



Contribution by

**ZAMBIA**

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**PAPER FOR USE DURING THE  
INTERGOVERNMENTAL GROUP OF EXPERTS ON FINANCING FOR  
DEVELOPMENT  
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## **1.0 INTRODUCTION AND BACKGROUND**

The first session of the Intergovernmental Group of Experts on Financing for Development is scheduled to be held from 8<sup>th</sup> to 10<sup>th</sup> November, 2017 in Geneva, Switzerland. The Conference is organised by the United Nations Conference on Trade and Development (UNCTAD).

## **2.0 FOCUS**

The Conference will focus on two (2) areas, namely:

- (a) Domestic public resources: What can be done to enhance the mobilization of domestic public resource for development in developing countries?
- (b) International development cooperation: How can international development cooperation maximize its contribution to achieving the Sustainable Development Goals?

## **3.0 DOMESTIC PUBLIC RESOURCES: WHAT CAN BE DONE TO ENHANCE THE MOBILISATION OF DOMESTIC PUBLIC RESOURCES FOR DEVELOPMENT IN DEVELOPING COUNTRIES?**

The long-term answer to development of Africa in general and Zambia in particular is enhanced domestic resource mobilisation. Aid dependence is not sustainable for Zambia and Africa in general.

The following are some of the measures that developing countries can adapt and adopt in order to enhance the mobilization of domestic public resources:

### **(a) Promoting private sector investments**

Resources can be mobilise domestically by creating a favourable and conducive environment for private sector investment. As more and more enterprises set up,

Government can collect more revenue from these enterprises. The key issue about the economic recovery in Zambia is that unless you get quality investments that contribute to the treasury through taxes, it is difficult to boost domestic revenues. We can get money from our cooperating partners such as DFID who are helping us with education, health and public finance, but the dependence on such support is necessary but not sustainable. The future of Zambia and Africa in general is domestic resource mobilisation, which is going to be the long-term answer to development

In the case of Zambia, the Government eliminating obstacles to the realization of the investments. The Zambian Government has put in place a "*Private Sector Development Reform Programme (PSDRP)*" which is a framework aimed at reducing the cost of doing business in the country and encouraging competitiveness in the private sector. PSDRP targets to fast track and accelerate private sector reforms in a number of key sectors which are expected to lead to an improved competitive business environment. The initiative was launched in 2005 with the purpose of promoting investment in the private business sector. The cost of doing business in Zambia was too high, effecting foreign and domestic investment.

The PSD is collaboration between the Zambian government and the private sector, promoting quality of service and private investment by addressing numerous issues involving finances, infrastructure, and bureaucracy.

Some of the PSD initiatives recent successes include reducing the amount of time it takes to register a company, speeding up the border clearance time, and a large reduction in the number of licenses required to start and operate a business in Zambia. These are just the beginning of the PSD initiative's projects to bolster the private business sector in Zambia, transforming this country's promising resources into a worldwide market for quality goods and services.

Other initiatives that Zambia is implementing is the development of Multi-Facility Economic Zones, Industrial Parks and Industrial Yards all aimed at promoting private investment. Investment plays a complimentary role in sustainable development.

### **(b) Broadening tax base and increasing tax revenue**

Another area that developing countries should seriously consider to raise domestic revenue is broadening tax base.

The Zambia Revenue Authority, a Government mandated to collect public revenue, has over the years attempted to capture the informal sector but there has been little of no progress made. Mechanisms to implement this is been worked out so that all sectors can contribute to economic development.

For example, there are more than 5,000 arts groups countrywide and taxing them could increase revenue for development programmes.

The Zambia Revenue Authority -ZRA- is planning to start collect various taxes from the informal sector by engaging the Private sector as its agents i.e. collecting from taxis and mini buses.

Further, the Zambia Revenue Authority (ZRA) has asked all account holders to obtain Taxpayer Identification Numbers (TPIN) by the end of this year in an attempt to capture more tax payers and raise revenue. The measure would make it easier to identify individuals and entities in receipt of undeclared income like foreign dividends. This is one of the measures we thought would help us in broadening the tax base. It will ensure transparency.

### **(c) Tackling tax evasion**

Developing countries should seriously tackle tax evasion as it is a drain on the revenue. Tax evasion in Zambia remains high among some corporate entities.

The tax evasion is done through under- declaring of the volumes of exports, cheating on the costs of production and transfer pricing, which the setting of the price for goods and services is sold between controlled or related legal entities within an enterprise. Zambia is stiffening the penalties for tax evaders.

#### **(d) Fiscal Policy**

A sound Fiscal Policy is key to the mobilisation of domestic resources. Zambia, through "*Medium Term Expenditure Framework*" is focusing on restoring fiscal fitness for sustained inclusive growth and development. This will be done by realigning spending and enhancing domestic resource mobilisation. Administrative measures are being put in place to strengthen efforts of improving domestic revenue mobilisation so as to meet the medium term revenue targets. This will be through the full implementation of various measures already commenced upon, such as installation of fiscal registers in the retail and wholesale sector and the forensic audit of Value Added Tax (VAT) refund claims to reduce cheating and revenue leakages. Tax payer education campaigns will also be enhanced to encourage compliance, while the introduction and roll out of electronic payments will be followed through in order to limit cash transactions and enhance audit trails.

This will include the operationalisation of the Project Appraisal System and e-Procurement as well as the revision and enactment of public financial management legislation to ensure effective and efficient use of public resources, improved credibility of the budget and enhanced Parliamentary oversight over debt contraction.

Over the medium term, the Government is also expected to fully phase out electricity subsidies, with the migration to cost reflective tariffs once the Cost of Service Study, which is currently underway, is completed. Mining houses and other bulk power consumers have already been engaged on the need for all to migrate to cost reflective tariffs.

#### **4.0 INTERNATIONAL DEVELOPMENT COOPERATION: HOW CAN INTERNATIONAL DEVELOPMENT COOPERATION MAXIMISE ITS CONTRIBUTION TO ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS**

International Development Cooperation is critical for developing countries to achieve their contribution to the Sustainable Development Goals (SDGs). Ensuring significant mobilisation of resources from a variety of sources, including through enhanced development cooperation, in order to provide adequate and predictable means for developing countries, in particular least developed countries, to implement programmes and policies to end poverty in all its dimensions.

Further, development cooperation can promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

Zambia is closely working with the United Nations Development Programme (UNDP) to promote the development of Small and Medium Enterprise (SMEs). SMEs are being assisted to improve the quality for their products thereby access regional and international markets. Further, SMEs are being sensitized on the benefits of formalizing their business in order to access various facilities such as credit facilities from banks.

#### **5.0 CONCLUSION**

The Intergovernmental Group of Experts on Financing for Development is an important Conference as it will provide a platform for developing countries to share critical ideas and exchange experiences as to how best to mobilise domestic resources for sustainable development as well as how to engage international development partners in order to achieve the Sustainable Development Goals.