

Zambia introduces fiscal measures to mitigate impact of COVID-19

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Executive summary

During a press conference held on 25 March 2020, the President of the Republic of Zambia issued an outline of the Government's response to the COVID-19 pandemic. In his address, the President covered various measures and highlighted among others, the deep dive that the Ministry of Finance would have over the Cabinet-approved COVID-19 contingency plan. This includes the implementation of a budget to mobilize resources that would help various stakeholders contain and combat the spread of the disease in a multisectoral and coordinated manner.

Following the press statement, the Zambian Minister of Finance on 27 March 2020, issued a ministerial statement which, among other things, functioned to introduce fiscal measures to mitigate the impact of COVID-19 on the Zambia Economy.

The introduced fiscal measures include:

- ▶ Easing liquidity
- ▶ Tax relief
- ▶ Financial sector measures
- ▶ Business continuity

Detailed discussion

Easing liquidity

The Government of Zambia has committed to releasing K2.5 billion which will be targeted at easing liquidity in the economy. It is also aimed at reducing domestic arrears owed to domestic suppliers of goods and services; reducing outstanding arrears to pensioners under the Public Service Pension Fund and retirees under the Ministry of Justice. Further, the money is intended to reduce outstanding third party arrears and other employee related commitments.

Additionally, an amount of K140 million is to be released for the payment of local contractors in the road sector.

Tax relief

The Government will remove provisions of Statutory Instrument 90 which prohibited the claim of Value-Added Tax on imported spare parts, lubricants and stationery to ease pressure on companies.

Furthermore, the Government is to suspend import duties on copper concentrates in the mining sector.

The Government has also suspended the export duty imposed on precious metals and crocodile skin.

To provide relief to businesses producing sanitizers, the Government has suspended excise duty on imported ethanol for alcohol-based sanitizers and other medicine related activities. The suspension will be pursuant to the guidelines issued by the Zambia Revenue Authority.

Financial sector measures

The Bank of Zambia has instituted measures to promote the use of digital financial services. The objective is to decongest banks, reduce use of cash and minimize person-to-person contact. These include:

- ▶ Complete waiver of charges for person-to-person electronic money transfers of up to K150.
- ▶ Upward revision of transaction and balance limits for individuals, small-scale farmers and enterprises. Notably, the limits by agents and corporate wallets has also been revised upwards to give agents more credit to deal with transactions.
- ▶ Reduction of the processing fee for the Real Time Gross Settlement System.

The Government has also committed to issuing a Statutory Instrument addressing loan provisions and impairments. This is aimed at encouraging financial service providers to provide relief to the private sector and facilitate long-term lending to productive sectors of the economy.

Business continuity

The Government has mandated remote working for officers of the Single Treasury Account, the Integrated Financial Management Information System (IFMIS) and Payroll Management and Establishment Control (PMEC).

Further, to mitigate the anticipated difficulty in importations, the Government has expressed its intention to work with major local retail outlets in building domestic value chains to encourage the sale of domestically produced goods.

Additional measures

Funding for the COVID-19 response has been initiated through:

1. The setting up of an Epidemic Preparedness Fund
2. Approval of a COVID-19 Contingency and Response Plan under the Disaster Management and Mitigation Unit
3. The mobilizing of funds through budget and engagement with various local and international stake holders

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