



PwC Zambia's 2025 National Budget FAQs

Introduction



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On 27 September 2024, Honourable Minister of Finance and National Planning, Dr. Situmbeko Musokotwane, presented Zambia's 2025 National Budget to the National Assembly. This budget comes at a critical time as Zambia faces severe climate change impacts, economic challenges, and ambitious growth targets amidst resource constraints. The country is dealing with a severe drought affecting its hydroelectric power-dependent energy sector, leading to a significant reduction in agricultural output and electricity generation. Additionally, Zambia is recovering from a sovereign debt default in 2020, the Covid-19 pandemic, a mining sector slump, and geopolitical conflicts.

The 2025 budget, themed "Building Resilience for Inclusive Growth and Improved Livelihoods," projects an expenditure of K217.1 billion, a 9% increase from 2024. The government aims for a GDP growth rate of 6.6%, inflation reduction to 6-8%, and a budget deficit target of 3.1% of GDP. Revenue projections include a 26% increase in domestic revenues and grants, with tax revenues expected to rise by 20%. Debt restructuring has provided greater certainty in budget allocations, with Zambia restructuring US\$11.69 billion of its original US\$13.1 billion debt, significantly reducing debt service costs.

The government is promoting renewable energy projects to address the energy crisis and diversify the energy mix. Investments in agriculture aim to improve food security and resilience against climate change. Support for manufacturing, social protection, and local development is also prioritized, with significant budget increases in these areas. However, more aggressive investments in renewable energy and sustainability are necessary.

The 2025 National Budget reflects the government's commitment to navigating challenging times with ambitious goals for growth and resilience, balancing immediate crisis management with long-term strategic planning.

Join us as we navigate the complexities of Zambia's 2025 National Budget, understanding its potential to drive transformation and growth in a challenging economic landscape. Through these FAQs, we aim to answer some of the most pertinent questions arising from the budget.





Frequently Asked Questions (FAQs) on the 2025 National Budget

Question 1. What is PwC Zambia's overall perspective on the 2025 National Budget based on the PwC 2025 Budget Bulletin, and why do they describe it as ambitious but constrained?

Answer: PwC Zambia views the 2025 National Budget as ambitious but constrained. The budget aims to address significant challenges posed by climate change, economic constraints, and the need for social support.

It sets aggressive targets for GDP growth, inflation reduction, and fiscal deficit management. However, the budget is constrained by limited resources, necessitating a focus on crisis response and support for the most vulnerable populations.

The ambitious nature of the budget is reflected in its increased expenditure and bold targets, while the constraints are evident in the limited ability to provide additional relief to workers and businesses.

Question 2. What are the primary budget priorities for 2025?

Answer: The primary budget priorities for 2025 include:

- Building resilience for inclusive growth and improved livelihoods.
- Increasing expenditure in key sectors such as social support, infrastructure, health, and education.
- Achieving a GDP growth rate of 6.6%.
- Reducing inflation to the range of 6-8%.
- Reducing the budget deficit to 3.1% of GDP.
- Enhancing domestic revenue collection and securing external support.

Question 3. How has the drought affected the 2025 National Budget?

Answer: The drought has significantly impacted the 2025 National Budget by causing an unprecedented energy deficit and reducing agricultural output. This has necessitated a revision of the 2024 budget to divert resources towards humanitarian relief efforts. The energy crisis has slashed electricity generation, hampering economic activity, and the agricultural sector has seen a drastic reduction in crop output, leading to a maize deficit. These challenges have influenced the budget's focus on crisis response and support for the most vulnerable populations.

Question 4. Given that electricity is crucial for economic growth, what additional measures have been proposed to increase electricity generation for agriculture, individuals, and businesses?

Answer: To address the energy crisis, the Government has proposed several measures to increase electricity generation, including:

- Promoting investments in renewable energy projects such as solar power stations in Chisamba, Choma, Kasama, and Kariba.
- Encouraging off-grid solutions like industrial generators and solar systems, particularly in markets, public hospitals, and schools.
- Accelerating the completion of previously stalled power generation projects, such as the Maamba Collieries 300MW expansion.
- Implementing the Integrated Resource Plan (IRP) to ensure energy sufficiency and surplus, attain universal access to electricity by 2030, and position Zambia as a regional electricity trading hub.



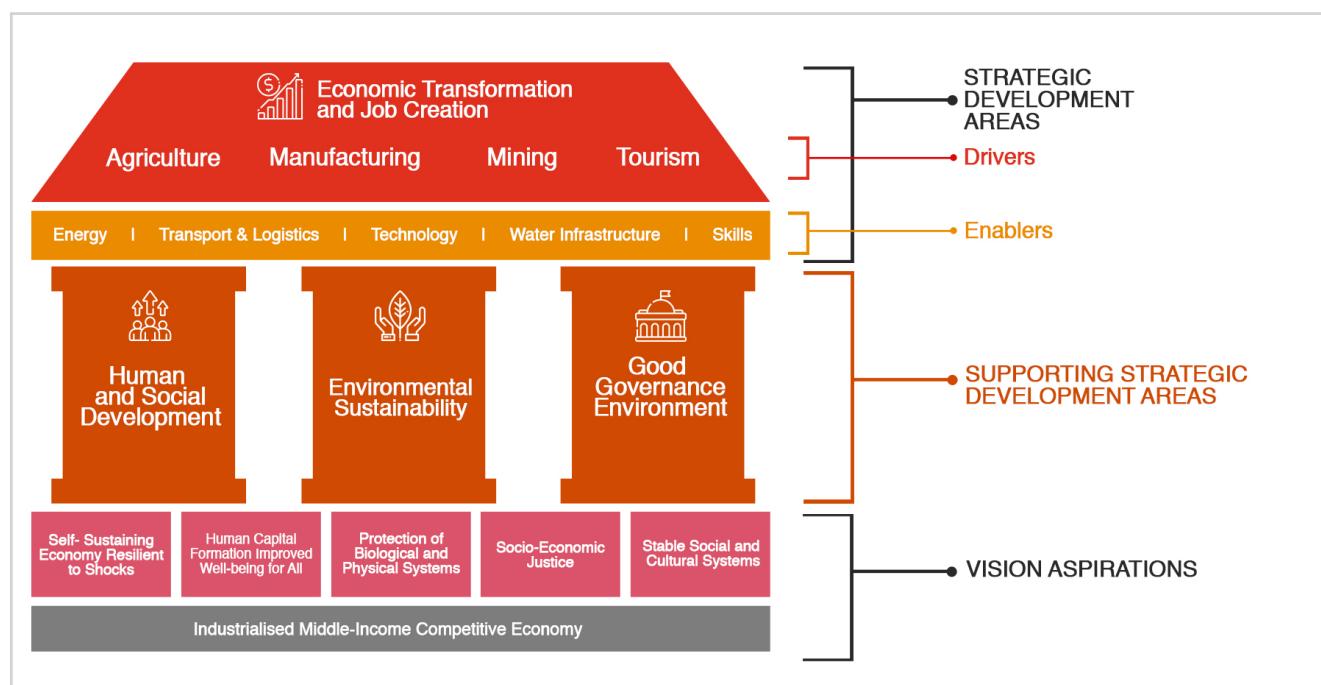
Question 5. How does the 2025 budget align with previous budgets issued by the New Dawn Government and the 8th National Development Plan (8NDP)?

Answer: The 2025 budget aligns with previous budgets and the 8th National Development Plan (8NDP) by maintaining a consistent policy stance to drive the transformation and growth of key sectors such as mining, manufacturing, and agriculture. The budget continues to build on the long-term goals articulated in the 8NDP, focusing on resilience, inclusive growth, and improved livelihoods. The Government's commitment to these goals is evident in the sustained investment in infrastructure, social support, and economic diversification.

Question 6. What actions has the Government announced regarding the other priority sectors outlined in the 8NDP?

Answer: The Government has announced several actions for other priority sectors outlined in the 8NDP, including:

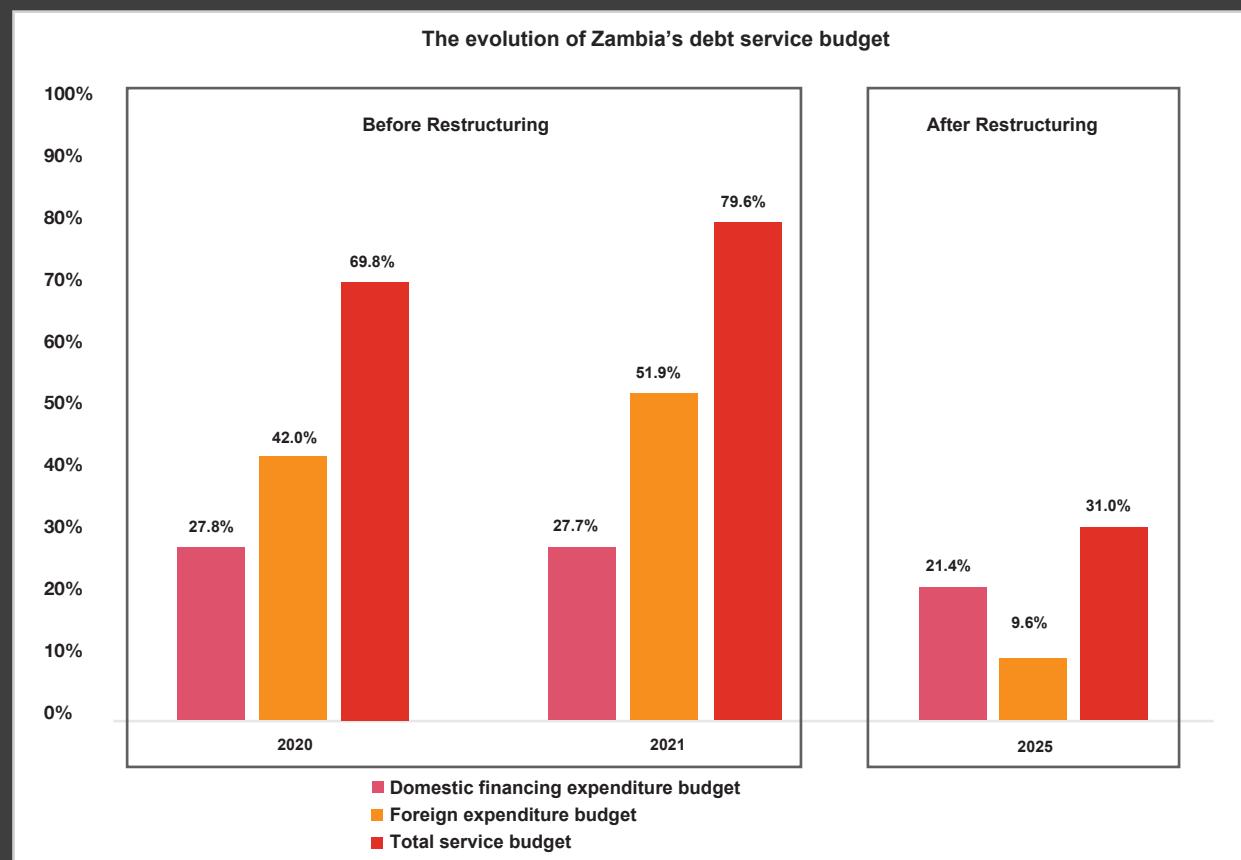
- **Agriculture:** Continued investment in developing farming blocks, promoting irrigation development, and launching the Comprehensive Agriculture Transformation Support Programme.
- **Mining:** Intensified efforts to boost investment, geophysical mapping, and achieving the goal of 3 million metric tonnes of copper by 2031.
- **Manufacturing:** Development of Multi-Facility Economic Zones (MFEZs) and Special Economic Zones (SEZs), and incentives to support export processing.
- **Tourism:** Increased budget allocation, infrastructure development, and collaboration with neighbouring countries for trans frontier conservation areas.
- **Transport and Infrastructure:** Development of key road projects through direct investment, Public-Private Partnerships (PPPs) and targeted investments in air facilities.





Question 7. What is the impact and status of debt restructuring on the 2025 National Budget?

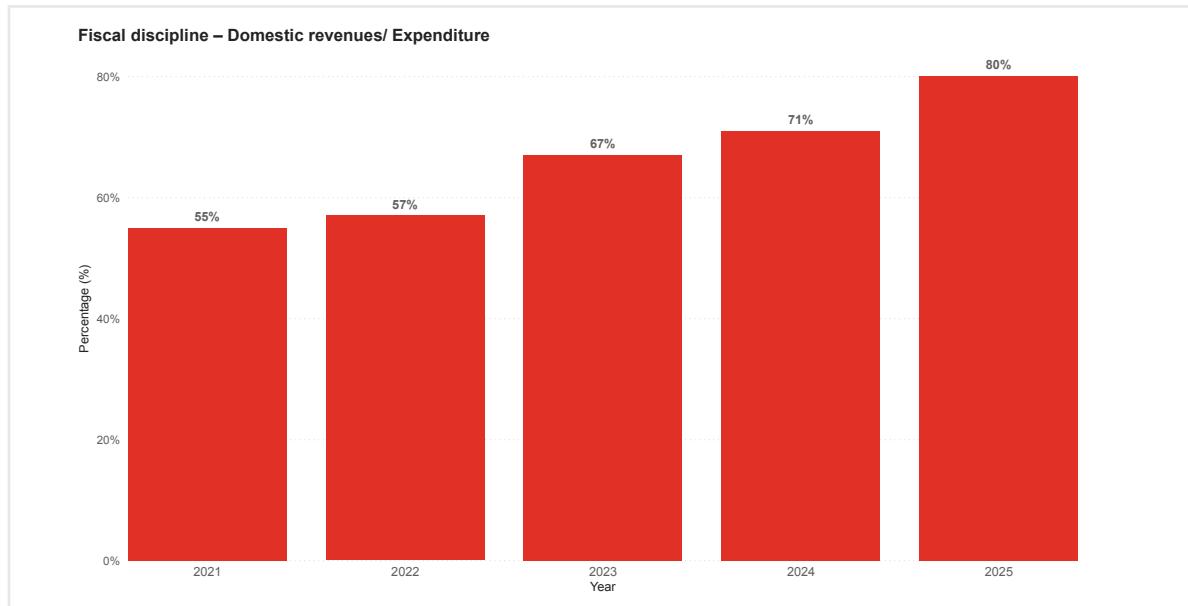
Answer: The debt restructuring process has provided greater certainty regarding the amounts payable to Zambia's creditors, allowing for more options in the budget. The restructuring of US\$6.3 billion due to official creditors and US\$3.89 billion to bondholders has been a significant milestone. An Agreement in Principle has been reached with the Industrial Commercial Bank of China and the China Development Bank to restructure US\$1.5 billion payable. The total amount payable for external debt service in 2025 is K16.7 billion, representing 7.7% of the total expenditure for the year. This restructuring has created fiscal space, enabling the Government to redirect resources to other critical areas.



Question 8. How has the Government performed in terms of domestic revenue collection in the first half of 2024, and what strategies will be implemented to achieve higher revenue collection targets?

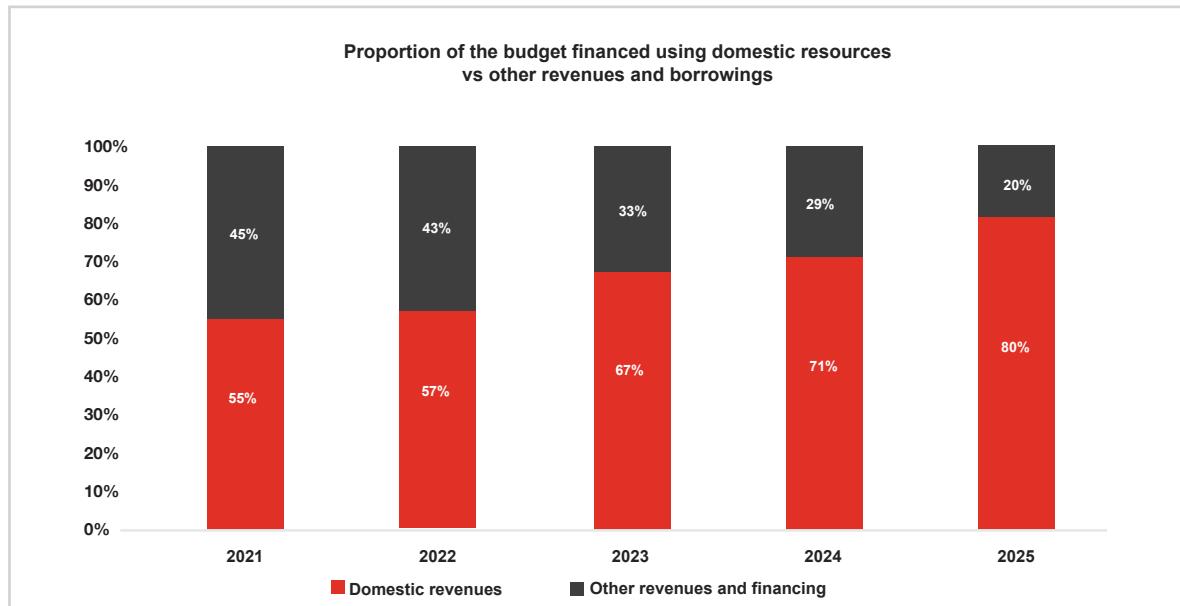
Answer: In the first half of 2024, the Government has made progress in domestic revenue collection, with a focus on enhancing tax compliance and leveraging technology. Strategies to achieve higher revenue collection targets include:

- Implementing the Smart Invoice System to digitise the invoicing process and receive near real-time transactional information.
- Increasing the period for claiming VAT refunds on hydroelectricity generation investments.
- Introducing an Advance Income Tax on remittances and exports without a valid Tax Clearance Certificate. Enhancing tax compliance through mandatory Tax Clearance Certificates for specified transactions.



Question 9. What proportion of total expenditure is being financed by domestic revenue?

Answer:



Question 10. What trends in spending can be observed in key areas as a percentage of the total budget, and what is the Government's strategy for controlling expenditure?

Answer: Key areas of spending in the 2025 budget include social support, infrastructure, health, and education. The budget has seen substantial hikes in these areas, reflecting the Government's commitment to addressing immediate needs and promoting long-term growth. The strategy for controlling expenditure includes:

- Focusing on crisis response and support for the most vulnerable populations.
- Prioritising investments that support economic recovery and resilience.
- Implementing measures to enhance efficiency and reduce wastage in public spending.

		2021	2022	2023	2024	2025
Total Expenditure	K'million	119,616	172,987	167,322	198,600	217,105
Domestic debt	%	15.3%	15.8%	18.2%	16.6%	17.2%
External debt	%	23.2%	29.7%	10.9%	10.4%	7.7%
Total debt	%	38.5%	45.5%	29.1%	42.0%	24.9%
Dismantling arrears	%	2.3%	1.8%	4.1%	3.5%	2.6%
Defence	%	4.7%	4.4%	4.9%	5.0%	4.8%
Agriculture	%	0.0%	0.0%	6.7%	7.0%	7.1%
FISP	%	4.8%	3.1%	5.5%	4.3%	4.3%
Road	%	5.2%	2.8%	3.1%	4.2%	5.5%
CDF	%	0.2%	1.9%	2.1%	1.9%	2.6%
Health	%	8.1%	8.0%	10.4%	10.5%	10.7%
Education	%	11.5%	10.4%	13.9%	13.8%	14.5%
Social protection	%	4.0%	3.6%	4.9%	4.9%	7.4%



Question 11. What are the main positive and negative factors that may affect Zambia's development objectives in the short term?

Answer:

Positive factors:

- Increased investment in key sectors such as agriculture, mining, and manufacturing.
- Progress in debt restructuring, providing fiscal space for critical investments.
- Implementation of renewable energy projects to address the energy crisis.

Negative factors:

- The ongoing impact of the drought on agricultural output and energy generation.
- Limited resources to provide additional relief to workers and businesses.
- Vulnerabilities in the energy sector and overdependence on hydropower.

Question 12. What significant tax changes will be implemented?

Answer: Significant tax changes in the 2025 budget include:

- Increasing the Corporate Income Tax rate on profits from non-traditional exports and value addition to copper cathodes from 15% to 20%.
- Expiry of the tax incentive on land-based betting companies, reverting the tax rate to 25%.
- Revising the bands for presumptive tax on operators of public service vehicles.
- Introducing an Advance Income Tax on remittances and exports without a valid Tax Clearance Certificate.
- Implementing the Smart Invoice System for VAT registered entities.

Question 13. What specific measures are being taken to support small and medium enterprises (SMEs) in the 2025 budget?

Answer: The 2025 budget includes some measures to support SMEs, such as:

- Allocating K851.7 million to the Zambia Credit Guarantee Scheme to enable more SMEs to access financing.
- Establishing a support facility by the Bank of Zambia to provide concessional loans to businesses affected by the drought.



Question 14. How is the Government addressing the issue of food security in the 2025 budget?

Answer: To address food security, the Government has implemented the following measures:

- Promoting irrigation development to reduce reliance on rain-fed agriculture.
- Constructing new dams and continuing ongoing irrigation schemes to increase water availability for agriculture.
- Launching the Comprehensive Agriculture Transformation Support Programme to support small-scale farmers with input support, extension services, and infrastructure development.
- Increasing the allocation to the agriculture sector by 20.3% to support various initiatives aimed at boosting agricultural production and ensuring food security.



Question 15. What are the key infrastructure projects planned for 2025, and how will they support economic growth?

Answer: Key infrastructure projects planned for 2025 include:

- Constructing 12 new dams and rehabilitating 14 existing ones to support water security and agricultural productivity.
- Developing key road projects through Public-Private Partnerships (PPPs), such as the Lusaka-Ndola dual carriageway and the Chingola-Kasumbalesa road.
- Upgrading urban roads in several districts to enhance mobility and trade.
- Modernising the TAZARA Railway and revitalising the Zambia Railways system to improve transport and logistics.
- Investing in renewable energy projects and expanding the electricity grid to support industrial and economic growth.

Question 16. How does the 2025 budget address the challenges faced by the mining sector?

Answer: The 2025 budget addresses the challenges faced by the mining sector through the following measures:

- Allocating more resources to geophysical mapping to improve mineral discovery prospects.
- Maintaining a stable tax regime to attract investment and support the growth of the mining sector.
- Supporting the revival of key mines such as Konkola Copper Mine and Mopani Copper Mine to boost production and create jobs.
- Promoting mineral beneficiation and value addition to increase the sector's contribution to the economy.
- Establishing a Minerals Regulation Commission to enhance regulatory oversight and compliance in the mining sector.

Question 17. What initiatives are being taken to improve education and skills development in the 2025 budget?

Answer: The 2025 budget includes several initiatives to improve education and skills development, such as:

- Allocating K27.4 billion to support various education initiatives, including the recruitment of 4,200 teachers to address shortages and enhance the teacher-pupil ratio.
- Increasing the target for the construction of secondary schools from 115 to 317, with 151 schools completed by 2024.
- Procuring 812,600 desks to improve learning conditions in schools.
- Implementing the Integrated National Registration Information System (INRIS) to enhance the efficiency and effectiveness of education service delivery.

Question 18. How is the Government promoting environmental sustainability in the 2025 budget?

Answer: The 2025 budget promotes environmental sustainability through the following measures:

- Implementing renewable energy projects to reduce reliance on hydroelectric power and mitigate the impact of climate change.
- Constructing and maintaining weather monitoring infrastructure to provide increased access to weather-related information.

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