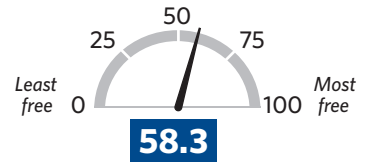


# ZAMBIA

## Economic Freedom Score



World Rank: **96** Regional Rank: **12**

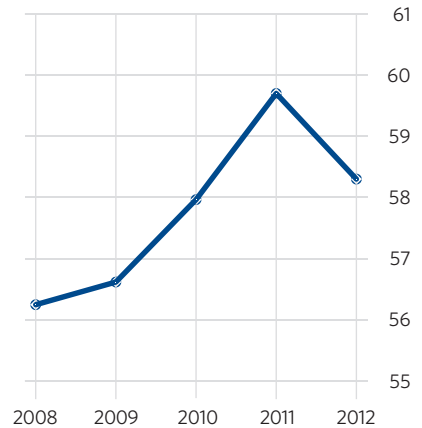
**Z**ambia's economic freedom score is 58.3, making its economy the 96th freest in the 2012 *Index*. Its score has decreased by 1.4 points, reflecting lower scores in four of the 10 economic freedoms, including monetary freedom and labor freedom. Zambia is ranked 12th out of 46 countries in the Sub-Saharan Africa region, and its overall score is just below the world average.

Previous reforms, coupled with relative political stability and strong commodity exports, have enabled Zambia to maintain steady economic expansion over the past five years. The financial sector has benefited from reforms that include implementation of the Financial Sector Development Plan. Management of public finance has been relatively sound, although the fiscal deficit has been on the rise.

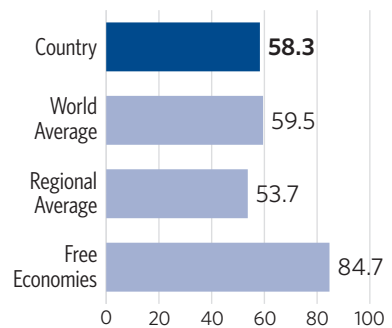
Nevertheless, the Zambian economy still needs more intensive structural reforms. The overall legal framework is inefficient and lacks transparency, the rule of law is undermined by political interference, and rampant corruption corrodes the foundations of economic freedom.

**BACKGROUND:** In 1991, growing popular discontent led the government of Kenneth Kaunda, who had ruled since independence in 1964, to enact a new constitution instituting multi-party democracy. President Levy Mwanawasa, elected in 2001 and re-elected in 2006, made fighting corruption the centerpiece of his presidency. Rupiah Banda won a narrow victory in October 2008 following Mwanawasa's death. Opposition leader Michael Sata of the Patriotic Front won the presidential election in 2011, the first time a candidate from a party other than the Movement for Multiparty Democracy had been successful. Zambia was the world's third-largest copper producer and a middle-income nation in the 1960s, but falling copper prices and mismanagement of state-owned mines led to steadily declining income from 1974 to 1990. It rebounded quickly from the global economic crisis when copper prices rose and the maize crop increased in 2010. A relatively high HIV/AIDS burden and market-distorting agricultural policies contribute to high poverty rates.

## Freedom Trend



## Country Comparisons



## Quick Facts

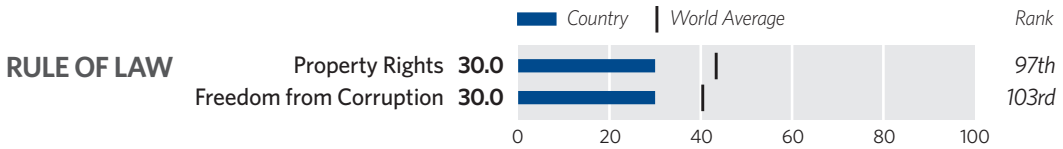
- Population:** 13.3 million
- GDP (PPP):** \$20.0 billion
- 7.6% growth in 2010
- 5-year compound annual growth 6.4%
- \$1,512 per capita
- Unemployment:** 14.0%
- Inflation (CPI):** 8.5%
- FDI Inflow:** \$1.0 billion
- Public Debt:** 24.6% of GDP

### How Do We Measure Economic Freedom?

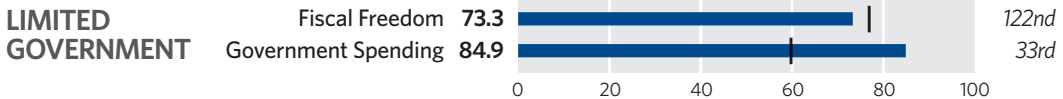
See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2010 data unless otherwise noted.  
Data compiled as of September 2011.

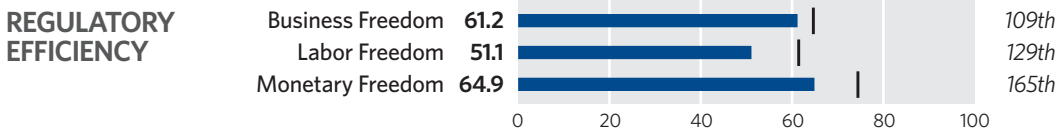
**THE TEN ECONOMIC FREEDOMS**



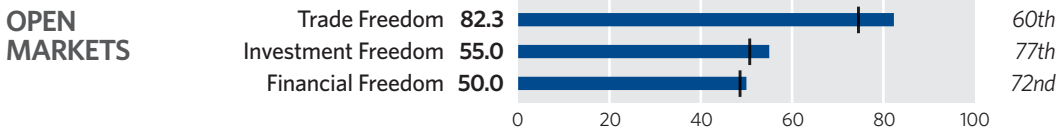
The rule of law remains uneven across the country. The judicial system suffers from inefficiency, government influence, and a lack of resources. Contract enforcement is weak, and courts are relatively inexperienced in commercial litigation. The government lacks the capacity to enforce intellectual property rights laws effectively. Corruption remains widespread, further undermining the foundations of economic freedom.



The top income and corporate tax rates are 35 percent. Other taxes include a value-added tax (VAT) and a property transfer tax, with the overall tax burden amounting to 15 percent of total domestic income. Government spending has reached a level equivalent to 22.4 percent of GDP. The budget balance has registered chronic deficits, and public debt amounts to 24.6 percent of total domestic output.



Despite some reforms, the regulatory environment is not conducive to entrepreneurial activity. There is no minimum capital requirement for establishing a business, but requirements for commercial licenses are time-consuming and costly. Labor regulations are outdated and not consistently applied. Firms tend to hire workers on an informal or short-term basis. Monetary stability has been weak as a result of high inflation.



The trade weighted average tariff rate is 3.8 percent, but extensive non-tariff barriers severely distort the flow of goods and services. Foreign investment is officially welcome, but a modern investment framework is not in place. The financial system is dominated by banking. Zambia has a relatively advanced banking regime, and financial intermediation and credit to the private sector continue to expand.

**Score Changes**

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.9	Business Freedom	-1.0	Trade Freedom	-0.1
Freedom from Corruption	0	Government Spending	+3.1	Labor Freedom	-5.2	Investment Freedom	0
				Monetary Freedom	-12.4	Financial Freedom	0