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## REVENUE FOR GROWTH

Zambia is currently facing dueling crises - struggling with unprecedented debt distress in the midst of severe economic shocks caused by the COVID-19 pandemic. Unsustainable borrowing, combined with high expenditure on civil service and deficiencies in revenue generation, have led to high national debt.

To help generate revenue, the Government of the Republic of Zambia (GRZ) will need to significantly increase efficiency and compliance in tax collections while rebuilding a culture that productively engages the private sector in formulating more equitable and broad-based tax policy initiatives. The Revenue for Growth Project aims to help Zambia improve domestic revenue mobilization (DRM) and expand the fiscal space for investments in public service delivery and poverty reduction.

- **Life of Project:** June 14, 2021 to June 13, 2026
- **Geographic Focus:** National
- **Partner:** Nathan Associates, Inc.
- **Chief of Party:** Edward Koos
- **Total USAID Funding:** \$12.89 million
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Revenue for Growth will engage government and non-government stakeholders to build capacity in tax policy analysis, improve tax compliance and administration, and strengthen the tax culture in a manner that facilitates private sector growth and accountability relationships between taxpayers and the GRZ.

As significant changes in tax policy are politically challenging, the project will include support to the private sector and civil society stakeholders, and the Zambian government to promote improved tax analysis, dialogue, and advocacy. The project will foster coalitions that can quickly mobilize support for both DRM and broader fiscal policy reforms needed to respond to the current fiscal crisis and economic shocks that may result from the COVID-19 pandemic.

Activities under the Revenue for Growth Project will support the following four objectives to help Zambia strengthen the tax culture, increase voluntary compliance, and sustainably increase domestic revenue in a manner that promotes balanced private sector-led economic growth.

- Improve Tax and Non-Tax Revenue Administration and Compliance
- Strengthen Tax Policy
- Enhance Public-Private Dialogue
- Enhance capacity to address other fiscal policy and management priorities

## **EXPECTED RESULTS**

In collaboration and consultation with the GRZ and non-governmental counterparts, the Revenue for Growth Project aims to:

- Increase GRZ tax revenues as a percentage of GDP;
- Improve tax payment compliance;
- Increase efficiency of VAT collections and the refund processing system;
- Improve monitoring and reporting of the Zambia Revenue Authority (ZRA);
- Strengthen the skills and capacity of the Ministry of Finance (MoF) to produce analyses and options that contribute to informed policy decisions;
- Improve capacity of the private sector and civil society stakeholders to generate tax research and policy assessments, and expand opportunities for the private sector, civil society, and other GRZ stakeholders to consult on DRM and broader fiscal issues;
- Increase MoF and ZRA capacity to effectively communicate reforms and conduct political and public consultation on changes to policies, laws, and regulations; and
- Enhance the sustainable, competency-based capacity of the MoF and the ZRA to develop, manage and analyze revenue policy, legislation, and regulations.