to implement plans to reduce government spending, access financial assistance from the IMF, or reduce the country’s reliance on copper exports. Perhaps most significantly, there is a lack of clarity and implementation when it comes to government policy regarding the mining sector. It also notable coordination of policy implementation remains a challenge to the government, for instance in regulatory issues. Investments in information technology systems to integrate functions of government ministries and implementation agencies has been a positive step forward to improving government policy coordination and implementation. The current debt crisis in which government ministries has had runaway domestic arrears is also an indicator of lack of policy implementation and coordination as the government expressly stated policy position in 2019 and 2020 has been to reduce fiscal deficits and domestic arrears.

Generally, policy coordination has remained a consistent challenge for the Zambian government. Lack of consistency has frustrated the implementation and coordination of economic priorities. As such, the opposition parties and some business leaders have accused the government of manipulating the economy for political ends. There is high expectation that the new government elected on August 12, 20021 on the promises and high expectation of being pro-business and reform minded will be better at policy coordination and responsiveness to both public and private sector needs.

15.b. Service delivery and operational efficiency

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Adoption of E-government services is a major way for improving government service delivery, more so in the midst of the Covid-19. Zambia is ranked among the middle level achievers together with Angola, Tanzania and Congo among others with a score of between (0.25-0.50) on the E-Government Development Index (EGDI Index). Half of the 16 countries that joined the high EGDI group in 2020 are in Africa (Namibia, Cabo Verde, Egypt, Gabon, Botswana, Kenya, Algeria and Zimbabwe). It is therefore important that Zambia improves its E-government capability to improve service delivery to the citizens and businesses.

The government of Zambia has tried to pursue socio-economic development and welfare priorities i.e. through subsidies to small scale farmers and cash transfers to the elderly. The development of e-voucher system to deliver farm subsidies is a notable development towards efficiency goal. However, government service delivery is still facing many challenges such as poor coordination, corruption, and delays. In this regard, the subsidies to farmers in the form of fertilizers still face delays in delivery (due to limited use of electronic voucher system), which is altogether counterproductive to the key goal of raising farm productivity when the timing of the rainy seasons is not right. Changes in the civil service have also affected service delivery due to political interference in the bureaucracy, and a lack of decentralization remain areas of concern. The government however indicated that it is willing to improve efficiencies in the civil service, most notably by announcing efforts to remove up to 7,000 “ghost workers” from the civil service pay.

Some donor partners have expressed dissatisfaction with lack of accountability and transparency in service delivery institutions specifically in health and education initiatives. Specifically, USAID, has pointed out that lack of transparency and accountability undermines the long-term sustainability of its health and education sector investments and complicates the desired shift to domestic financing of service delivery as a step toward self-reliance. The USAID's AGIS program therefore continues to support the Zambian government and people in strengthening the skills of government employees in financial practices, and auditing procedures to improve management and utilization of public funds allocated to health and education. The critical understanding behind the assistance is that the USAID interventions in the country will help increase the efficiency of the Ministries of Health and General Education by strengthening oversight of public resources, enhancing financial management systems, and bolstering linkages between the central government and districts.

15.c. Merit and ethics

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The Government of the Republic of Zambia's (GRZ) recognizes the pivotal role of the Public Service in national development and in the delivery of quality services to the people of Zambia. To that end, GRZ takes note of the importance of implementing the Code of Ethics for the Public Service. Some of rules are enshrined in the administrative statutes and are very much a part of GRZ policies. Even other institution such as the parliament are included in the GRZ code of ethics application. However, in practice the code of ethics can be viewed as ineffective. There are various cases from Ministerial breaches of ethical conduct, and Anti-corruption Act. Weak institutional governance and politicization of the public service sector can be the major explaining factors on failure to put ethical code of conduct into strict practice. It can also be viewed that the lack of enough domestic support and insistence on holding public official to very high standards is another contributing factor to the failure to attain strict adherence to the GRZ code of ethics. As an attempt to strengthen its public sector adherence to ethical conduct, the office of the Ombudsman was empowered through legislative act. However, there has been not much to show that is congruent with the legislative powers bestowed on that office.

Meritocracy cannot thrive under corrupt institutional framework also characterized by ethno-identity, and as such public role recruitment still does not meet meritocracy standard. One of the key indicators of the challenges of governance in Zambia is the pervasiveness and endemic nature of corruption. Corruption and ethno-identity seem to have penetrated all spheres of public life, including those institutions intended to combat it. Despite the existence of measures to curb corruption such as the National Anti-Corruption Policy, the Integrity Programme, the National Programme on Governance, the Anti-Corruption Commission, and anti-corruption committees in all government institutions, corruption in Zambia is still a critical challenge in public sphere. So long corruption is still a pressing problem in Zambia, meritocracy in public life cannot be attained.

15.d. Pay adequacy and management of the wage bill

No score data available for this subcriteria.

16. Transparency, Accountability, and Corruption in the Public Sector

Criteria Score: 3.333

16.a. Accountability of the executive to oversight institutions

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

In a survey undertaken by Transparent International, Zambia scored 38 out of 100 in 2018, and 34 out of 100 in 2019 on the corruption perception index (CPI) and is ranked number 113 out of 180 countries surveyed in 2019. CPI gives a relative degree of corruption in the public sector of a particular country or region. In this case, Zambia's score and ranking indicates a high degree of corruption and that is problematic. Because of a high degree of corruption, the country is unable to collect sufficient revenue because some of its revenue leaks through corruption and does not get into government coffers. And even when revenue has been collected, corruption noted in procurement of public contracts points to theft and abuse of public resources. For instance, forty-two (42) fire engine trucks tenders bought at a cost of one million US dollars (US$1 million) each, instead of their real value of two hundred fifty thousand US dollars (US$250), a latter value which these fire tenders were eventually insured at, is a case pointing to grand corruption and still a hot topic in the court of public opinion.

According to the 2021 Corruption Perceptions Index (CPI) published by Transparency International, the perception of corruption has worsened since 2017 from a score of 37 out of 100 (ranked 96th /180 countries) to 33 (117th/180) in 2021. Despite this position, the Government has undertaken several measures to curb corruption. The Zambia Anti-Corruption Commission (ACC) which has been instrumental in the anti-corruption effort guided by the Strategic plan 2017 -2021. The various assessments on performance, institutional capability and stakeholder analysis have informed the formulation of a new strategy (2022 to 2026), anchored on three pillars focused on Anticorruption Excellence, Stakeholder Collaboration and Operational Excellence. To date ACC has established 140 Integrity committees, signed Memorandum of Understanding with other oversight agencies to include the Office of the Auditor General, Financial Intelligence Centre, Zambia Revenue Authority, among others. There has been increased usage of the case management system which has significantly improved the efficiency and effectiveness of ACC. It covers key processes from receipt of a complaint up to prosecution.

Notwithstanding this progress, the independence of ACC continues to hinder its effectiveness in the fight against corruption.

The Anticorruption Act (2012) needs to be strengthened by aligning it to the 2016 Constitution particularly on the new definition of public officers, minimum mandatory sentences, removal of consent by DPP (Director of Public Prosecutions) and strengthening the whistle blowers Act. Additionally, institutional and human resource challenges continue to hinder effectiveness and efficiency of the ACC particularly on the remuneration and conditions of service. As a result, there is high staff turnover as many highly skilled and experienced staff leave for greener pastures due to low remuneration and limited opportunities for professional development and growth. Inadequate staffing has also resulted in delays in concluding corruption cases. Inadequate training for members of staff and inadequate ICT (Information and Communications Technology) infrastructure (tools and systems) also require attention. The organization structure also needs to be reviewed to enable the ACC to effectively deliver on its mandate. Possible areas of Bank support include strengthening the Independence of ACC with future amendments to the Act and enhance its Institutional capacity to execute its mandate.

16.b. Access of civil society to information on public affairs

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Zambia has an extensive and vibrant civil society that has grown over the decades. The civil society in Zambia cover a range of issues areas such as constitutionalism, participation, adherence to the rule of law, and human rights. However, CSOs face challenges relating to a weak organizational capacity, high dependency on external resources and lack of an apex umbrella body that coordinates all the national Non-Governmental Organizations (NGOs) in the country. According to CIVICUS Monitor, Zambia's conditions for civil society is rated as obstructed in 2020. This is in relation to the highly restrictive 2009 NGO Act. The relationship between the state and civil society is currently marked by suspicion and high level of mistrust where the civil society sees the state as inclined to suppress public discourse so as to perpetuate corruption and misrule. On the other hand, the state views the civil society as its enemies working with the opposition politicians to dislodge the ruling party from governorship of the country. The beneficial synergy for socio-economic development that could be derived from a functional relationship between these two entities is lacking. As such, quality in overall socio-economic development of the country suffers. Nevertheless, the newly elected government is expected to expand the democratic space thus could allow CSOs to operate more freely.

16.c. State captured by narrow vested interests

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

State Capture can be framed with reference to state institutions, such as the judiciary, civil service and state agencies/parastatals, in their failure to uphold institutional integrity or integrity of institution, thereby failing to operate independently and within the strict framework of the law by which such institutions were created and defying the purpose for which they were composed. Zambia has been through a gradual decay of institutional values marked by decisions of officers in the civil service, judiciary and other linked state agencies pursuing goals and making decisions that are skewed towards benefiting a segment of the society, usually political elite groups linked to the ruling party.

Laws against election-related violence are poorly enforced. In 2019, political violence involving the ruling party and opposition groups continued with impunity, especially in the run-up to parliamentary and local by-elections. Three opposition party supporters were killed in separate clashes with the ruling in April and October. Again, corruption in government is perceived to be widespread, and impunity is common. Prosecutions and court decisions on corruption charges, when they do occur, are often thought to reflect political motivations. In a sign of the scope of the problem, the United Kingdom, Ireland, Finland, and Sweden decided in 2018 to withdraw aid to Zambia amid allegations that $4.7 million in donor funds had been embezzled by government ministries.

Limited funding and enforcement restrict the efficacy of institutional safeguards against corruption, and ruling party leaders and the government sometimes undermine the work of anticorruption bodies. For instance, the Financial Intelligence Centre (FIC), a government anticorruption watchdog, came under pressure over the May 2019 publication of its 2018 *Money Laundering/Terrorist Financing Trends Report*, which found that corruption cost the government 6.1 billion kwacha (US$474 million) in 2018, up from 4.5 billion kwacha (US$350 million) in 2017. In June 2019, FIC staff reported receiving death threats. By September, the existing FIC board had been replaced with a more progovernment panel.

(E) Infrastructure and Regional Integration

Cluster Score: 3.75

17. Infrastructure Development

Criteria Score: 4

17.a. Sector strategy/policy

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

The Zambian government has articulated its entire infrastructure (transport, energy, and water and sanitation) strategic policy in both its 7th and 8th National Development Plans. In the transport sector, Zambia prioritizes the development of the main transport corridors as stated in the National Transport Policy and the Road Sector Framework 2012-2022. The current total road network is about 67,670 km, of which approximately 40,450 km has been defined as core road network. About 23% (9,403 km) of the CRN is paved, whilst when considered in totality about 14% of the network is paved. There is a however stark imbalance in the condition of the road network, as over 70% of the TMD is in good condition, but the converse applies to the Primary Feeder roads with nearly 80% in poor condition. It is also increasingly apparent that Zambia needs to shift its bulk cargo to rail to substantially improve the country's trade expansion to neighboring country markets, reduce traffic loads and thus mitigate premature road failures. However, more investment is required to elevate the rail sub-sector to a competitive standard. The main constraints in the transport sector remain to be poor infrastructure leading to high costs, limited public sector capacity, lack of resources and proper planning for maintenance, and the need to update transport policy and investment planning.

17.b. Legal and regulatory frameworks for infrastructure

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

The Zambian government has made efforts to improve the legal frameworks for infrastructure. The overarching aspect of this has been the move towards creating an attractive legal and institutional environment for private sector to participate in development of infrastructure projects in road, rail, water, power and ICT sectors through Public Private Partnerships. In addition, the government has made statutory reforms to enhance infrastructure development in the country. In the road transportation sector, GoZ issued a statutory directive requiring large transporters to move 30% of their cargo by rail 2019 as a means of promoting the development of the rail sector. In the power sector, the government has been committed to implementing energy sector reforms to enable increased private sector participation and diversify electricity generation sources to mitigate against climate change risks affecting the country's hydroelectric power generation. Energy reforms have been prioritized to attract private sector investments through Independent Power Producers (IPPs) and institutional investors. The government has therefore facilitated the connection of various IPPs to the grid.

17.c. Public resource management and accountability in the infrastructure sector

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

Poor governance in the whole cycle of infrastructure in Zambia leads to high costs, limited public sector capacity, lack of resources and lack of optimal planning for maintenance. The recent launch of the New Transport Policy (2019) and National Transport Master Plan provide a clear strategic outlook for the sector, while the Aviation Strategy and the Road Investment Plan that are being finalized shall guide the sub-sectors. The poor governance performance in the sector leads to high costs of projects whose rates of social returns cannot be easily determined. Corruption mainly affects procurement project stage, though other cycles of infrastructure are also adversely impacted. The current debts crisis is related to high expenditure on infrastructure, but the returns from the capital investment are being questioned. It is obvious that a flawed procurement system can only deliver overpriced infrastructure. It is significant that the Minister of Infrastructure and housing was arrested in 2019 on charges of corruption. Corruption is perhaps the single most critical issue in infrastructure governance in Zambia. However, there are also other governance issues such as the need for human capacity to set the right levels of tariff and manage infrastructure services across the board (roads, water, electricity etc) to match the ongoing efforts to crowd in private sector capital into infrastructure through the PPP framework. The future outlook for infrastructure governance might be better with the increased use of PPP to deliver infrastructure and derived services because of the stringent financial discipline required by project finance models demanding that each pay for itself.

18. Regional Integration

Criteria Score: 3.5

18.a. Movement of persons and labor and right of establishment

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

A core part of the Zambian government vision is to act as a trade hub through One Stop Border Post (OSBP) for SADC and COMESA countries. Zambia’s trade facilitation reform activities are primarily donor funded and supported. In addition to TFA ratification, Zambia has also shown impressive improvements over the past decade in removing business barriers and improving its logistics performance, which have contributed to an overall enabling environment for trade facilitation. Zambia is the 120 most competitive nation in the world out of 140 countries ranked in the 2019 edition of the Global Competitiveness Report published by the World Economic Forum. It should also be noted that as a result of Zambia's business environment reforms, the country is now ranked 5th in the Southern African Development Community (SADC) and 4th in the Common Market for Eastern and Southern Africa (COMASA) in terms of the ease of doing business.

Despite progress, Zambia’s efforts towards institutional reforms that facilitate and deepen trade facilitation efforts are not without their challenges. These challenges can be grouped under four key areas: the absence of formal evaluation systems that give a complete overview of existing data (clearance times, type of goods, etc.) and trade facilitation activities at the borders; the need for institutional reform and enforcement mechanisms that will hold government agencies accountable in terms of implementing trade facilitation reforms and activities, the need for a well-trained body of customs clearing agents; and the failure to implement functioning Single Window systems.

18.b. Regional financial integration

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0

Second Draft Score	3.0
Final Score	3.0

Country Notes:

In general terms Zambia shows some progress in financial integration although this is still at infancy stage. The progress made in financial integration is aligned more to the protocols of SADC and to a lesser extent to that of COMESA. Zambia benefits from SADC's implementation of a cross-border settlement system called SADC Real Time Gross Settlement System (SADC-RTGS with settlements made in the Rand currency). This system was initially developed as a test run in the four Member States (Eswatini, Lesotho, Namibia and South Africa) that form the Common Monetary Area (CMA) and eventually rolled out to the rest of the other SADC countries with the exception of except Madagascar and Comoros. Currently, SADCRTGS settlement is done in South African Rand.A total of 81 banks (central banks and commercial banks) are participating in the system. The inclusion of all the currencies of the region onto the system was completed at the end of 2019. On the other hand, the COMESA Business Council initiatives on harmonization of regulatory policies towards integrated digital common payment policy framework for micro-small and medium enterprises (MSMEs), which the Zambian government has embraced. When fully implemented, this initiative would greatly benefit and integrate MSMEs, which includes informal traders into cross-border trade at lower costs of financial transactions. which the Zambian government has embraced.When fully implemented, this initiative would greatly benefit and integrate MSMEs, which includes informal traders into cross-border trade at lower costs of financial transactions. which the Zambian government has embraced. When fully implemented, this initiative would greatly benefit and integrate MSMEs, which includes informal traders into cross-border trade at lower costs of financial transactions.