Zambia

2012

www.africaneconomicoutlook.org

Zambia

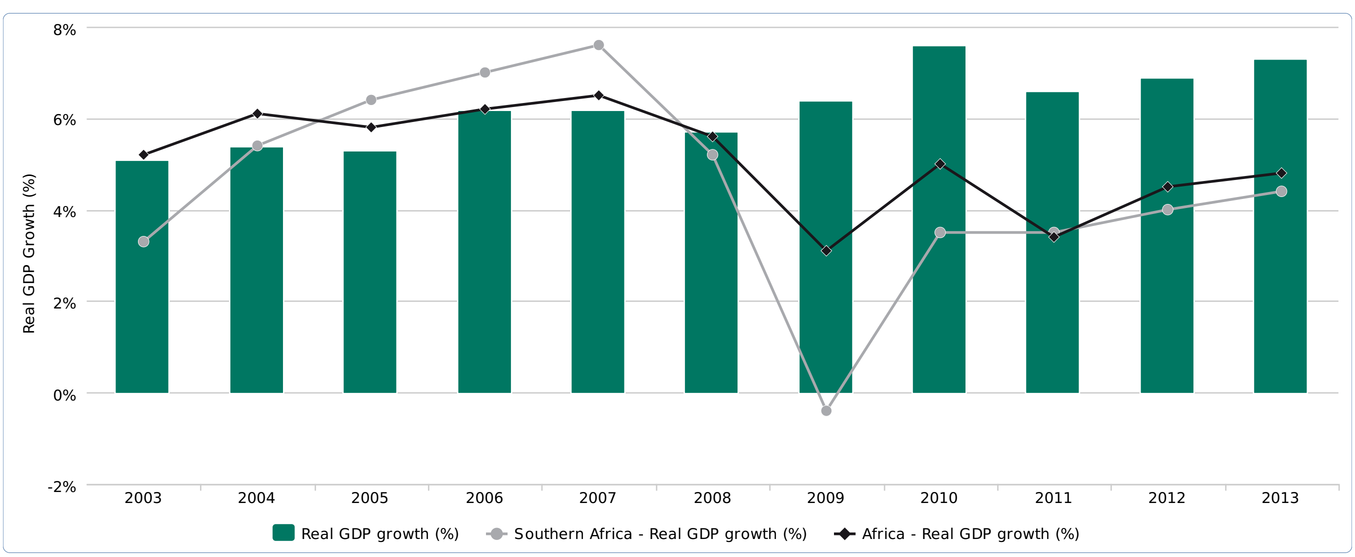
- The outlook for the Zambian economy remains favourable in the medium term, underpinned by robust growth and single-digit inflation. The economy is projected to grow 6.9% in 2012, picking up to 7.3% in 2013, while inflation should remain in single digits, at 8.0% and 8.5% respectively.
- The country, however, remains vulnerable to external shocks, with a sluggish global economic recovery a concern for its key mining exports.
- High youth unemployment and slow progress in poverty reduction may also overshadow the gains made from strong growth and limited inflation.

Overview

Zambia's economic growth slowed to 6.6% in 2011 from 7.6% in 2010, mainly as a result of a weaker mining sector performance. However, the medium-term economic outlook appears favourable, underpinned by sustained expansion in agriculture, construction, manufacturing, transport and communications, and by a rebound in mining. Inflation is projected to remain in single digits, reflecting prudent monetary policy, while the objective of exchange rate policy is to maintain external competitiveness. Increasing domestic revenue collection remains a priority for the medium term and large infrastructure developments will require additional resources. The government plans to raise USD 700 million (US dollars) via a bond issue in 2012 to cover a funding gap for infrastructure projects. This infrastructure investment is expected to boost growth by up to 2 percentage points per annum. Risks to the outlook include Zambia's vulnerability to external shocks and a sluggish global economic recovery, which could reduce demand for exports. Moreover, maintaining investor confidence has emerged as a key issue after the government reversed the privatisation of Zambia's telecoms company.

Tackling high youth unemployment and poverty remains a top priority, with as much as 60% of the population below the poverty line, although there are wide disparities between rural and urban areas. Part of this high level of poverty is due to lack of employment opportunities for youth. As a proportion of the labour force, 63% of the urban 15-19 age group are out of work and this improves to only 48% in the 20-24 age category. In rural areas, 16% of the 15-19 age group and 7% of the 20-24 age group are unemployed but these figures mainly reflect informal agricultural employment. Significant gender disparities are also prevalent. With about 300 000 young people entering the labour market each year, the government has put in place a National Youth Policy and the Youth Enterprise Fund which focus on promoting business activity to create jobs. The government has also announced plans to transform Zambian national service into a Zambian youth training service with a mandate to strengthen youth skills training.

Figure 1: Real GDP growth (Southern)



Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org10.1787/888932619450

Table 1: Macroeconomic Indicators

	2010	2011	2012	2013
Real GDP growth	7.6	6.6	6.9	7.3
Real GDP per capita growth	4.8	3.7	3.9	4.2
CPI inflation	8.5	8.7	8	8.5
Budget balance % GDP	-3	-2.6	-3.6	-3
Current account % GDP	3.6	5.4	3.6	4

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932602825

Recent Developments & Prospects

Table 2: GDP by Sector (percentage of GDP)

	2006	2010
Agriculture, forestry, fishing & hunting	21.8	21
Mining and quarrying	4.5	3.8
of which oil	-	-
Manufacturing	11.2	9.1
Electricity, gas and water	3.3	3
Construction	13.2	21.1
Wholesale and retail trade, hotels and restaurants	21.4	17.5
of which hotels and restaurants	-	-
Transport, storage and communication	4.6	4.1
Finance, real estate and business services	10.3	9.6
Financial intermediation, real estate services, business and other service activities	-	-
General government services	-	-
Public administration & defence; social security, education, health & social work	-	-
Public administration, education, health	2.8	2.3
Public administration, education, health & other social & personal services	-	-
Other community, social & personal service activities	-	-
Other services	6.9	8.6
Gross domestic product at basic prices / factor cost	100	100

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org10.1787/888932621426

Zambia's growth slowed to 6.6% in 2011 from 7.6% in 2010, mainly because of a weaker mining sector performance. The main contributors to growth were agriculture, manufacturing, transport and communications, wholesale and trade, and construction, which collectively accounted for more than 70% of gross domestic product (GDP). After two successive years of strong growth, the gain in mining faltered to 1.3% reflecting a 2.2% reduction in mineral output.

The country's medium-term prospects look favourable, with real GDP growth projected to increase to 6.9% in 2012 and then 7.3% in 2013. Growth will be underpinned by sustained gains in construction, manufacturing, and transport and communications and a rebound in mining activity. An expected expansion in non-maize agriculture may also add impetus. So far, Zambia has not been significantly affected by the European debt crisis but remains vulnerable to risks posed by any global economic slowdown, which could dampen the country's export performance. Agriculture, accounting for 21% of the economy, is vulnerable to weather conditions and could also suffer from reduced rainfall.

Agriculture has been robust in recent years, producing bumper harvests since 2009, with staples and maize in particular to the fore. Non-maize production, however, is gaining pace, reflecting increasing diversification in the sector. Although agriculture is expected to be the main contributor to growth in 2012, this is likely to be below the three-year average mainly because of delayed rains and rural infrastructure challenges which continue to hamper timely distribution of agriculture inputs. To address infrastructure deficiencies, the government has increased the agriculture budget allocation in 2012 by 6.1%, with the bulk of the funding going to the Farmer Input Support Programme and crop purchases for the strategic food reserve. Other key areas are development of irrigation infrastructure, and livestock, fisheries and aquaculture development.

Output in the mining and quarrying sector fell 0.7% in 2011 as uncertainty over the outcome of presidential elections saw investment decisions on major projects deferred. As a result copper output was down 2.2%. With the elections having gone smoothly, mining investment should now pick up, barring any adverse international developments. The mining sector accordingly is projected to grow 10.6% and 10.3% in 2012 and 2013.

The construction sector has been pivotal to Zambia’s growth in recent years, accounting for some 21.1% of the economy in 2011. The rebound in mining activity and increased public expenditure on infrastructure are expected to boost construction, giving an average sector growth rate of 17% in 2012 and 2013.

Growth in transport and communications slowed to 12.7% in 2011 from 15% in 2010, mainly because of problems with railway infrastructure and slower growth in air transport and communication. In 2012, growth in the sector could fall further as the reversal of Zamtel’s privatisation may dampen investor confidence and hamper investment.

Zambia’s prospects for sustained growth depend on increased economic diversification, away from mining. The manufacturing sector is especially important to the country’s long-term growth and employment strategy. In 2011, manufacturing growth was 5%, in line with industry estimates, but the sector accounted for 9.1% of the economy, down from 11.2% in 2006. Growth was mainly driven by increased investment, particularly in agro-processing, in response to prudent economic management and business reforms.

Sustained growth in manufacturing and other sectors depends on improved access to affordable finance and continued implementation of structural reforms to spur private sector participation. High interest rates remain a barrier to accessing credit, especially for small businesses. In a bid to reduce lending rates the government cut the corporate tax rate in the banking sector from 40% to 35%. Additionally, the central bank lowered the statutory reserve ratio requirement to 5% from 8% to free up more of the commercial banks’ resources for private sector lending. At the same time, however, the government increased the bank sector’s minimum capital base to ZMK 104 billion (Zambian kwacha) for local banks and ZMK 520 billion for foreign banks, from the previous ZMK 12 billion across the industry.

Following the expiry of Zambia’s Extended Credit Facility (ECF) agreement with the International Monetary Fund (IMF) in June 2011, discussions on a new arrangement began. During the ECF period, Zambia’s economic performance and policy management were deemed satisfactory and in line with agreed benchmarks. Accordingly, the World Bank reclassified Zambia as a lower middle-income country and it secured a "B+" credit rating from Fitch and Standard and Poor’s. These gains need to be consolidated for Zambia’s growth to be inclusive.

Macroeconomic Policy

Fiscal Policy

To maintain macroeconomic stability in 2011, the fiscal deficit, at 2.6% of GDP, was kept within the sustainable limit of not more than 3% of GDP whilst strengthening domestic resource mobilisation. Total government expenditure stood at 19.3% of GDP in 2011, down from 21.5% in 2010. The main spending pressures in 2011 were related to the general elections and larger-than-anticipated maize purchases. However, recurrent expenditure was kept largely in line at 15.4% of GDP, compared with 15.8% in 2010, with salary costs unchanged at 7.7%. Capital expenditure increased marginally to 3% of GDP from 2.8%, reflecting additional spending on infrastructure, particularly the maintenance of urban roads. Domestic revenues fell to 14.7% of GDP in 2011 from 16% in 2010 and are projected to fall further to 13.6% and 12.6% in 2012 and 2013. The overall balance in the public finances showed a deficit of 2.6% of GDP in 2011, down from 3.0% in 2010, but the shortfall is expected to increase to 3.6% in 2012 before easing again to 3.0% in 2013.

The expected widening of the public deficit in 2012 reflects the new government's policy of increased expenditure on social and infrastructure development. Domestic revenues are expected to fall to 13.6% of GDP in 2012, largely because of an increase in the tax relief granted to low income earners. To partly cushion the impact of this measure, the government has raised the mineral royalty rate to 6% from 3%. Grants are expected to be unchanged at 1.2% of GDP in anticipation of reduced aid flows. Additional spending on infrastructure will be financed by external borrowing, of which the USD 700 million bond issue will be the major component.

The main challenge for fiscal policy remains that of widening the tax base, increasing the tax take from the mining sector and allocating these resources to productive uses. Vision 2030 and the Sixth National Development Plan continue to provide overall guidance in fiscal management. Reforms are needed, among them a gradual withdrawal of widespread tax breaks and the introduction of a property tax. A 2012 budget proposal to remove copper and cobalt ores and concentrates from the Import VAT Deferment Scheme would significantly enhance revenue mobilisation efforts.

Table 3: Public Finances (percentage of GDP)

	2003	2006	2007	2008	2009	2010	2011	2012	2013
Total revenue and grants	25.8	43.6	23	24.1	20	18.5	16.7	15.7	15
Tax revenue	18	16.4	17.7	18.6	15	16	14.7	13.6	12.6
Oil revenue	-	-	-	-	-	-	-	-	-
Grants	7.2	26.5	4.6	4.4	4	1.7	1.2	1.2	1.6
Total expenditure and net lending (a)	32	25.4	23.2	25.3	23.2	21.5	19.3	19.2	17.9
Current expenditure	20.2	20	20.3	21.5	18.9	15.8	15.4	15.7	14.9
Excluding interest	16.2	18	18.6	19.6	17.3	14.2	14.2	14	13.4
Wages and salaries	8.7	7.3	7.6	8.6	8.2	7.7	7.7	7.6	7.3
Interest	4	1.9	1.7	1.8	1.6	1.7	1.3	1.7	1.4
Primary balance	-2.2	20.2	1.4	0.7	-1.6	-1.3	-1.3	-1.9	-1.5
Overall balance	-6.2	18.3	-0.2	-1.2	-3.2	-3	-2.6	-3.6	-3

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org10.1787/888932622414

Monetary Policy

Monetary policy in 2011 focused on sustaining macroeconomic stability by restricting inflation to single digits while ensuring adequate levels of liquidity for the growing economy. Market-based instruments remained the hallmark of the central bank's monetary policy supported by a flexible exchange rate regime, aimed at absorbing external shocks to contain inflationary pressures.

Inflation in 2011 was held at 8.7%, up from 8.5% in 2010. Tight monetary policy and a reduction in fuel prices towards the end of the year helped slow the increase in non-food inflation while food prices were kept in check by adequate stocks following successive bumper harvests. Food price inflation declined to 3.9% in 2011 from 4.4% in 2010 while non-food inflation fell to 10.2% from 11.3%. Inflation in 2012 and 2013 is projected at 8.0% and 8.5% respectively. The government's expansionary fiscal policy to fund increased infrastructure spending and possible accommodation of wage demands in the public sector may add to inflation pressures.

The Zambian kwacha depreciated 5.3% in 2011, mainly because of uncertainty about the outcome of the elections, which heightened risk aversion towards the local currency. The rate of depreciation would have been higher but for central bank intervention to smooth out sharp movements in the exchange rate and maintain external competitiveness. The Bank of Zambia remains committed to a floating exchange rate regime.

Economic Cooperation, Regional Integration & Trade

Zambia remains committed to a liberal trade regime and efforts to deepen this process further have continued through regional and multilateral arrangements. This is important in promoting export-led growth and economic diversification. Zambia hosts the headquarters of the Common Market for Eastern and Southern Africa (COMESA) and remains active in the Southern Africa Development Community (SADC). It is a founder member of both groups.

Zambia's pro-trade policies and improved trade-related infrastructure such as the One Stop Border Post at Chirundu with Zimbabwe and Kasumbalesa with the Democratic Republic of Congo, and the launch of the Simplified Trade Regime at the Mwami border post with Malawi, have yielded benefits. The 2011 *Global Competitiveness Report* showed that Zambia was ahead of many of its peers in institutional strength and in financial and goods markets efficiency.

The external sector remained strong in 2011, with an increase in the current account surplus to USD 951 million, equal to 5.4% of GDP, from USD 614.7 million or 3.6% in 2010 as mining sector exports grew 15% to USD 7 billion from USD 5.8 billion, accounting for more than 80% of total merchandise exports. The strong external performance bolstered the level of gross international reserves to more than four months of import cover.

In 2012, the current account surplus is expected to narrow to 3.6% of GDP, largely thanks to elevated oil prices and a possible reduction in mining earnings in view of the sluggish global economic recovery. In 2013, a recovery in the global economy will benefit metal prices and revive demand for Zambia's non-traditional products, which should boost the current account surplus back to 4.0% of GDP. There is growing concern that the dominance of the extractive sector in Zambia's exports is a major source of vulnerability and efforts to diversify away from its traditional reliance on copper should be accelerated.

Table 4: Current Account (percentage of GDP)

	2003	2006	2007	2008	2009	2010	2011	2012	2013
Trade balance	-7.3	12.1	7.8	2.9	7.1	15.8	17.4	15.4	16
Exports of goods (f.o.b.)	26	36.7	39.1	35.8	33.7	43.3	44.9	42.1	41.5
Imports of goods (f.o.b.)	33.3	24.6	31.3	32.9	26.7	27.5	27.5	26.7	25.4
Services	-5.7	-3.3	-5.5	-4.4	-3.6	-3.7	-4.1	-3.3	-3.3
Factor income	-3.5	-10.9	-13.4	-10.1	-3.3	-11.1	-9.5	-10.3	-10.3
Current transfers	1.1	3.4	4.6	4	4	2.5	1.7	1.8	1.5
Current account balance	-15.3	1.2	-6.5	-7.5	4.2	3.6	5.4	3.6	4

Figures for 2010 are estimates; for 2011 and later are projections.

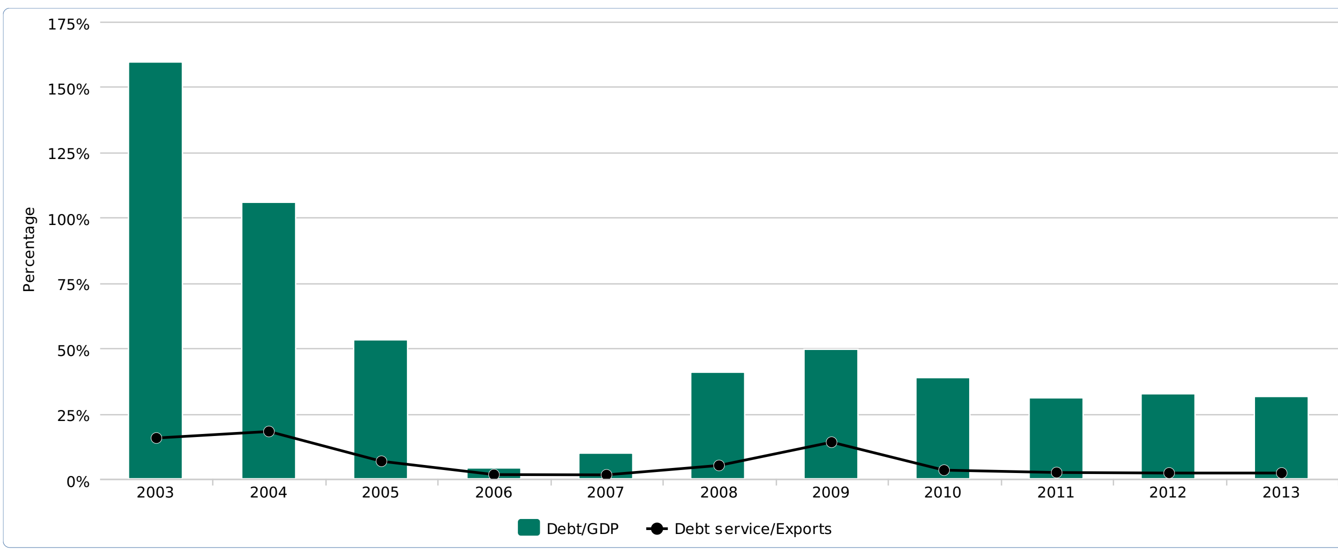
StatLink http://dx.doi.org10.1787/888932623402

Debt Policy

Zambia's risk for external debt distress remains low, mainly because of the government's cautious approach following a significant reduction in borrowings under the Heavily Indebted Poor Countries and Multilateral Debt Relief initiatives of 2005 and 2006. These initiatives significantly improved Zambia's external debt sustainability, with the debt service to exports ratio falling to less than 4% in 2011 from 11% in 2005. The government's current debt strategy focuses on limiting non-concessional borrowing to economically productive investments. In 2011 the government contracted some USD 505 million to finance infrastructure projects, compared with debt repayments worth USD 200 million in the year. In 2012 the government plans to issue a USD 700 million bond to cover an infrastructure finance gap estimated at USD 500 million. This will increase Zambia's external debt but the current level of economic growth means it should be sustainable.

The government is trying to improve and consolidate debt management, tightening up oversight procedures. The government has also agreed to share information with the IMF before contracting any non-concessional loans. In 2011 a debt management performance assessment made recommendations in areas needing improvement.

Figure 2: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org10.1787/888932619450

Economic & Political Governance

Private Sector

Since 2004 the government has been implementing institutional and other structural reforms in line with the Zambia Private Sector Development Reform Programme (PSDRP), which aims to improve the business environment, encourage competitiveness and promote export diversification. These reforms have paid off with improvements in the general business environment. In 2010,the World Bank hailed Zambia as one of the best reformers in Africa. However, risks to further progress remain and there has been some slippage. In the latest World Bank Ease of Doing Business survey, Zambia dropped to 84 from 80 in the overall rankings. At the same time,Zambia was ranked 8, second only to South Africa on the continent, on ease of obtaining credit. The government has also embarked on a programme of harmonising business sector legislation but the controversy over the Zamtel privatisation risks damaging private investment.

Financial Sector

The banking sector accounts for more than 90% of Zambia's total financial industry assets. At the end of 2011 there were 19 commercial banks in Zambia, up from 18 in 2010. Credit supplied to the private sector, however, was below 10% of GDP in 2011 as the commercial banks prefer to invest in public debt instruments. In 2011 they accounted for more than half of total treasury security holdings.

Some 67% of the population is without access to financial services, meaning that effective savings mobilisation is inhibited. Low domestic savings in turn are another hindrance to financial intermediation, with the country lacking the critical mass of resources to finance investment and spur growth.

High interest rates upwards of 25% have also shut out many borrowers. Improved macroeconomic stability manifested by the fall in inflation, the reduction in government borrowing and the central bank's moves to reduce statutory reserves justify lower interest rates. The authorities also want to improve access to credit by encouraging competition in the banking sector and improving the reach of innovative banking and financial services. The government's Financial Sector Development Plan resulted in the establishment of the Credit Reference Bureau in 2009 to increase credit information. However, the banks' response to this policy initiative has been slow, as manifested by continued low private sector credit availability, an issue that is especially acute for small and medium-sized enterprises.

Generating long-term finance requires incentives to encourage new entrants, especially institutional investors, to improve market liquidity. The Lusaka Stock Exchange has only 20 listed companies with a combined market capitalisation of about 60% of GDP.

Public Sector Management, Institutions & Reform

Zambia's constitution provides a dual legal system based on customary or statute law for the ownership of land and housing. The availability of land covered by statutory law is limited, while customary land allocation is at the mercy of local traditional chiefs, many of whom are reluctant to release it for investment. As a result, many people have either limited or no access to land title and property rights in general are weak, constituting a major obstacle to development.

Statutory law requires proof of financial capacity to develop land and such proof is most often deemed to be provided by having a bank account. Given low rates of access to financial services, however, few people have the capacity to acquire land under statutory law. Under customary law, Zambians can apply to the traditional authority in the area who in turn may allocate land for individual use over a limited period of time or for indefinite use, but without title of ownership.

The resulting limited access to land has serious implications for economic growth since banks require title of ownership to provide credit, dampening investment and growth, and thereby slowing down poverty reduction.

The country's push towards better public sector management and administration continues to revolve around the ongoing implementation of public sector reforms. In October 2011 the government launched new procurement guidelines to improve transparency and efficiency in an effort to combat corruption. The main concern has been slow progress towards implementation of the decentralisation and pay reform programmes.

Zambia's participation in the Extractive Industries Transparency Initiative (EITI) has enhanced transparency in the utilisation of resource revenues. In August 2011 the EITI board noted the country's "significant progress" in implementing EITI due processes. An audit conducted by PricewaterhouseCoopers at the initiative of the government noted some misreporting of earnings by some mining companies and the new government has called for the extractive industries to ensure beneficial gains for Zambians, including creating more jobs.

Natural Resource Management & Environment

The Environment Council of Zambia (ECZ) was set up in 1992 to manage environmental policy but it was criticised for failing to ensure compliance with regulatory requirements. In June 2011 the ECZ was replaced by the Zambia Environmental Management Agency (ZEMA) which has a broader mandate to ensure environmental protection and proper management of natural resources. The major challenge facing ZEMA is lack of adequate financing to allow it to enforce regulations. The recent merger of the Environment and Lands ministries may streamline ZEMA's overall performance and improve service delivery.

Political Context

Zambia has held democratically contested elections since 1991, culminating in the September 2011 polls won by the opposition Patriotic Front, with Michael Sata becoming president on promises to help the poor and ensure all get the benefits of the country's mineral wealth.

Zambia has ratified the UN Convention against Corruption and introduced a number of measures aimed at both preventing and prosecuting corrupt practices. In 2010 the government began work on legislation to protect "whistle blowers" and transformed the anti-fraud and money-laundering unit into the much stronger and independent Financial Intelligence Unit. The office of the auditor general has improved the time it completes the audit process.

Out of 53 African countries in 2011, Zambia was ranked 16 on the Mo Ibrahim Index of governance while the fight against graft saw its ranking improve to 91 in 2011 from 101 in 2010 out of 183 countries on the Corruption Perceptions Index compiled by Transparency International.

Social Context & Human Development

Building Human Resources

In 2011, Zambia was ranked 164 out of the 187 countries on the United Nations' Human Development Index (HDI) with a score of 0.43, which was lower than sub-Saharan Africa's mean HDI of 0.46 and Angola's 0.49, a country that was until a decade ago afflicted by civil war. However, the country has recorded improvements in some of social indicators. According to the 2011 Millennium Development Goals (MDG) progress report, there was full primary education enrolment by 2009, up from 80% in 1990, supported by the increased construction of schools and the adoption of Free Basic Education and Re-entry Policies. The primary school completion rate rose to 91.7% in 2009 from 64% 1990.

The main challenges are to improve adult literacy levels, at 71% in 2008, and a low secondary school completion rate of 19% in 2009. More emphasis should go on improving quality and not just quantity of education, and access to post-secondary education and skills training. A 2010 report on technical and literacy levels indicates that Zambia lags behind all its regional peers.

The latest figures show a decline in the infant mortality rate to 86 per 1 000 live births in 2009 from 88 in 2008, compared with the MDG target of 63.6. The pattern for under-5 infant mortality is similar, showing a decline to 141 per 1 000 live births in 2009 from 145 in 2008, compared with a target of 35.7 by 2015. The figures point to the importance of continued and effective child immunisation programmes, alongside improved prevention and management of common childhood illnesses if the country is to achieve the MDG targets. Zambia also faces a serious challenge in terms of maternal mortality, despite the decrease from 649 deaths per 100 000 live births in 1996 to 591 in 2007. Improvement here requires training, oversight and incentives for midwives in conjunction with improved access to and monitoring of rural health posts, and curbing unsafe home-based birth practices.

Poverty Reduction, Social Protection & Labour

Some 59% of the population were classified as living in extreme poverty in 2006, up from 58% in 2004. In rural areas, it is higher at 67% compared with 20% in urban areas. To reverse the increase in poverty, Zambia's economy needs to grow by more than 7% while policy should ensure that growth is inclusive. Macroeconomic and structural policies that promote job creation, social empowerment and significant levels of investment in health and education are essential to achieve economic inclusion. In particular, investment in infrastructure and commercialisation of small scale agriculture and diversification of the rural economy offer potential benefits. Direct help for households needs to be more widely available in order to protect the most vulnerable from the adverse effects of poverty.

The government's Social Protection Strategy of 2005 continues to guide and co-ordinate social protection. The plan stresses the importance of social protection as both a relief for the poor while encouraging them to become engaged in the productive economy. Institutionally, the social protection sector advisory group operates under the supervision of the Ministry of Community Development. The work includes providing subsidised agriculture inputs to vulnerable but viable farmers, micro-credit funding for women and other vulnerable sectors of the community and a public works programme. Recent reports suggest progress is being made in the basics of providing adequate food and improved health care. Key challenges are limited capacity and inadequate funding while the increase in rural poverty presents an additional burden. There is also concern about weaknesses in co-ordination and insufficient monitoring and evaluation to ascertain the direct impact of the programmes on poverty reduction.

Gender Equality

Zambia is a signatory to a number of protocols protecting women and girls and has established a gender ministry to address issues related to gender and development. However, progress on gender equality has been slow. Women's representation in parliament stood at 14% in 2009 relative to the MDG and SADC target of 30%. In 2011, this figure fell to 11.3%.

Some achievements have been made, especially in primary education. The ratio of girls to boys in primary education improved from 0.90 in 1990 to 0.96 in 2009 – but fell to 0.88 in 2009 from 0.92 in 1990 in secondary education. This figure suggests that the government's policy of allowing school re-entry for pregnant girls may not be fully understood. Early marriages based on traditional cultural and social factors have deterred girls from continuing in school and the policy was designed to enable them to return to education.

Thematic analysis: Promoting Youth Employment

The problem of youth unemployment in Zambia poses significant policy challenges to the country's long-term growth, with nearly half of its some 14 million people under the age of 15. A 2008 survey showed that in the urban areas 63% of the 15-19 age group were out of work while the rate of unemployment for those in the 20-24 age category was 48%. In rural areas 16% of the 15-19 age group and 7% of those aged 20-24 were unemployed although these figures mainly reflect informal agricultural employment. Significant gender disparities are also prevalent.

About 300 000 young people enter the labour market each year and with few employment opportunities the large number of unemployed youth is creating political and economic tensions in the country. It is widely understood that growing youth disillusionment over unemployment was one of the reasons behind the defeat of the incumbent government in the last election. Obstacles to youth employment include the inability of the educational system to equip people with relevant skills required by the job market, high school dropout rates, a lack of entrepreneurial opportunities and poor access to labour market information for job seekers and employees.

The new government has made it a priority to implement projects and programmes stressing creation of youth employment through entrepreneurship. To address the issue of technical skills, the government reorganised the Zambia National Service into the Zambian Youth Training Service with a mandate to strengthen youth skills training. In the 2012 budget the government increased funding for education and skills development by 26.7%.

In 2011 the government carried out national consultations under the theme "Let the Youth Be Heard: Dialogues and Mutual Understanding" as it sought to address this key issue for the country. Calls were heard for a review of the education system to tailor it towards an entrepreneurial system and for more tertiary institutions, education loans and youth scholarships.