Zambia’s economic freedom score is 48.7, making its economy the 154th freest in the 2022 Index. Zambia is ranked 36th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

During the past half-decade, economic growth in Zambia accelerated slightly in 2017 and 2018, slowed in 2019, contracted in 2020, and then resumed in 2021. Unfortunately, a five-year trend of shrinking economic freedom has continued. Pulled down by lower scores for property rights, fiscal health, business freedom, and trade freedom, Zambia has recorded a 7.1-point overall loss of economic freedom since 2017 and has fallen from the “Mostly Unfree” category to the “Repressed” category. Monetary freedom is somewhat promising, but many other aspects of economic freedom are well below global averages.

IMPACT OF COVID-19: As of December 1, 2021, 3,667 deaths had been attributed to the pandemic in Zambia, and the government’s response to the crisis ranked 83rd among the countries included in this Index in terms of its stringency. The economy contracted by 3.5 percent in 2020.

BACKGROUND: Independent from the United Kingdom since 1964, Zambia traditionally has been one of southern Africa’s most politically stable countries. Edgar Lungu of the Patriotic Front narrowly won a special presidential election in 2015 after his predecessor’s death in office and was then elected to a full five-year term in 2016. Longtime opposition leader Hakainde Hichilema, who won the presidency in August 2021, inherits a country with an unsustainable debt that is larger than previously known. He also must deal with the repercussions of Zambia’s Eurobond default in 2020. Zambia is Africa’s second-largest producer of copper, and an uptick in world mineral prices would encourage higher output and boost export receipts. The incomes of approximately two-thirds of the population are below the poverty line.
Property rights and the regulation of property are well defined in principle but face problems in implementation. Contractual and property rights are weak. About 70 percent of land is under traditional ownership. The judicial system is inefficient, poorly resourced, and politically influenced. Despite some progress in the past decade, widespread corruption, graft, and mismanagement continue to impede development and the functioning of government.

The top individual income tax rate is 37.5 percent, and the top corporate tax rate is 35 percent. Other taxes include value-added and property transfer taxes. The overall tax burden equals 16.7 percent of total domestic income. Government spending has amounted to 29.8 percent of total output (GDP) over the past three years, and budget deficits have averaged 10.7 percent of GDP. Public debt is equivalent to 117.8 percent of GDP.

Unreliable electricity and poor infrastructure increase business costs. Many government operations including contracting lack transparency. The vast majority of employed Zambians work informally or on short-term contracts because the law mandates extremely generous severance pay to formal workers. The government has increased agriculture subsidies and has not adjusted price controls for electricity or fuel despite higher global prices.

Zambia has two preferential trade agreements in force. The trade-weighted average tariff rate is 8.4 percent, and two formal nontariff measures are in effect. Other informal barriers further constrain the freedom to trade. Foreign investment is allowed in most sectors, but the investment regime is nontransparent and inefficient. The financial sector is dominated by banking. Access to financial services has been expanding gradually throughout the country.