PMRC
Policy Monitoring and Research Centre

2024 NATIONAL BUDGET ANALYSIS

THEME: UNLOCKING ECONOMIC POTENTIAL

ANALYSIS

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NATIONAL BUDGET ANALYSIS 2024

THEME: UNLOCKING ECONOMIC POTENTIAL

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ABBREVIATIONS

8NDP	Eighth National Development Plan
AfDB	African Development Bank
BO	Beneficial Ownership
CATSP	Comprehensive Agriculture Transformation Programme
CDF	Constituency Development Fund
CTPD	Centre for Trade and Policy Development
CPI	Consumer Price Index
CRVS	Civil Registration and Vital Statistics
DIS	Direct Input Support
DNA	Deoxyribonucleic acid
EIA	Environmental Impact Assessment
FRA	Food Reserve Agency
GBV	Gender-Based Violence
GRA	Government of the Republic of Zambia
GEWEL	Girls' Education and Women's Empowerment and Livelihoods
GDA	Government Diagnostic Assessment
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IFF	Illicit Financial Flow
IMF	International Monetary Fund
INRIS	Integrated National Registration Information System
JCTR	Jesuit Centre for Theological Reflection
MFEZ	Multi-Facility Economic Zone
MTBP	Medium Term Budget Plan
MoU	Memoranda of Understanding
NRC	National Registration Card
PAYE	Pay As You Earn
PEP	Politically Exposed Persons
PMRC	Policy Monitoring and Research Centre
PPP	Public Private Partnership
SCT	Social Cash Transfer
SOE	State-owned Enterprise
TEVET	Technical Education, Vocational and Entrepreneurship Training
UHC	Universal Health Coverage
VAT	Value Added Tax
WDC	Ward Development Committee
ZICA	Zambia Institute of Chartered Accountants
ZICTA	Zambia Information and Communication Technology Authority
ZRA	Zambia Revenue Authority

INTRODUCTION

The Minister of Finance and National Planning, Dr. Situmbeko Musokotwane, unveiled the K177.89 billion 2024 National Budget on 29th September, 2023 under the theme **"Unlocking Economic Potential."** The delivery of the 2024 budget took place in a context marked by concerns and elevated anticipations, stemming from the Country's successful restructuring of a $6.3 billion debt with its official creditors in June 2023. Additionally, this budget holds significance as it is the second one following the **attainment of an IMF Extended Credit Facility, which was officially announced in September 2022**.

The 2024 National Budget seeks to promote economic growth through enhanced private sector investment, increased production and productivity, and improved public service delivery. Government is therefore committed to providing policy framework, resources and incentives to unlock the country's economic potential. Therefore, this analysis seeks to assess the recommendations made in the budget against critical economic and social sectors and their responsiveness towards the aspirations of the Eighth National Development Plan (8NDP) as well as in meeting global development statutes to which Zambia is a member.

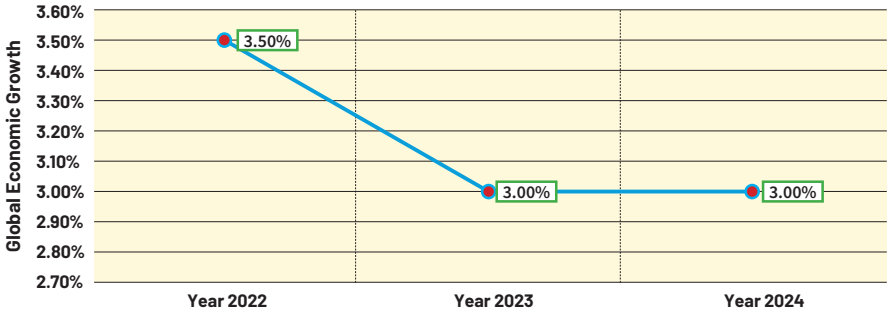
MACROECONOMIC ENVIRONMENT

MACROECONOMIC OVERVIEW FOR 2023

Global Economic Developments

- At the global level, economic growth was expected to slow down to 3.0 % in 2023 from 3.5 % recorded in 2022.
- Sustained tightening of monetary policy in advanced economies, **adverse effects of climate change, and the impact of the prolonged Russia-Ukraine war were largely responsible for the subdued economic growth**.

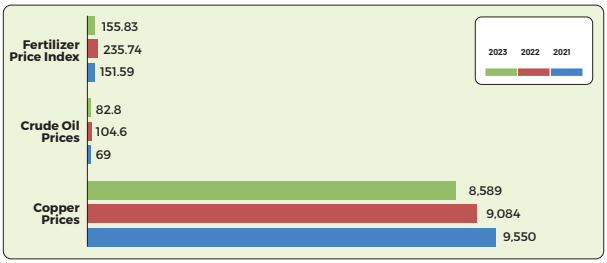
Figure 1: Projected global growth rates (2022, 2023 and 2024)



Source: PMRC adapted from IMF and 2024 budget speech

- According to the International Monetary Fund (2023), the global growth rate is projected to reduce from an estimated 3.5 % in 2022 to 3.0 % in both 2023 and 2024 as shown in the graph above. **This is due to global economic activity experiencing a broad-based and sharper than expected slowdown, with inflation higher than seen in several decades, cost-of-living crisis, tightening financial conditions in most regions and Russia's invasion of Ukraine**.
- The consequence of the weak global economy was that during the first nine months of 2023, commodity prices trended downwards.
- Copper prices declined to an average of US $8,589 per metric tonne from US $9,084 during the same period in 2022.
- Crude oil prices also reduced to an average of US $82.8 per barrel from US $104.6.

Figure 2: Global commodity prices (USD)



Source: PMRC adapted from IMF, World Bank (Fertilizer Price Index) and Budget speeches

Domestic Economic Developments

- The economy was projected to grow by **2.7 % in 2023 compared to 5.2 % in 2022**.
- The slowdown was mainly attributed to reduced production in the mining sector on account of **operational challenges and flooding in some of the major mines**.
- Notwithstanding the slowdown in growth in 2023, prospects in the medium-term are positive with the resolution of challenges in the mining sector. Because of this, an acceleration in growth is anticipated both in 2024 and throughout the medium term.

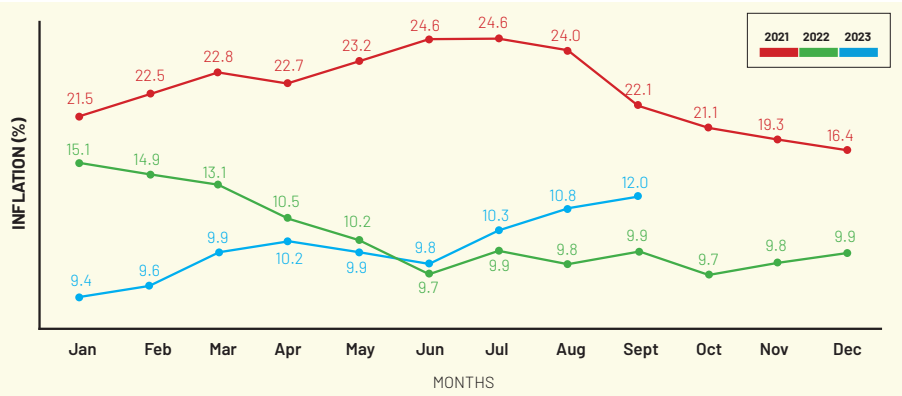
Table 1: Statistics of macroeconomic variables from 2021 to 2023

Year	Domestic Growth Rate (%)	Fiscal Deficit (% of GDP)	International Reserves (USD)
2021	4.60	8.10	2.8 Billion (above 3 months of import cover)
2022	5.20	8.90	3.0 Billion (above 3 months of import cover)
2023	2.70	5.8	2.9 Billion (above 3 months of import cover)

Source: African Development Bank (AfDB) and Budget speeches

- Inflation edged upwards to 12.0 % in September 2023 from 9.9 % in December 2022. This was largely **driven by increases in prices of maize grain and meat products as well as the depreciation of the Kwacha against the United States dollar**.
- In response to the rise in inflation, the Bank of Zambia raised the policy rate by 100 basis points to 10.0 % in August.

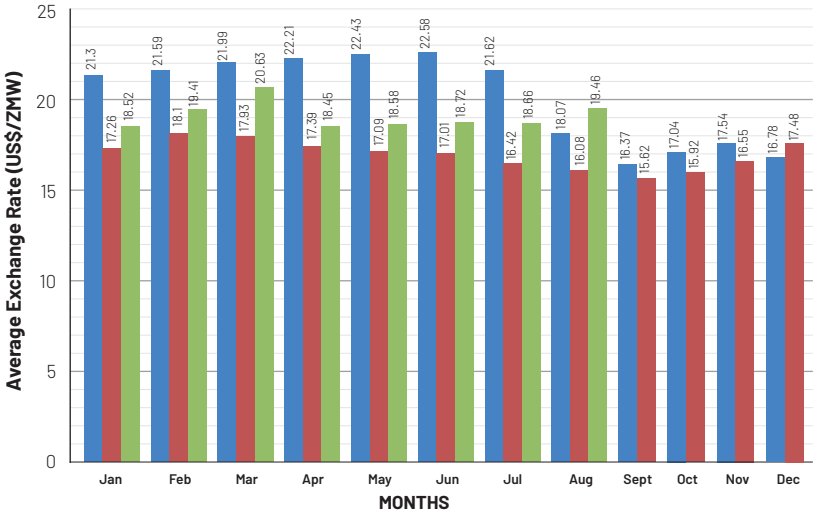
Figure 3: Trends in inflation from 2021 to 2023



Source: PMRC adapted from Zambia Statistics Agency

- The Kwacha depreciated by 10.9 % against the US dollar to K20.05 per US dollar between January and August 2023. **The depreciation of the Kwacha was mainly on account of strong demand while inflows, especially from the mining sector, reduced**.

Figure 4: Average exchange rate from 2021 to 2023



Source: PMRC adapted from Bank of Zambia

- To address volatility in the exchange rate as well as **safeguard the stability of the foreign exchange market, the statutory reserve ratio was increased by 250 basis points to 11.5 % in February 2023**.

2024 MACROECONOMIC OBJECTIVES

To take the country to a higher growth position through strategies set out in the Eighth National Development Plan (8NDP), the Government will pursue the following macroeconomic objectives in 2024:

1. Attain a real GDP growth rate of at least 4.8 %;
2. Reduce inflation to the 6-8 % medium-term target band;
3. Maintain international reserves above 3.0 months of import cover;
4. Increase domestic revenue to at least 22.0 % of GDP;
5. Reduce the fiscal deficit to 4.8 % of GDP; and
6. Limit domestic borrowing to no more than 2.5 % of GDP.

Table 2: Analysis of the macroeconomic indicators for the years 2022, 2023, 2024

Macroeconomic Indicators	2022			2023			2024		
	8NDP	MTBP	BUDGET	8NDP	MTBP	BUDGET	8NDP	MTBP	BUDGET
Real GDP Growth Rate (%)	3.5	3.1	3.5	3.7	3.7	5.2	4.4	4.8	2.7
CPI Inflation (annual average %)	< 10	13.4	6 - 8	6 – 8	10.3	6 – 8	6 – 8	8.2	12
Domestic Revenue (% of GDP)	21.2	21.2	21	21.8	21.2	20.9	22.3	21	22.0
Overall Fiscal Deficit (% of GDP)	6.7	6.7	9.2	6.3	6.3	7.7	5.2	5	5.8

Source: Eighth National Development Plan (8NDP), Medium Term Budget Plan (MTBP) and Budget Speeches

The 2024 National Budget projected a decrease in the real GDP growth rate from an actual domestic growth rate of 5.2% in 2022 to 2.7% in 2023 as shown by the 2023 and 2024 budgets. Computed by the Consumer Price Index (CPI), the inflation is targeted to reduce from the 12% reported in September 2023 to within the target band of 6 – 8% in 2024. The Government is targeting to mobilise domestic revenue to at least 22.0% of GDP in 2024 from the projected 20.9% of GDP in 2023. The fiscal deficit was projected to reduce to 5.8% of GDP in 2023 from the projected 7.7% in 2022.

2023 BUDGET PERFORMANCE

- The budget performance in 2023 was favourable and broadly in line with the projection. Total expenditure for the year was projected at **K157.5 billion, 5.8 % below the K167.3 billion**.
- Notable expenses included social cash transfer, dismantling of arrears, infrastructure development, and the Constituency Development Fund.
- Revenues and grants were projected at K119.1 billion, 5 % above the target of K113.3 billion. Revenue collections were projected to be above target while borrowing at K31.1 billion and lower than the target of K40.9 billion.
- Arising from the expenditure, revenue and financing outturn, the fiscal deficit was projected at 5.8 % of GDP and below the target of 7.7 %. The lower budget deficit outturn was reflective of the Government's commitment to fiscal discipline.

Debt Position

- The central Government external debt stock, excluding publicly guaranteed external debt, as at end-June 2023 increased marginally by 0.8 % to US $14.07 billion from US $13.96 billion at end-December 2022. The increase was largely on account of disbursements by multilateral creditors.
- Total publicly guaranteed external debt, however, declined by 1.9 % to US $1.43 billion at end-June 2023 from US $1.45 billion at end-December 2022.

- The stock of Treasury bills and Government bonds stood at K213.9 billion as at end-June 2023 from K210.0 billion as at end-December 2022, representing an increase of 1.9 %.
- The stock of domestic arrears marginally increased by 0.2 % to K77.8 billion as at end-June 2023 from K77.6 billion as at end-December 2022.

Financial Sector Performance

- Growth in lending by the banking sector slowed down to 6.4 % in the first seven months of 2023 compared to a growth of 11.9 % recorded in the corresponding period in 2022. The slowdown was due to reduced borrowing by the Government.
- Growth in lending to the private sector remained steady at 15.0 %.
- The capital position was adequate and earnings performance was strong. Asset quality was satisfactory, reflected in a lower non-performing loans ratio of 4.4 % at end-August 2023, below the 10.0 % prudential benchmark.
- The capital position earnings performance, liquidity management and sensitivity to market risk remained satisfactory.
- Asset quality was rated fair with the ratio of non-performing loans improving to 12.1 % at end-June 2023 from 13.0 % at end-June 2022, but remained above the prudential limit of 10.0 %.
- In the first half of the year, the value of mobile payments grew by 38.0 % to K199.5 billion while the volume of transactions grew by 7.1 % to 976.4 million because of emerging financial technologies and digitalization resulting in ease of accessing financial services.
- To mitigate the threat of cyberattacks from increased usage of digital financial services and preserve the integrity of the financial sector, the Bank of Zambia issued the Cyber and Information Risk Management Guidelines to the financial service and payment systems providers in May this year.

External Sector Performance

- In the first half of 2023, the merchandise trade surplus narrowed to US $200 million from US $1.7 billion during the same period in 2022. This outturn was due to higher imports while exports declined. Imports rose by 23.0 % to US $5.2 billion driven by capital and consumer goods.
- In contrast, export earnings declined by 11.6 % to US $5.3 billion. This was largely due to reduced copper export earnings on account of lower export volumes and prices.
- As at end-August 2023, gross international reserves amounted to US$2.9 billion, representing 3.2 months of import cover.

Resource Envelope for the 2024 Budget in Comparison with 2023 and 2022 Budgets

Table 3: Resource envelope 2024 Budget

Source	2024 Budget		2023 Budget		2022 Budget	
	Amount ('K' Billion)	*Share of Budget (%)*	*Amount ('K' Billion)*	*Share of Budget (%)*	*Amount ('K' Billion)*	*Share of Budget (%)*
Domestic Revenue	141.11	79	111.64	66.7	98.86	57
Domestic Financing	16.33	9.3	15.58	9.3	24.46	14
Foreign Financing	17.01	9.7	38.4	23	47.85	28.22
Grants	3.44	2	1.71	1	1.82	0.78
Total Budget	**177.89**	**100**	**167.33**	**100**	**172.99**	**100**

Source: 2022, 2023 and 2024 National Budget Speeches

Domestic revenue, as one of the components of the resource envelope, increased from year to year for the period 2022 to 2024, indicating the Government's desire to maximise domestic resource mobilisation. On the contrary, foreign financing has trended downwards from K47.85 billion in 2022 to K38.4 billion in 2023 and further to K17.01 billion in 2024. This could as well be attributed to Government's reluctance to overdependence on financing through borrowing and mobilising more domestic resources.

Figure 5: Resource envelope 2024 Budget

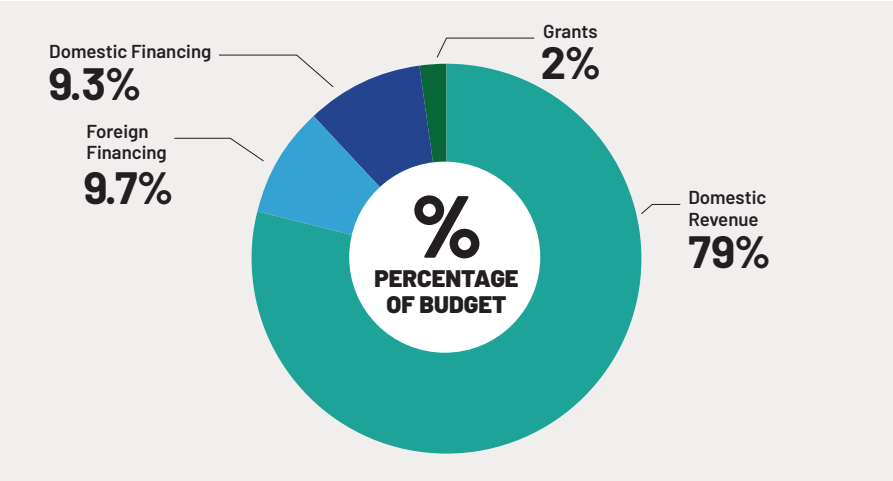


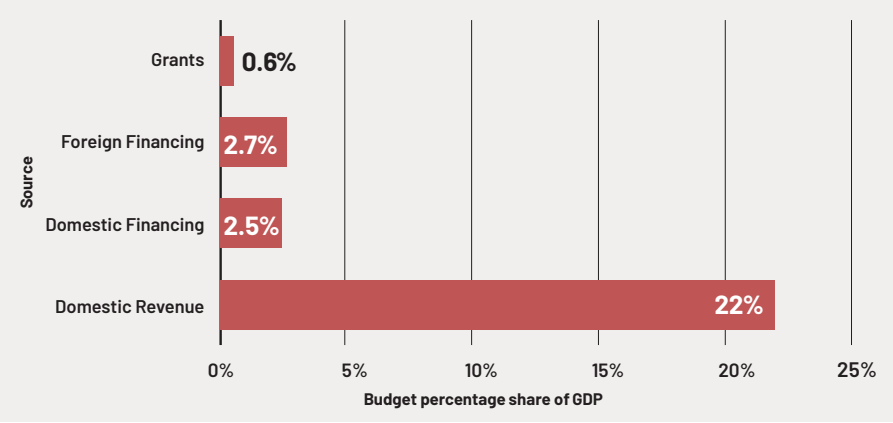
Table 4: National Budget expressed as a share of GDP 2022, 2023 and 2024

Source	2024 Budget as share of GDP (%)	2023 Budget as Share of GDP (%)	2022 Budget as share of GDP (%)
Domestic Revenue	22	20.9	21.2
Domestic Financing	2.5	2.9	5.2
Foreign Financing	2.7	7.3	10.41
Grants	0.6	0.3	0.29
Total	**27.8**	**31.4**	**37.1**

Source: National Budget Speeches

The table above indicates that the budget expressed as a share of GDP, has been decreasing from 37.1% in 2022 to 31.4% and 27.8% in 2023 and 2024 respectively. **This could be attributed to other macroeconomic variables that affect GDP having a large share of GDP due to the performance and size of an economy**.

Figure 6: 2024 Budget as share of GDP



Source: National Budget Speeches

2024 EXPENDITURES ESTIMATES BY FUNCTION

Table 5: Expenditure by Function 2022, 2023 and 2024

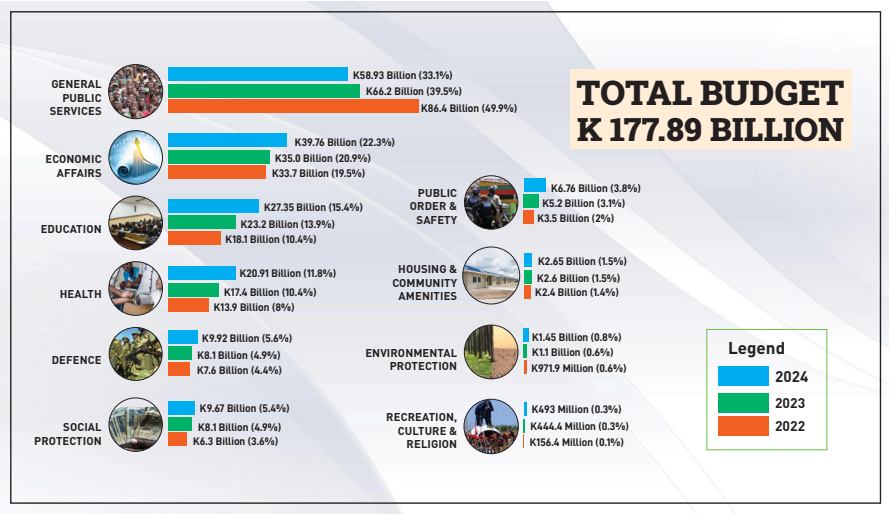
Functions	2024 Budget		2023 Budget		2022 Budget	
	Amount (K)	% of Budget	Amount (K)	% of Budget	Amount (K)	% of Budget
General Public Services	58.93 Billion	33.1	66.17 Billion	39.5	86.4 Billion	49.9
Defence	9.92 Billion	5.6	8.15 Billion	4.9	7.6 Billion	4.4
Public Order and Safety	6.76 Billion	3.8	5.19 Billion	3.1	3.5 Billion	2

Economic Affairs	39.76 Billion	22.3	35.01 Billion	20.9	33.7 Billion	19.5
Environmental Protection	1.45 Billion	0.8	1.06 Billion	0.6	971.9 Million	0.6
Housing and Community Amenities	2.65 Billion	1.5	2.58 Billion	1.5	2.4 Billion	1.4
Health	20.91 Billion	11.8	17.40 Billion	10.4	13.9 Billion	8
Recreation, Culture and Religion	493 Million	0.3	444 Million	0.3	156.4 Million	0.1
Education	27.35 Billion	15.4	23.19 Billion	13.9	18.1 Billion	10.4
Social Protection	9.67 Billion	5.4	8.13 Billion	4.9	6.3 Billion	3.6
Total	**177.89 Billion**	**100.00**	**167.32 Billion**	**100.00**	**172.9 Billion**	**100.00**

Source: 2022, 2023 and 2024 Annual National Budget Speeches

The budget reduced by approximately K5.58 billion from K 172.9 billion in 2022 to K167.32 billion in 2023. On a more positive note, the 2024 budget increased by approximately K10.57 billion from K167.32 billion to K177.89 billion. Equally, more funds have been allocated to other functions of Government except for general public services which declined from K66.17 billion in 2023 to K58.93 billion in 2024. (Table 5)

Figure 7: Trend Analysis of Expenditure by Functions (2022, 2023 and 2024)



Source: 2022, 2023 and 2024 Annual National Budget Speeches

2024 Budget Allocation Against International Protocols

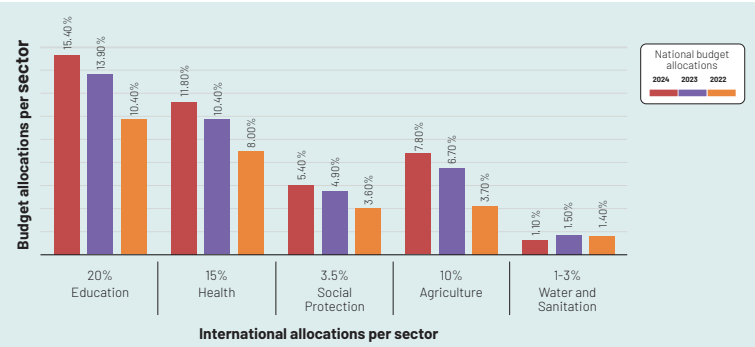
Table 6: Budgetary allocations against best practice

Sector	International Budget Allocation (%)	2024 National Budget Allocation (%)	2023 National Budget Allocation (%)	2022 National Budget Allocation (%)	Score
Education	20	15.4	13.9	10.4	X
Health	15	11.8	10.4	8	X
Social Protection	3.5	5.4	4.9	3.6	✓
Agriculture	10	7.8	6.7	3.7	X
Water and Sanitation	1 to 3	1.1	1.5	1.4	✓

Source: Compiled by PMRC

Zambia is a signatory to numerous international treaties, such as the Maputo Declaration on Agriculture and Food Security, which makes several key obligations, including one to devote at least 10 % of national budgetary funds to agriculture. Similar obligations are made in the **Abuja Declaration on HIV and AIDS, Tuberculosis and other infectious diseases, which calls for an objective of dedicating at least 15 %** of the national budget to the health sector. **According to the Incheon Declaration and Framework for Action towards Inclusive and Equitable Quality Education and Lifelong Learning for All, 20% of the entire national budget should be allocated towards the education sector**. While there has been an increase in the amounts allocated to the education, health, social protection and agriculture sectors in the 2024 budget, the % allocation falls short of the aspirations of international protocols. However, PMRC commends the Government for its continued allocation in meeting international best practices in percentages allocated to social protection, and water and sanitation sectors. These strides are key in meeting global development agendas where Zambia is a signatory.

Figure 8: Trend analysis of budget allocations against international protocols

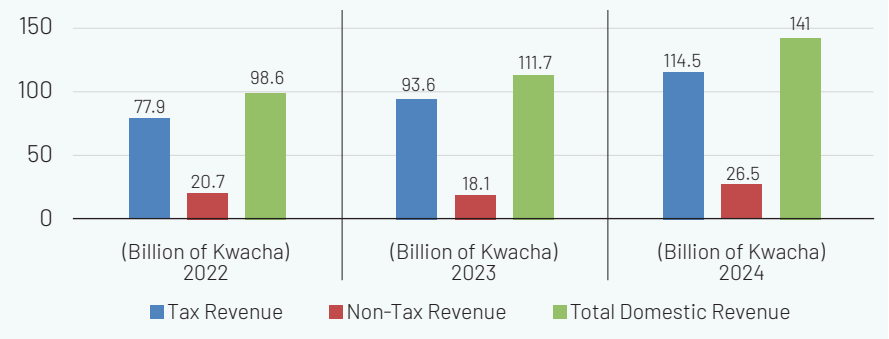


Source: Compiled by PMRC

REVENUE ESTIMATES AND FINANCING

Domestic revenue in Zambia is projected to increase in nominal terms from K98.6 billion in 2022 to K141.1 billion in 2024. This represents an annual growth rate of 8.6% over the three-year period. Tax revenue is projected to account for a large portion of domestic revenue, with a share of 81.3% in 2024. Non-tax revenue is projected to account for the remaining 18.7% of domestic revenue.

Figure 9: Trend Analysis of 2022-2024 Revenue Estimates



Source: National Budget Speeches (2022 - 2024)

Key Tax Measures

The Government intends to raise K177.9 billion to meet the proposed expenditure; a total amount of K141.1 billion will be domestically sourced of which K114.5 billion should come from tax revenue and K26.5 billion from non-tax revenue while the difference will be sourced through grants from cooperating partners.

Pay As You Earn (PAYE)

The Government proposes to **revise the PAYE by increasing the exempt threshold to K5,100 from K4,800 and reducing the top rate to 37.0% from 37.5 %**.

Table 7: Tax Regime

2023		2024	
Income Band (K, per month)	***Tax Rate***	***Income Band (K, per month)***	***Tax Rate***
K0 – K4800	0%	K0 – K5100	0%
K4,801 – K6,800	20%	K5,101 – K7,100	20%
K6,801 – K8,900	30%	K7,101 – K9,200	30%
Above K8,900	37.5%	Above K9,200	37%

Source: National Budget Speeches (2023 and 2024)

This is a positive move, as it will provide some relief to low- and middle-income earners. The increase in the exempt threshold is particularly significant as it effectively raises the income level below which individuals are not liable to pay income tax. **Setting the new threshold at K5,100, the Government aims to ensure that a larger portion of the population, especially those with modest earnings, is exempted from paying income tax. This measure acknowledges the relevance of providing economic relief to individuals who are at the lower end of the income scale, potentially freeing up more of their income for essential living expenses**.

Value Added Tax (VAT) and Related Taxes

The Government also proposes to increase the VAT rate on non-alcoholic beverages to 60 Ngwee per litre from 30 Ngwee per litre. Increasing the specific excise duty for tobacco and tobacco products to K400 per mille from K361 per mille. Introducing excise duty at 5% on specific solid fuels made from coal. Changing the excise duty valuation method for spirits, liqueurs, and other spirituous beverages to be determined on the basis of market price and not the value of inputs at importation. Introducing a levy of between 8 Ngwee and K1.80 on the transaction value for person-to-person mobile money transfers. These measures are likely to have a mixed impact on taxpayers. Some of the measures, such as the increase in the excise duty on tobacco and tobacco products, are likely to be borne by high-income earners. However, other measures, such as the levy on mobile money transfers, are likely to have a greater impact on low-income earners.

Table 8: Mobile Money Transaction Cost

Amount Range (K)	Proposed Levy (K)
Between 1 to 150	0.08
Above 150 to 300	0.10
Above 300 to 500	0.20
Above 500 to 1,000	0.50
Above 1,000 to 3,000	0.80
Above 3,000 to 5,000	1.00
Above 5,000 to 10,000	1.50
Above 10,000	1.80

Source: National Budget Speeches (2023 and 2024)

Non-Tax Measures

Government plans to introduce a fee of K3,750 for Deoxyribonucleic Acid (DNA) testing under the National Forensic Science and Biometrics Department. Increase the licence fee for commercial Kapenta operators to K4,000.00 from K3,333.00, last revised in 2011. Increase toll tariffs for heavy-duty trucks with 4 axles and above by K100 and for abnormal load vehicles by K300. These measures are expected to generate K721 million in additional revenue for the Government. They will take effect on January 1, 2024. The proposed non-tax measures put forth by the Government signify a pragmatic approach to resource mobilisation and financial sustainability. These actions are characterised by a diversified revenue strategy, which aims to produce additional income for the Government without imposing direct tax obligations on the general populace. The goal of this strategy is to generate additional revenue for the Government without imposing direct tax burdens on the general people.

Strategies to Enhance Domestic Resource Mobilization

In order to bolster domestic resource mobilisation, several strategic steps can be taken. **Government should endeavour to broaden the tax base, involving a reduction in the multitude of tax exemptions and deductions, and the inclusion of a greater number of individuals and businesses within the tax framework**. The introduction of new taxation avenues, such as levies on digital products and services or taxes targeting environmentally detrimental practices, can diversify revenue streams. Finally, **enhancing tax administration is pivotal, entailing the simplification of tax procedures, facilitating taxpayer compliance, and implementing stringent measures to combat tax evasion**. These multifaceted strategies collectively contribute to the Government's fiscal resilience and financial sustainability.

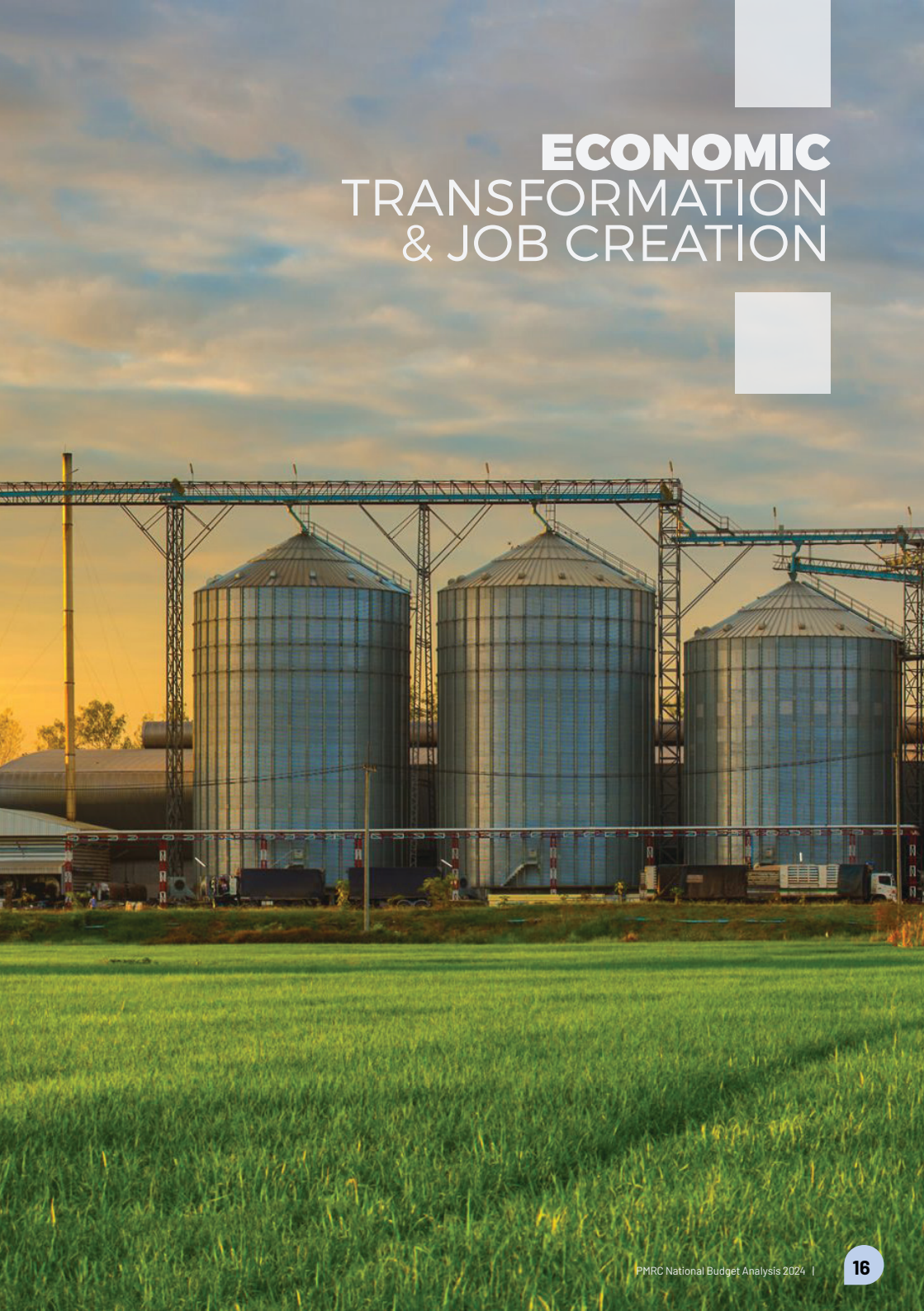
Untapped Revenue Sources

Exploring untapped revenue sources offers an avenue for fiscal growth and sustainability. Consideration of augmenting royalties on natural resources, including minerals, presents an opportunity to enhance Government revenue streams while ensuring **equitable resource extraction compensation in the advent of new mineral discoveries**. **Implementation of financial transaction taxes, levied on the trading of financial assets, can serve as a viable revenue source. Notably straightforward to administer, these taxes have the potential to yield substantial income, contributing to a diversified fiscal portfolio.**

Cost Saving Measures

In order to improve fiscal sustainability and promote efficiency, a multifaceted approach can be adopted. **Privatisation of state-owned enterprises (SOEs) stands as a viable strategy, not only generating revenue from SOE sales but also fostering potential efficiency enhancements**. Public-Private Partnerships (PPPs) present another avenue, allowing the Government to collaborate with private entities in delivering public services, **thereby lowering costs and infusing fresh expertise and innovation during periods of tight fiscal conditions**. This measure will allow for the implementation of capital projects during the period of the debt break and debt repayment period. **Further, refining procurement processes to curtail waste and fraud can yield substantial savings. Streamlining Governmental procedures and trimming unnecessary regulations and bureaucracies may also contribute to cost reductions, ensuring a more economically sustainable Government operation**.

ECONOMIC TRANSFORMATION & JOB CREATION



INTRODUCTION

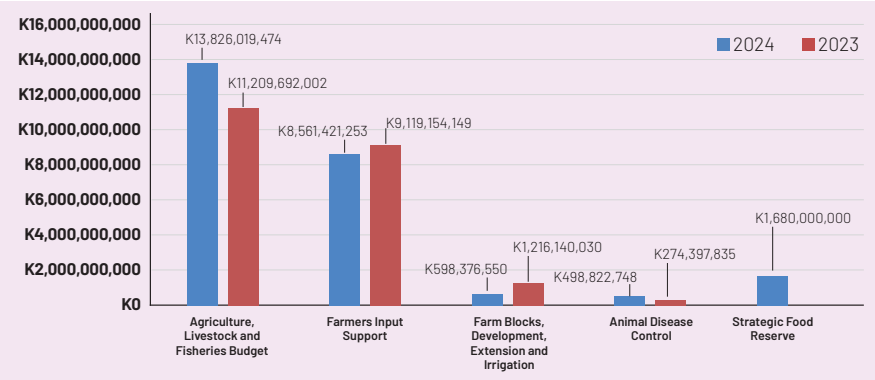
The Government proposes to spend **K39.8 billion or 22.3 % of the total budget to support economic sectors and unlock the growth potential of the country**. The substantial resources allocated to this function are in line with the priorities enshrined in the Eighth National Development Plan (8NDP). In order to achieve the 2024 National Budget theme of **"Unlocking Economic Potential"**, i**t is imperative that advancements are made with regard to industrialisation and economic diversification in the key drivers of the economy which are agriculture, mining, manufacturing and tourism**. This is supported by investment in the energy sector, transport and logistics, and will ensure sustainable economic transformation and resilience of the economy to external shocks. These targeted investments enshrined in the 2024 budget signal a great ambition to unlock Zambia's economic potential.

Agriculture, Livestock and Fisheries

Agriculture is one of the sectors identified as a key driver for economic transformation and job creation in the Eighth National Development Plan (8NDP). Zambia's agriculture sector comprises crops, livestock, and fisheries. **The Agriculture sector accounts for about 20% of Zambia's GDP and employs over half of the workforce. It has the potential to be a major source of economic growth, given the country's abundant fertile land and good rainfall (International Fund for Agriculture Development, 2023)**. However, its contribution to GDP has been gradually declining **(15.60% in 2010 to 3.39% in 2022)** (World Bank, 2022) and productivity remains very low by global standards due to several factors such as **adverse effects of climate change, high cost of inputs, unaffordable finance, inadequate irrigation and other agricultural support infrastructure, poor livestock and crop management practices, as well as inadequate mechanization** (Ministry of Finance and National Planning, 2023).

In November 2022 the world's population surpassed 8 billion people, having grown by 1 billion since 2010 (United Nations, 2023). **Population growth is a major driver of the increasing demand for food, given the increase in the global population, Zambia can position itself to become a food hub for the rest of the world as it is endowed with a large arable land resource base and abundant water resources for irrigation which gives it a comparative advantage**. In order to achieve this, investment is needed within the agriculture sector to address the various challenges faced as well as to increase productivity.

Figure 10: Comparison Analysis of 2024 and 2023 Agriculture, Livestock and Fisheries Budget Allocation



Source: National Budget Speeches (2023 and 2024)

The Maputo declaration requires African states to allocate a minimum of 10% of their national budgets to agriculture in order to assist in achieving a 6% annual growth rate. The agriculture component of the budget has fallen short of meeting this requirement for many years now. The 2024 budget proposed an allocation of K13, 826, 019,474 (7.8%) towards agriculture, livestock and fisheries interventions. This represents an increase in funding of approximately K11, 209, 692, 002 (6.7%) when compared to the 2023 budget allocation.

There has been a reduction in the Farmers Input Support Programme (FISP) from K9, 119, 154,149 in 2023 to K8, 561, 421, 253 in the 2024 National Budget. The reduction in FISP is as a result of reduced input price, such as fertiliser on the global market to target the same number of beneficiaries. Reduced input prices are key to increasing production and productivity in the crop subsector. In addition, the budget allocation for farm blocks, extension services, and irrigation support has been cut from K1,216,140,030 in the 2023 budget to K598, 376,550 in the 2024 budget. There has been an increase in budget allocation towards animal disease control from K274,397, 888 in 2023 to 498,822,748 in 2024. The 2024 budget has further allocated a K1,680,000,000 to Strategic Food Reserves. This increase in budgetary allocation will help the Food Reserve Agency (FRA) to enter the marketing season early and secure the various strategic crops as enshrined under the FRA Act critical to food commodity price stabilization. Strategic food reserves are stockpiles of food (staple food crops) that are held in reserve with the intention of releasing the food during times of emergency or when there is a scarcity of food. They can provide a buffer against shocks to the food supply in periods of droughts, floods, or crop failures due to climate change which enables them to play a vital role in the process of guaranteeing food security. This measure has the capacity to curtail the cost of staple food such as mealie meal on the market.

In the 2022 budget, Government announced a new comprehensive support program for the agriculture sector which was to commence in the 2022 - 2023 farming season. The Comprehensive Agriculture Transformation Programme (CATSP) is designed to translate into action the will and commitment of the Government of the Republic of Zambia (GRZ) to implement an agriculture transformation policy. **The Comprehensive Agriculture Support Programme aims at not only providing farmers with inputs as was the case with the Farmers Input Support Programme, but will also enhance extension services, improve market access and financing to farmers, and develop irrigation systems**. The implementation of the CATSP, originally scheduled to commence during the 2022-2023 farming season, has experienced a delay. However, it has been officially confirmed that the plan would be launched prior to the end of the year 2023. CATSP is an important policy instrument that will foster inclusive prudent allocation of resources to agricultural productivity drivers.

As a way of diversifying the economy away from overdependence on copper exports, the Zambian Government has put in place various initiatives aimed at transforming the agriculture sector, key among them is the development of farm blocks. **According to the Ministry of Finance and National Planning, a farm block is envisaged to be a large agricultural area where basic infrastructure for agriculture, such as feeder roads, electricity, water for irrigation and communication facilities, are provided. Government in the 2024 budget has announced its intention of constructing 300 kilometres of roads in Nansanga, Luena and Shikabeta farm blocks. In the same vein, the Government will also embark on the construction of 10 bridges to enhance connectivity in the farm blocks**. In order to facilitate the installation of power to farms within the farm blocks, 200 kilometres of powerlines will be constructed in Luena, Luswishi and Shikabeta farm blocks. Lastly, to mitigate reliance on rain-fed agriculture and facilitate year-round crop cultivation, there will be increased investments directed towards enhancing irrigation infrastructure. These measures are key commendable interventions for creating an effective operational environment for farm blocks.

Climate change, as well as weather variability in Zambia, has resulted in crop devastation, reduced cultivable area, and soil erosion, which has increased hunger in affected agroecologies. In order to cope with climate change, the Government has devised adaptation and mitigation strategies. **Government will use smart farming technologies with support from Cooperating Partners in the 2024 budget. These will include conservation agriculture, water harvesting, adaptive research, on-farm research programmes, agricultural insurance, as well as early warning systems**.

With regards to livestock, the Government in 2024 will improve animal health, animal identification and traceability as well as livestock breeding programmes. **In order to achieve this, the Government will endeavour to enhance disease surveillance and response system through the operationalisation of regional veterinary laboratories in Chipata, Choma, Isoka, Kasama, Mongu, Ndola and Solwezi. In addition, the Central**

Veterinary Research Institute will be rehabilitated in order to enhance Research and Development on the prevention, control, diagnosis, and treatment of diseases as well as on the basic biology, welfare, and care of animals. Government will also enhance animal identification and traceability through the development of an online system which is being piloted in Central, Lusaka, Northwestern, Southern, and Western Provinces. The system will enable the public to register, search and identify animals and will be linked to a Short Messaging System for ease of access by animal owners. Enhancing animal identification and traceability will result in the prevention of theft as well as the ability to quickly respond to concerns related to animal health and food safety. Lastly, the **Government will strengthen legal reforms on animal identification and traceability, through the introduction to Parliament for debate, the Animal Identification and Traceability Bill**.

Raising healthy and robust animals with improved animal welfare is a priority in modern livestock farming. By improving the propensity of animals for certain traits and preserving genetic diversity, it is possible to enhance entire populations of animals, with tangible benefits for farmers, consumers, and the environment. Animal breeding is the selective crossing of domestic animals chosen for their desirable or preferred traits (European Livestock Voice, 2022). Government has recognised the importance of animal breeding in improving the genetics of animals, making them more resistant and more productive. It is for this reason that Government will in 2024 implement a community-based livestock breeding programme through a pass-on scheme to support livestock farmers

Government will also promote the establishment of fish hatcheries. The 2024 budget highlights Government's intention to establish 3 hatcheries in 3 aquaculture parks in Kasempa, Mushindamo and Samfya districts which will increase fingerling production from the current 302.0 million to 433.4 million in 2024. A fish hatchery breeds and raises fish or other aquatic animals in a controlled and captive setting. **Hatcheries can be a unique and powerful tool for wildlife conservation when they are used to recover wild populations and support sustainable recreational fisheries (U.S. Fish & Wildlife Service)**.

Access to finance is a major challenge in the agricultural sector. Agriculture finance empowers farmers to increase their wealth and facilitates the development of food value chains. In enhancing farmers' access to finance, **Government in collaboration with cooperating partners has allocated K186.0 million towards the establishment of a financing and credit window for small-scale farmers, public service workers, and emergent farmers**. This will support small-scale farmers, emergent farmers, and public service workers with affordable financing to procure inputs, equipment and irrigation systems, among others. Financial provision speaks to the theme of unlocking Zambia's economic potential where farmers diversify and produce more for the local and export market.

Mining

The mining sector remains the bedrock of Zambia's economy accounting for over 10% and 70% of GDP and export earnings respectively. Since 1920, when the first commercial mine opened, mining has been a key economic activity for Zambia. **Mining taxes account for a large share of Government revenue and foreign direct investment (World Bank, 2016)**. It contributes significantly to GDP and has been the fastest-growing sector in the Zambian economy (Sikamo et al., 2016). In terms of the country's revenue, the mining sector contributes to the treasury through an array of taxes, directly and indirectly. In addition, the sector contributes heavily to the country's trade profile with copper accounting for a staggering 70% of export earnings (Bank of Zambia, 2021).

Lack of geological information hinders mining industry expansion, especially green field investments in mineral value chains. According to the findings of the PMRC study titled "Zambia's Key Reforms for the Actualisation of the 3 Million Metric Tonnes of Copper in a Decade" has shown that the lack of comprehensive geological information has been hampering the development of the mining sector. The measure will, in the long term, help unlock more mineral deposits and contribute to the targeted metric tonnes. **Only 55% of the land was geologically mapped, and the data is outdated with low resolution. The lack of financing for the Ministry of Mines and Minerals Development hampers the update and development of high-resolution geological data**. The Government has budgeted K160 million in the 2024 budget for a high-resolution national geophysical survey. The sub-surface's composition can be revealed by geophysical surveys used in mining exploration. **This information helps find opportunities, irregularities, and features with minimal environmental impact**. Due to the high resolution countrywide geophysical survey, investors will have enough information to decide when and where to invest time and resources and how to safely and effectively find targets. **The Government will conduct aerial surveys in Copperbelt, Lusaka, Northwestern, Southern, Western, and Central Provinces in 2024. Aerial surveys measure and collect mine locations efficiently and securely. Aeronautical surveys will enable inspection, surveying, mapping, safety, and security, which are essential to meeting the 3 million metric tonnes of copper output target by 2032 through the creation of more Greenfield Investments in the mining sector**.

Regulatory oversight is critical to a well-functioning mining sector. To this end, the Government in the 2024 budget has proposed to introduce to Parliament for debate a Bill to operationalise the Minerals Regulation Commission. The Commission will focus on production reporting, mineral content analyses and illegal mining. Minerals Regulation Commission operationalization will improve site monitoring and transparent cooperation among mine operators, resulting in cleaner and safer mining operations, increased mine uptime, and more consistent revenue collection for the country. This will help organise the mining sector and respond to the modernisation of the sector to increase productivity.

Zambia stands out as one of the prime tourism destinations in Africa offering a wealth of natural tourism assets such as waterfalls, lakes and rivers which hold close to 35% of Southern Africa's total natural water resources and wildlife protected areas' occupying about 32% of the country's total land area. **The tourism sector is an important contributor to the country's economic development through job creation, foreign exchange earnings, contributions to Gross Domestic Product (GDP) and other economic facets. (Office of the Auditor General, 2020)**.

In the 2024 budget, the Government announced an allocation of K769.5 million to the tourism sector for the development of tourism infrastructure, marketing, wildlife management, and development of tourism products, among others. Government intends to establish a tourism satellite account to measure the contribution of the tourism sector to the economy. This pronouncement is timely as the 2020 report by the Office of the Auditor regarding the tourism sector's performance in increasing international tourists' stay length, a tourism satellite account to quantify its economic impact has been lacking. Due to non-systematic data collection, tourism statistics were incomplete. An inaccurate data collection system made it difficult to determine how many international tourists visited each tourism destination and how long they stayed. It also affected the Ministry's planning. Through collaboration with Immigration and Customs, the Tourism Satellite Account will facilitate visitor arrival data collection and research. PMRC envisions that the effective implementation of this satellite account will improve the accuracy of data collection and analysis which is key for planning purposes.

Tourism is hindered by inaccessibility and poor infrastructure. **Under the Green, Resilient, and Transformational Tourism Development Project, the Government has allocated US$100 million to upgrade infrastructure. Improve air and road connectivity to Liuwa, Sioma-Ngwezi, Livingstone, Lower Zambezi, and Kafue National Parks in the South-West tourism circuit**. The acquired money will also diversify tourism offerings including cultural, avitourism, health, and sports tourism. Current tourism offerings are mostly nature-based, which limits international tourists' stays. This move will increase their stay.

To support tourism, the Government will change wildlife conservation and management. Since cultural and natural habitat preservation are important, this is timely. Events, conferences, exhibitions, and incentive travel will continue to get Government funding.

Manufacturing

The proposed 2024 National Budget re-affirms the importance of the manufacturing sector for the economic growth of the country. The sector experienced a growth rate of 4.2% in 2022 . The Multi-Facility Economic Zones (MFEZs) continue to be a key avenue through which the Government aims to grow the manufacturing sector. MFEZs are specific geographical areas where Government facilitates industrial activity through fiscal and regulatory incentives and infrastructure support (UNCTAD, 2019)

The development of MFEZs has attracted local and foreign investors. In the Lusaka South MFEZ, 22 enterprises have invested $541.4 million and created 12,558 jobs. The Government is delighted with local entrepreneurs' response to MFEZs and encourages production. To make MFEZs more appealing, the Government recognises their shortcomings. **Harmonising and lowering land costs, revisiting burdensome Employment Code Act restrictions, and streamlining immigration and work permit formalities are proposed**. The Government also plans to liberalise expatriate work in MFEZs to encourage investment and jobs, challenging the idea that more aggressive employment rules create local jobs.

To stimulate further private sector led Multi-Facility Economic Zone development and industrialization, the Government will provide the following fiscal incentives:

a) Extend the accelerated depreciation up to 100 percent in respect of any new implement, plant or machinery to developers of Multi-Facility Economic Zones; and

b) Provide for the extension of the validity period for the customs duty incentives accessible by a developer of a Multi-Facility Economic Zone for 5 years upon fulfilment of the conditions as may be prescribed.

The incentive of accelerated depreciation of up to 100% for new tools, plants, and machines for MFEZ developers is important. **Tax deductions allow businesses in MFEZs to recoup their investments faster. This decreases investors' financial burden and encourages them to upgrade and expand their facilities in MFEZs, increasing economic activity**.

Another noteworthy measure is extending customs tax incentives for MFEZ developers for 5 years under certain conditions. This gives MFEZ enterprises long-term consistency and stability. When customs duty incentives are extended, investors are more willing to invest in long-term projects and large amounts. This can encourage domestic and global investors to start or expand in MFEZs, boosting economic growth.

The 2024 National Budget underscores the significance of the energy sector in driving economic development and sustainability. This is in keeping with Zambia's 8NDP which identifies the energy sector as a key enabler of economic growth. Both the 8NDP and Zambia's Medium Term Budget Plan (2024-2026) outline the objective to increase the country's electricity generation capacity and to promote the use of green and renewable energy. The major priorities for the sector in the proposed 2024 budget therefore include improving efficiency, promoting competition and private sector participation, increasing electricity generation capacity and expanding access to clean energy, especially in rural areas.

Of particular note, the move to enable third-party access to the TAZAMA Pipeline is a positive step towards fostering competition in the energy sector. This open-access policy is poised to benefit consumers by providing them with more choices and potentially lower prices. Moreover, the call for private sector investment in a new pipeline to increase fuel import capacity signifies a broader effort to diversify energy infrastructure and ensure long-term energy security. **This is a call to Oil Marketing Companies (OMCs) to invest in fuel storage infrastructure to support this policy measure**.

There are two further proposed measures to note:

a) To promote investment in power generation, the Government proposes to increase the period in which a business can claim a refund on VAT incurred on eligible goods before the commencement of commercial operations to 7 years from the current 4 years for hydroelectricity generation.

b) To promote geothermal energy, the Government proposes to remove customs duty on machinery, equipment and other goods designed for geothermal energy activities.

One major benefit of increasing the hydroelectricity generation VAT return term to 7 years from 4 years is the ability to claim a refund on qualified goods before commercial operations. Hydroelectric projects involve large upfront costs and long gestation periods. Hydroelectric power investors are financially rewarded by the VAT refund extension. This can assist in enticing private investment into hydropower projects by giving investors more time to repay their VAT costs.

Removing customs duty on geothermal energy machinery, equipment, and other commodities encourages project growth. Geothermal energy is a sustainable energy source with great promise, but it requires specialised equipment. Therefore, a geothermal energy installation project is usually long and expensive (Ribeiro et al., 2023). **The Government is lowering the cost of importing these essential components by abolishing customs duty, making geothermal energy projects more affordable and appealing to investors**. This can boost geothermal energy investment and diversify Zambia's energy mix.

The Government hopes to meet the country's expanding energy needs and strengthen the energy industry by offering these incentives to attract power generation investment and promote renewable energy. **For Zambia's economic growth and development, a stable and sustainable energy supply is essential, hence boosting generation capacity is a priority.**

Information & Communications Technology

The ICT sector's role in economic digitalization and inclusive growth is clearly outlined in the 2024 National Budget. **Zambia's ICT sector's 2024 budget goals include digital inclusion, access to digital services, and public service efficiency, especially in rural and disadvantaged areas**. The budget prioritises many efforts to enhance ICT

infrastructure and services nationwide.

- The Government is committed to universal internet and mobile connectivity, as seen by the construction of **139 communication towers in 2023 and 169 scheduled for 2024**. This massive investment aims to boost network coverage from 78% in 2020 to 92%. The Government's aggressive network infrastructure expansion shows its acknowledgement of connectivity's importance in digitalization and economic progress.
- The creation of **Digital Transformation Centres** in rural areas demonstrates a commitment to closing the digital gap. These centres can empower rural communities by providing ICT resources and services, potentially enabling education, entrepreneurship, and quality of life.
- Thirdly, moving governmental services via ZamPortal is crucial for improving service delivery and streamlining Government processes. The platform, which offers 280 services and will add 382 by 2024, promises to lower transaction costs, eliminate bureaucratic bottlenecks, and improve public service transparency and accountability. Increasing public knowledge and use of online services is difficult.
- The Government's focus on private sector collaboration, such as satellite and fibre connectivity, provides a strategic method to extend ICT access, especially in distant and underserved areas. Effective digital inclusion requires this public-private partnership.

Digitalisation promotes transparency and accountability through enhanced public service delivery, reduced corruption, fraud and public participation that ultimately reduces the cost of doing business by fostering efficiency.

The Transport and Logistics sector unlocks economic potential and eases economic operations, thus the 2024 National Budget priority setting. Public Private Partnerships (PPPs) rural road development, border clearance times, and airport infrastructure upgrades are the sector's top priorities to improve transportation and logistics.

Building and maintaining Zambia's enormous road network is expensive, as the budget shows. Fiscal restrictions limit borrowing capability, but the Government's innovative use of PPPs is important. Recent developments include dualising the Lusaka-Ndola road and rehabilitating other roads. This shows dedication to improving transit infrastructure while managing budgets.

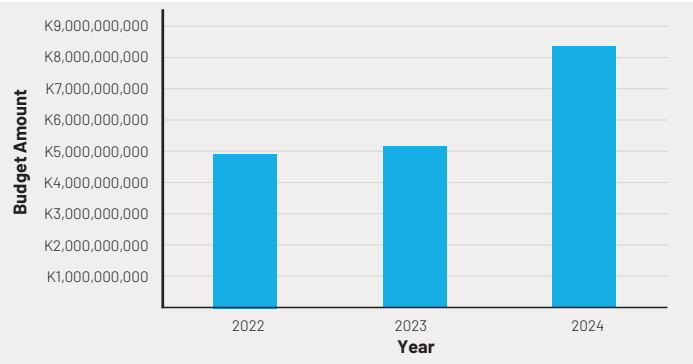
Table 9: Proposed Road Infrastructure Expenditure (ZMW)

Year	Proposed road infrastructure expenditure (ZMW)	Percentage change
2022	4,929,279,060	N/A
2023	5,156,017,706	4.6%
2024	8,337,221,909	61.6%

Source: National Budget Speeches (2023 and 2024)

The table above shows that there was a 4.6% increase in road infrastructure expenditure from 2022 to 2023, and a significant increase of 61.6% from 2023 to 2024. The expenditure has notably increased in 2024 compared to the previous years.

Figure 11: Proposed Road Infrastructure Expenditure (ZMW)



Source: National Budget Speeches (2023 and 2024)

The improved Rural Connectivity Project is another noteworthy rural development endeavour. This initiative empowers rural communities and boosts economic activity by building, maintaining, and upgrading feeder roads. Road construction by constituencies through the Constituency Development Fund (CDF) ensures decentralised infrastructure development and better connectivity in remote locations.

Additional measures proposed include the following:

a) To improve railway operations by removing customs duty on the importation of rolling stock, namely, wagons and locomotives.

b) To continue promoting the usage of clean energy as well as supporting the green economy and climate change mitigation by:

   i) Removing customs duty on electric motorcycles, electric vehicles, electric buses, electric trucks, and attendant accessories such as charging systems; and

   ii) Reducing excise duty to 25 percent from 30 percent on hybrid vehicles designed for the transportation of persons.

By removing customs duty on the importation of rolling stock, such as wagons and locomotives, the Government is lowering the cost of acquiring and maintaining these essential railway assets. This reduction in import taxes can make railway operations more cost-effective, encouraging both public and private investment in the railway sector. It will also help modernise and expand the railway network, potentially leading to improved efficiency and capacity.

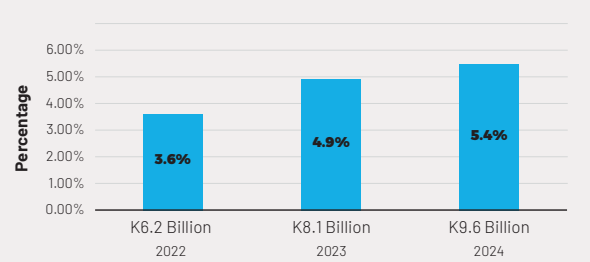
Multiple benefits come from clean energy transportation proposals. Customs duty-free **electric bikes, automobiles, buses, trucks, and charging accessories stimulate transport sector's use of electric vehicles**. Electric vehicles are more affordable for individuals and businesses after this change. It cooperates with worldwide carbon reduction and sustainable transportation projects. Reduced excise duty on hybrid passenger automobiles encourages eco-friendly mobility. **Hybrid cars reduce greenhouse gas emissions and are a step towards electric cars. The reduced excise duty makes these vehicles more cheap and attractive boosting the green economy and climate change mitigation**.

HUMAN & SOCIAL DEVELOPMENT

Social Protection

One of the key pillars of social protection programming is the expansion of livelihood support that aims to reduce poverty and vulnerability. In the 2024 budget, 9,671,765,277 has been earmarked towards social protection programming representing 5.4% of the National Budget. Of this amount, 4,118,237,220 is towards Social Cash Transfer (SCT), 3,872,921,174 towards Public Service Pension Fund, 1,260,855,784 towards Food Security Pack and 400,000,000 towards Local Authorities Superannuation Fund. The allocation to the sector is an increase from the 2023 allocation of K8, 127,762,301, equivalent to 4.9% of the budget. This underscores the Government's ongoing dedication to prioritise and enhance social protection initiatives, signifying their recognition of the importance of safeguarding the welfare and economic stability of vulnerable segments of the population.

Figure 12: Social Protection Budgetary allocation trends



Source: National Budget Speeches (2022 - 2024)

The SCT programme which is Zambia's flagship programme has over the years risen to over a million beneficiary households with a reach of **1,100,998 as at June 2023 from 1,027,000 in 2022. With the aim of providing support to vulnerable households in order to alleviate poverty and enhance their wellbeing, the transfer value has equally been increasing over the years from K150 to K200 and from K300 to K400 for beneficiary households of a member with a disability**. Some of the challenges that have necessitated the continued expansion and support of the SCT programme are the high levels of poverty which according to preliminary findings of the 2022 Living Conditions Monitoring Survey currently stand at alarming rates with 31.9% in urban and 78.8% in rural areas, thus threatening the well-being and economic stability of a

significant portion of Zambia's population. Social protection therefore remains key, particularly, due to the rise in poverty as well as the cost of living which according to Jesuit Centre for Theological Reflection (JCTR) currently stands at K9, 267.34 of the basic'needs and food basket for a family of five in Lusaka as of August 2023.

One of the major factors that have continued to influence the rise in poverty is a lack of industrialisation. With regards to rural poverty, the drivers have been due to limited economic activity, mainly because **Zambia's rural economy is largely driven by rainfed agriculture with limited opportunities for economic activities off season**. Thus, negatively impacting livelihood opportunities. **As for the rise in urban poverty, it can be attributed to the fact that Zambia has been urbanising rapidly with limited industrialisation**. There are limited job opportunities, and this drives the rural population to move to urban areas where there is a lack of industries that can absorb low skilled labour into the market. This has largely resulted in the rise in urban poverty. In order to remedy poverty, there is need for increased investments in the productive sectors in areas such as agriculture, mining and manufacturing to promote value-addition on which industrialisation can be underpinned to spur job creation. The agricultural sector has the highest potential to create jobs, therefore there is need to invest in areas such as irrigation and lowering the cost of production which then promotes economic activity for the majority of the population without relying on rain-fed agriculture. Processing and manufacturing sectors can also absorb a greater percentage of the unemployed population, the trickle-down effects of this are increased productivity and value addition for economic growth. **There is also need to enhance investments in skills development and innovation, particularly among youths who then contribute effectively to national development**.

The **Food Security Pack Programme** enhances household food security by supplying vulnerable households with fertiliser and seed to maintain nutrition and livelihoods. In 2022, 241,000 families were beneficiaries; now 242,000. Rising poverty rates make this vital. Another project, the **Public Welfare and Assistance Scheme**, will serve 40,000 disadvantaged people, up from 16,000 now. Another programme slated for upscaling is the **Girls' Education and Women's Empowerment and Livelihoods (GEWEL) Project**, which helps extremely poor girls attend secondary school. The livelihood support and economic development of underprivileged women and girls through this project reduces negative vices such Gender Based Violence (GBV), early marriages, and inadequate education for females. Deciding to increase beneficiaries from 116,891 in 76 districts to 129,400 in 81 districts by April 2024 is commendable.

In recognition of the need to improve comprehensive social protection programmes for the disadvantaged, **Cashplus** includes livelihood support and social services in addition to cash transfers. It strives to reduce income poverty and address broader poverty,

connecting disadvantaged people to education, healthcare, and livelihoods. **Integrating the programme with other poverty alleviation and livelihood development efforts through the single window approach to social protection provision reduces duplication and increases Government monitoring capacity to link vulnerable individuals to additional programmes**. It could target many poverty aspects and provide safety nets quickly to boost efforts and programme efficiency.

Recommendations

- Government is urged to expedite the development of the National Social Protection Policy in order to reform social protection programmes that will effectively respond to the current poverty trends. Further, it is urged to strengthen social protection programming and in order to provide a comprehensive social protection system that can adequately address the rise in poverty.
- There is also need to enhance investments in skills development and innovation, particularly among youths to support livelihood opportunities through entrepreneurship and avert poverty.
- Government is urged to promote industrial growth in the agriculture and manufacturing sectors that have the highest potential for absorbing low-skilled labour-force to contain unemployment and poverty across the country.

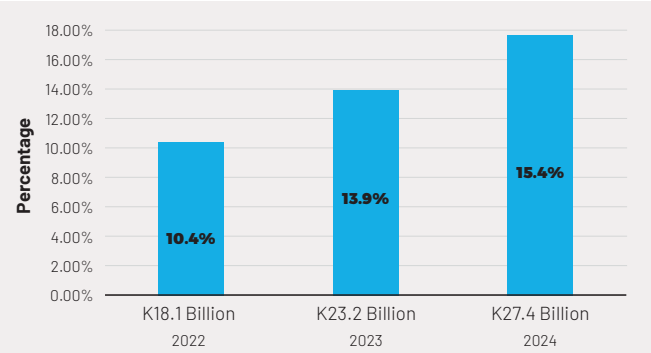
Education & Skills Development

Access to quality education remains a critical concern as it directly impacts the success of national development goals while also improving livelihood opportunities for citizens. Some of the major **challenges that have been impacting the sector include poor quality education, inadequate human resource, distance to schools and poor infrastructure. Therefore, enhancing the quality of education has remained key and measures outlined in the 2024 National Budget are aimed at addressing these challenges**.

In 2024, the Government has allocated K27.4 billion (15.4%) of the budget to the education sector which is an increase from 23.2 billion (13.9%) in 2023. Of the allocated funds, K1.9 billion is towards the provision of grants to schools in order to support the implementation of the Free Education Policy. The recruitment of 4,200 teachers in addition to the 4,500 and 30,496 that were targeted for 2022 and 2023 respectively will greatly impact the

teacher-pupil ratio and support the implementation of the Free Education Policy. Further, the 1,200 non-teaching staff will assist in supporting a conducive learning environment as well as reducing unemployment of which K356.1 million has been allocated to support this. However, it will be key that the majority of these teachers are allocated towards secondary education given that in the previous recruitments, the focus was towards primary and early childhood education.

Figure 13: Education budgetary allocation trends



Source: National Budget Speeches (2022 - 2024)

Due to the rising demand for education services, education infrastructure must be developed to make it accessible. Of the 115 secondary schools under development, 69 were completed and 46 will be completed by 2025. **K338.3 million has been allotted to build 202 secondary schools, of which 82 have begun construction and will be completed in 2024**. Construction of another 120 secondary schools will begin in 2024. This is a good investment because secondary schools nationwide have been unable to fulfil demand, especially since the free education programme. In addition, CDF has built 3,132 classrooms to expand infrastructure. As of August 2023, CDF had procured about 442,000 workstations to meet the 1 million-desk deficit.

Access to online learning is a challenge in rural schools. Zambia Information and Communications Technology Authority (ZICTA) reports 56% internet connectivity. Increased expenditures in this area could improve internet access, a key tool for national growth. The Government is encouraging e-learning services to address online learning issues. To improve access to online teaching and learning materials and incorporate global technology in education, the e-learning management system is being implemented. Online learning and internet connectivity will give students access to digital libraries and a wider selection of educational materials. Digital and media literacy must be improved to avoid the harmful effects of irresponsible resource use. This presents a chance to invest more in digital inclusion, especially in rural areas where digital tools are scarce.

The provision of meals in schools has shown positive impacts under the **Home-Grown School Feeding Programme with funding being increased from K39.4 million to K111.7** million from K39.4 million. This will positively impact the coverage and quality of meals. This increased allocation is also against the backdrop of high levels of poverty which according to preliminary findings of the 2022 Living Conditions Monitoring Survey currently stand at alarming rates with 31.9% in urban and 78.8% in rural areas, thus threatening the well-being and economic stability of a significant portion of Zambia's population. Therefore, this programme has the potential to support key nutritional benefits to children from vulnerable households, thereby ensuring their access to at least one nutritional meal. Furthermore, studies have shown that the school attendance of children accessing these meals improved to 71% with retention of learners improving by 70% (Zimba, 2018). Academic performance also recorded positive progression, improving from 60% to 90% pass rate while the failure rate equally reduced from 40% to 10%. Similarly, learners that progressed to the next grade had improved from 65% to 88% (Phiri & Chisala, 2017). This is evidence that the programme has the potential to increase equitable access to education, particularly, among poorer households. Likewise, it has a positive trickle-down effect in that, access to education has the potential to uplift families and communities out of poverty. Under this programme, children have continued to benefit immensely from this intervention since there is a correlation between children's performance, nutrition and food security in the home. Research further suggests that food insecurity contributes to high dropout rates among children, particularly in rural areas where they provide labour in exchange for food or assist the family to produce food.

K1.2 billion has been allocated to the **Higher Education Loans and Scholarship Board** to finance bursaries for additional students. The Loan Scheme will assist more students. To match industry needs, skills training has been prioritised. Modernising training institutes with equipment improves student skills. In addition, apprenticeships will boost skills and experience. **This may reduce unemployment as graduates pursue CDF projects through innovation and entrepreneurship. To equip TEVET training centres with modern equipment to provide quality and relevant vocational skills, K70.0 million has been budgeted**.

Recommendations

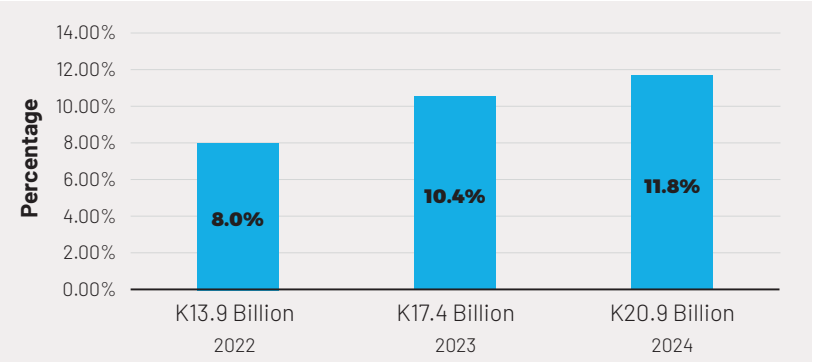
- PMRC urges the Government through consultations with stakeholders to develop an online learning and media literacy strategy to be rolled out in schools in order to enhance the benefits of digital and media learning platforms.
- Government with the support from cooperating partners is urged to enhance the provision of the Home-Grown School Feeding Programme to all schools across the country in order to support the nutritional needs of children.

- Furthermore, the Government is urged to link youths obtaining skills training under CDF to loans aimed at providing support for innovation and entrepreneurship.
- Government is urged to promote the monitoring of education quality standards to ensure adherence to education standards which are key for ensuring quality.

Health

The health sector plays a key role in maintaining a productive workforce critical for driving economic growth and national development. The 2024 National budget allocated 20,906,443,693 which is 11.8% of the budget and an increase from K17.4 Billion in 2023. Of this amount, 4,951,092,795 is going towards drugs and medical supplies, 1,394,734,394 for health infrastructure with 239,836,842 targeted for the construction of mini-hospitals and 120,000,000 targeted for the expansion of the Electronic Health Records System.

Figure 14: Health Budgetary Allocation Trends



Source: National Budget Speeches (2022 - 2024)

Prominent challenges negatively impacting the sector include drug shortages and inadequate modern equipment to provide specialised medical care and undertake critical surgeries, among others. In addition, the health worker to patient ratio still remains high. The 2024 budget outlines measures to improve the situation.

To address the challenges with medical supply, the Government will adopt a hybrid supply chain system that will allow for health centre kits and bulk sourcing of medical supplies.

This is expected to mitigate this challenge along-side pursuing a Local Pharmaceuticals Manufacturing Strategy that seeks to promote the local pharmaceuticals industry to meet local demands as well as create jobs. In the short-term, about 42,000 health centre kits have been purchased to last until mid-2024 and the Government has already commenced the procurement process under the bulk source supply system. Zambia, like several other developing African countries, is not able to produce most medications to supply its population and is largely dependent on medical imports from other countries, especially India (Chongo & Chituta, 2021). Therefore, the Government is putting in place measures to try to reduce costs on the importation of conventional medicine by promoting the setting up of local manufacturing of essential medicines. A major challenge that is impacting advancements in the sector is the low levels of research and development (R&D) therefore inhibiting any level of collaboration with the pharmaceutical industry, whose role is to scale up and commercialise pharmaceutical products (Kalachi, 2014). Hence, the strategy to develop the local pharmaceutical industry could yield positive results in boosting R&D which is critical to the growth of the sector. These measures collectively could reduce the logistical challenges faced in the supply of essential drugs by sourcing locally as well as enhancing our local manufacturing industries. Coupled with the necessary incentives, this sector could attract both local and foreign investments for the set up of pharmaceutical industries in Zambia.

With regards to infrastructure development in the sector, the Government will continue to construct mini hospitals in order to improve access and provision of medical services across the country. Of the 16 mini hospitals earmarked for construction in 2023, 12 have been completed bringing the total number of mini hospitals completed under **Phase 1 to 111 out of the target of 115**. In 2024, K239.8 million has been allocated for the completion of the 4 mini hospitals to be completed in Lufwanyama, Lusaka, Mpongwe and Mufumbwe districts and will commence **Phase 11 of the project which targets the construction of 135 mini hospitals**. Furthermore, 62 maternity annexes have been constructed this year of which 19 were financed under CDF. Government plans to construct another 30 maternity annexes. Additionally, the construction of cancer treatment centres in Livingstone and Ndola will help decongest the Cancer Diseases Hospital in Lusaka as well as decentralise the provision of cancer management and treatment. Other measures are aimed at upgrading radiotherapy equipment and infrastructure at the Cancer Diseases Hospital.

To support the human resource component in the health sector, K344.1 million has been allocated for the recruitment of 4,000 health personnel in 2024, this is a positive step in addition to the recent recruitments of the 4,500 health personnel in 2022 and the 3,000 in 2023. To improve the quality of services, the Government will also be scaling up

the implementation of the Electronic Health Record System for easy access to medical records from the current 600 to 3,000 health facilities over a period of 3 years with K120.0 million being reserved for this purpose.

Additionally, the attainment of Universal Health Coverage (UHC) that facilitates access to quality and affordable health care for all is a national aspiration that seeks to reform the provision of health care in Zambia. To this end, the National Health Insurance Scheme has played a critical role in enhancing access to affordable medical services, therefore it remains crucial that the scheme is sustained by increasing the monthly contributions to support universal coverage which currently stands at 2% shared equally by the employer and employee.

Healthcare investment needs to lean more towards disease prevention by promoting public health as curative care is more costly. There is need to strengthen innovative resource mobilisation mechanisms for the provision of primary health care services.

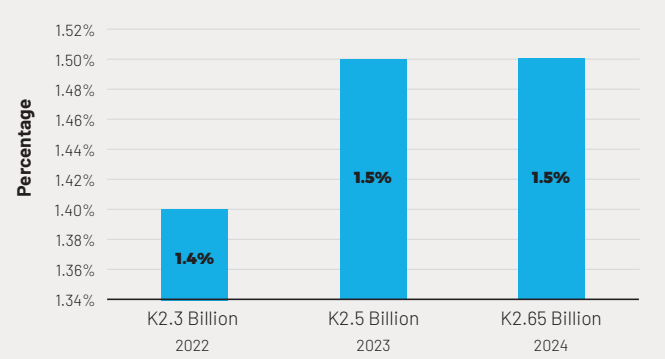
Recommendations

- PMRC urges the Government to urgently strengthen procurement systems and reinforce accountability in the health sector to resolve the various challenges in the procurement and disbursement of supplies to curb the wastage of resources.
- PMRC urges the Government to increase funding towards ICT for service delivery in the health sector. Particularly on digital health to improve provision to rural areas that may be inadequately staffed.
- Government is urged to provide incentives to attract both local and foreign investments for the setup of pharmaceutical industries in Zambia.
- Finally, the Government is urged to increase allocation towards research and development in the health sector which remains low.

Zambia aspires to achieve universal access to clean and safe Water and Sanitation (WASH) services by 2030. To meet this goal, steady progress has been made through investments such as the implementation of the National Urban and Rural Water Supply Programme with projects being implemented in Kafue, Nakonde, Chinsali, Chongwe, Lusaka, Kafulafuta, Serenje and Mufumbwe districts. As such, the 2024 National Budget

has allocated 2,651,214,182 representing 1.5% of the national budget to the sector of which 1,948,869,116 is towards the provision of water and sanitation while 443,487,003 has been allocated for the construction and rehabilitation of dams.

Figure 15: Water and Sanitation budgetary allocation trends



Source: National Budget Speeches (2022 - 2024)

Some of the major challenges that continue to impact the WASH sector are the low levels of access to and provision of services which perhaps could be attributed to the low budgetary allocations and inadequate private sector financing. As observed in the budgetary allocation trends to the sector, the financing of this sector has remained significantly low, posing potential challenges to meeting the Sustainable Development Goals targets (UNICEF, 2022). **According to USAID (2022), Zambia needs an investment of about US$384 million dollars annually into the provision and infrastructure maintenance of WASH if it is to meet universal coverage by 2030**. In line with meeting the 2030 coverage goals, the Zambia Water and Investment Programme worth US$6 Billion was launched in 2022. The programme seeks to provide support towards water investments for economic transformation, resilience and water and sanitation. It is envisaged this will provide critical financing towards enhancing the provision of WASH across the country. In order to bridge the financing gaps in the sector, innovative opportunities for PPP model financing in the sector could be explored to increase investments and meet development outcomes.

Poor access to water and sanitation services has been persistent, particularly in rural areas. According to the 2018 Zambia Demographic and Health Survey, access to an improved drinking water source stood at 71% of the population with access standing at 57% in rural areas compared to 91% in urban areas. Notwithstanding these challenges, the Government has continued to make strides aimed at meeting its commitments to improve access to water, the Government as of June 2023 constructed 634 boreholes and aims to complete over 1000 boreholes by the end 2023 set to benefit over 52,000

households. Of the 130 piped water schemes constructed, over 13,000 households have benefited from the scheme. Additionally, the Government has earmarked the construction of 38 dams across the country set to commence in 2024. As outlined in the 2024 National Budget, the intention to construct 1,374 boreholes and rehabilitate 1,270 boreholes across the country aimed at benefiting 92,000 households is a positive measure aimed at improving the provision of clean and safe water. Other projects such as the Integrated Small Towns Project in Luapula, Muchinga, Northern and Western Provinces to be completed in 2024 stand to benefit over 193,000 households.

With regards to sanitation services, 54% reported access to improved sanitation services. Urban areas had 79% access compared to 38% in rural areas (Zambia Statistics Agency, 2020). To provide adequate sanitation services, the Government will link 6,000 households to sewage networks in Chipata, Kalulushi, Kitwe, Lusaka, Mongu, and Sesheke in 2024. Public health depends on the development of 168 waterborne sanitation facilities in public places and institutions nationwide, especially in high-traffic areas like markets and bus terminals, which lack sanitation. Investment in infrastructure and technology to promote recycling is also needed to improve solid waste management.

Given the effects of climate change and its impact on national water security, the Government commenced the construction of 16 multi-purpose water harvesting dams in Central, Eastern, Luapula, Northern, Northwestern and Southern provinces in 2023. The project is estimated to harvest about 1.7 million cubic metres of water to support over 22,000 households and about 1.7 million livestock. Other works include the rehabilitation of 6 dams in Central, Eastern, Muchinga, Northern and Western provinces with an additional 6 earmarked for rehabilitation in Eastern and Southern provinces in 2024.

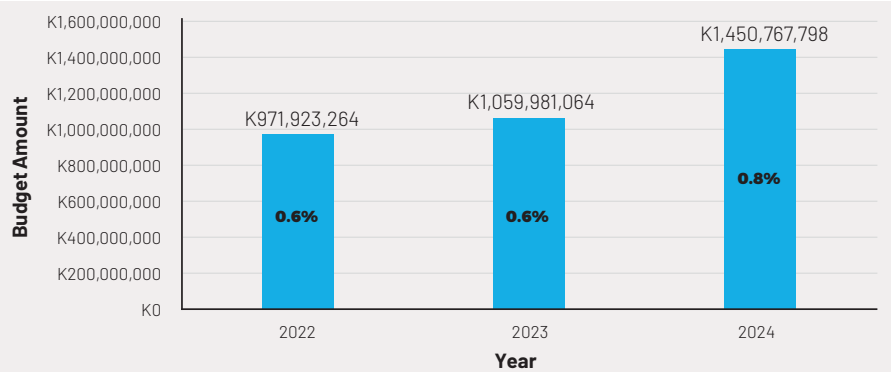
Recommendations

- Government is urged to conduct a costing exercise in order to determine the necessary resources and financing that would support the provision of decent and affordable WASH services across the country.
- Government is urged to pursue private sector financing in the provision of WASH services in order to diversify and complement Government funding in the sector.
- In view of the increased funding towards CDF, communities are urged to prioritise the development, provision and maintenance of WASH services and infrastructure within their communities. Further to this, the Government is urged to pursue development of decentralised WASH services to cater to communities, particularly in rural and peri-urban areas.

ENVIRONMENTAL SUSTAINABILITY

The allocation for environmental sustainability in the 2024 budget stands at K1,450,767,798, constituting 0.8% of the National Budget. This marks a noteworthy increase of 36%, in comparison to the allocation in 2023 (K1,059,981,064). Government has further proposed an allocation of K1.5 billion towards environmental protection and climate change resilience initiatives, which is a positive step in addressing critical environmental challenges. **Such funding can significantly contribute to the preservation of natural resources, reduction of pollution, and adaptation to climate change impacts**. This upward trajectory in funding for environmental sustainability is commendable and demonstrates a growing commitment to safeguarding the environment. Nevertheless, it is of paramount importance that concurrent policy and legislative measures are promptly developed and implemented to ensure the effective utilisation of this budget allocation. Such measures are indispensable for the seamless execution of environmental initiatives and the realisation of sustainable outcomes.

Figure 16: Environmental Protection Budget Allocation (2022 – 2024)



Source: 2022, 2023 and 2024 Annual National Budgets

The 2024 budget underscores the Government's initiatives aimed at addressing climate change, strengthening financial resilience, and streamlining environmental impact assessments. The budget outlines the promotion of innovative financing mechanisms for climate change interventions, including Green Bonds, carbon trading, and the establishment of a National Climate Change Fund, which demonstrates a positive and forward-thinking commitment to addressing environmental challenges. Additionally, the Government has committed to expanding early warning systems for adverse weather conditions. While this move is undoubtedly a step in the right direction, it's important to emphasise that the effectiveness of these systems hinges not only on the quantity but also the quality of weather stations, along with robust communication infrastructure and the capacity to disseminate timely warnings to vulnerable communities. In this regard, a comprehensive approach that considers both technological and logistical

aspects is crucial to ensure that early warning systems effectively serve their intended purpose and protect the populace.

Another noteworthy commitment is the recognition of climate-related financial risks and the intention to strengthen the legal and regulatory framework supporting green finance. Nevertheless, the budget lacks specificity regarding the exact nature of these regulatory enhancements. This omission raises questions about how "green finance" will be precisely defined and operationalised in practice. Clearly defined and well-detailed policies in this area are essential to drive meaningful change in this sector, encouraging sustainable investments while mitigating climate-related risks. Additionally, it is crucial to emphasise the necessity for a comprehensive National Climate Change Policy to replace the old policy (2016 - 2021). Such a policy would provide a strategic framework for addressing climate change challenges and guiding the nation towards a more sustainable future.

The budget also highlights the Government's intention to review the Environmental Impact Assessment (EIA) process to expedite investment by reducing processing time. While streamlining the EIA process is indeed a valuable endeavour to attract investment, the proposal to deem applications approved beyond specified timeframes raises valid concerns. This expedited approval approach could inadvertently compromise rigorous environmental and social assessments, potentially leading to unforeseen consequences. Striking a balance between efficient approvals and thorough evaluation of environmental and social impacts is crucial to ensuring sustainable development and responsible investment practices.

Furthermore, the Government has introduced measures to encourage the use of electric and hybrid vehicles, demonstrating a commitment to reducing carbon emissions and promoting sustainable transportation. Removing customs duties on electric vehicles and accessories, as well as reducing excise duty on hybrid vehicles designed for passenger transportation, is a positive move. These actions can lower financial barriers, incentivizing individuals and businesses to adopt eco-friendly modes of transport. Consequently, this can contribute to reduced greenhouse gas emissions and improved air quality, furthering environmental protection.

However, as these measures are steps in the right direction, certain considerations must be taken into account. It's imperative to have a strategy for monitoring the environmental impact of these policies, encompassing not only the benefits of electric and hybrid vehicles but also the sustainability of electricity generation and battery disposal. Complementary policies, such as infrastructure development for electric vehicle charging stations and incentives for renewable energy sources, may be needed to maximise the benefits. An

assessment of the potential impact on Government revenue and budget allocation for environmental protection initiatives is essential to ensure a balanced fiscal approach that doesn't compromise environmental goals.

Recommendations

PMRC urges the Government to:

- Develop and implement comprehensive policies and legislative measures to effectively utilise the increased budget allocation for environmental sustainability, ensuring seamless execution of environmental initiatives and the realisation of sustainable outcomes.
- Expedite the development of a comprehensive National Climate Change Policy to replace the old policy (2016 - 2021), providing a strategic framework for addressing climate change challenges and guiding the nation towards a more sustainable future.
- Invest in the quality, quantity, and accessibility of weather stations and communication infrastructure for early warning systems, ensuring they effectively serve their intended purpose and protect vulnerable communities.
- Provide clear and detailed definitions and regulations for "green finance" to drive meaningful change, encourage sustainable investments, and mitigate climate-related risks effectively.
- Approach the Environmental Impact Assessment (EIA) process streamlining cautiously, considering reasonable time limits for approvals while maintaining rigorous environmental and social assessments, thus ensuring responsible investment practices.
- Develop a robust strategy for monitoring the environmental impact of policies promoting electric and hybrid vehicles, encompassing not only vehicle benefits but also the sustainability of electricity generation and battery disposal.
- Consider complementary policies such as infrastructure development for electric vehicle charging stations and incentives for renewable energy sources to maximise the environmental benefits of electric and hybrid vehicles.
- Conduct a comprehensive assessment of the potential impact of the proposed measures on Government revenue and budget allocation for environmental protection initiatives, ensuring a balanced fiscal approach without compromising environmental goals.

GOOD GOVERNANCE ENVIRONMENT

INTRODUCTION

The 2024 National Budget reflects a commitment by the Government to address governance weaknesses and enhance transparency and accountability in the use of public resources.

Government conducted a Governance Diagnostic Assessment (GDA) in 2022 in line with the International Monetary Fund (IMF) 2018 Framework on Enhanced Fund Engagement on Governance. The diagnostic assessment focused on governance weaknesses and corruption vulnerabilities in macroeconomically critical priority areas of:

(i) Anti-corruption and anti-money laundering;
(ii) Fiscal governance (e.g., public financial management, revenue administration, oversight of State Owned Enterprises, natural resource management, and procurement);
(iii) Enforcement of contract and protection of property rights;
(iv) Central bank governance and operations, and
(v) Financial sector oversight.

The GDA revealed serious governance weaknesses and corruption vulnerabilities across all state functions, but those with particular macroeconomic impact were found to be present in public financial management (especially in relation to planning and monitoring of large investment projects), granting and managing contracts in the mining sector, transparency in public procurement, including adequate monitoring of Politically Exposed Persons (PEPs), the autonomy of the central bank and effective financial sector oversight (especially oversight on banks with Government ownership), Beneficial Ownership (BO) transparency and land management. These weaknesses and vulnerabilities highlight several themes, including weak transparency and accountability mechanisms in public service, weak legal frameworks for key institutions and lack of coordination and clarity in the roles and responsibilities in key governance and anti-corruption functions.

To cure these weaknesses, the GDA report made recommendations which the Government intends to implement in 2024. Priority Recommendations include the following:

- Adopt a legal framework that guarantees public access to information;
- Introduce necessary measures to ensure that top anti-corruption and AML officials such as Director General of ACC, Director General of DEC, Director General of FIC, DPP are selected and appointed through transparent, merit-based and participatory processes;
- Prepare, with the participation of civil society, academia and legal profession, a comprehensive reform strategy to strengthen the independence, professionalism and efficiency of the judiciary and prosecution authorities;

- Operationalize PACRA's beneficial ownership register, including ensuring the availability of accurate, complete and up-to-date beneficial ownership information and imposing effective sanctions on entities for non-compliance;
- Prepare a time-bound action plan and roll out E-Government Procurement;
- Mandate the use of the Financial Management Information Systems (FMIS) system for all transactions currently able to be undertaken through the system;
- Mandate regular preparation and external publication of tax expenditure reports on measures expected to result in significant foregone revenue;
- Increase internal audits in the VAT refund process and customs warehouse management, as well as in other processes where IT systems are not fully integrated or are unstable;
- Strengthen the MMMD's capacity to properly scrutinize license and transfer applications, and monitor the associated commitments on safety and environment, work programs, and production;
- Bring the Public Audit Act of 2016 and the State Audit Commission Act of 2016 into force by issuing the statutory instrument; and
- Develop and reinforce supervisory processes for banks and other financial institutions with Government ownership to address specific risks and challenges associated with these special entities.

Implementation of these recommendations in 2024 **is a positive step towards entrenching transparency and accountability; identifying governance weaknesses and corruption vulnerabilities is crucial for addressing these issues effectively**. However, the critical actions will rely on the Government's capacity to build a robust risk management framework and ensure compliance across all sectors.

In tandem with the foregoing, the Government's commitment to ongoing legal, structural, and policy reforms is noteworthy. **These reforms span various areas such as fiscal policy, domestic resource mobilisation, debt management, decentralisation, public-private partnerships, and public investment management; and successful reform actions will support economic growth and development**.

However, the critical aspect in this regard is the clarity and specificity of the required reforms. While mentioning the reform areas is a positive step, it is important to ensure the presence of well-defined policies to accompany actual implementation. Stakeholder involvement and consultation are also vital to ensure that the reforms align with and respond to the country's specific needs and challenges.

FISCAL POLICY

Governments' primary fiscal objective is to **decrease the budget deficit from 5.8 percent of GDP in 2023 to 4.8 percent in 2024, reflecting a responsible goal focused on macroeconomic stability and diminishing the need for extensive borrowing**. This will be achieved through efficiency gains in domestic resource mobilisation, emphasising the need to **close tax loopholes, improve tax administration, and combat tax evasion**. There is a revenue collection target set at a minimum of 22.0 percent of GDP, a challenging but necessary goal, contingent on economic growth, tax policy effectiveness, and taxpayer compliance. The budget highlights the prioritisation of areas that promote economic growth, such as infrastructure development, Constituency Development Fund (CDF), with a keen focus on ensuring efficient and transparent utilisation of allocated funds. Commitment to continuing social protection programs to safeguard vulnerable communities is also emphasised. In addition, the introduction of an annual Fiscal Risk Statement enhances fiscal transparency and budget credibility, while the maintenance of stable and predictable tax and non-tax policies supports a conducive business environment. These objectives represent a balanced approach to fiscal management, provided they are effectively implemented and monitored.

Domestic Resource Mobilisation

Government has emphasised the need to seal revenue leakages and improve service delivery in tax administration. Leveraging technology and redefining the operating model for the Zambia Revenue Authority (ZRA) is key in this regard. This is a commendable step as **modernising tax administration can lead to more efficient revenue collection and reduced opportunities for tax evasion**.

The proposed introduction of an electronic invoicing system is an innovative response to some of the challenges faced by ZRA in dealing with fraud. It not only enhances transparency but also allows real-time access to business transactions, making it harder for entities to use counterfeit invoices for VAT refund claims. This can significantly reduce fraudulent activities and ensure that only eligible entities claim deductions. However, the Government needs to ensure that the implementation of this system is smooth and user-friendly. Attendant actions will be awareness raising and sensitisation campaigns to ensure onboarding by users of the system.

The budget also highlights the potential of the growing digital economy to expand the tax base. By taxing cross-border electronic services, Government can tap into a new revenue stream. However, **it will be crucial to develop a clear legal framework and effective strategies for implementing and enforcing this taxation**.

Reference was made to international taxation and cooperation as one of the areas of interest. Joining the Global Forum on Tax Transparency and Exchange of Information demonstrates Zambia's commitment to combat tax evasion and illicit financial flows (IFF). Zambia has been dealing with the issue of IFF and it has been recognised that the **main conduit for illicit financial flows is the use of abusive transfer pricing by way of multiple and often complex structures to shift profits from normal rate tax jurisdictions to low or no tax jurisdictions. According to the United Nations Commission on Africa, Zambia loses 10% of its gross domestic product annually, due to corporate tax avoidance practices. The Centre for Trade and Policy Development (CTPD) claims that Zambia accounts for 65% of Africa's illicit financial flows, of which 80% is through copper. This has a significant negative impact on revenues for the Republic**. Therefore, the move to join the Global Forum will be beneficial as we improve international collaboration and information sharing, enhancing transparency and tax compliance. It is expected that this will inform efforts to stem IFF and channel the revenue to the appropriate income streams.

Lastly, the plan to introduce a unified Tax Administration Act and reward whistle-blowers is a step towards simplifying tax administration and encouraging citizens to report tax-related misconduct. However, the success of such initiatives will depend on effective implementation and safeguards to protect whistle-blowers.

Debt Management

External Debt Restructuring:

Government acknowledges the need to address its external debt burden. Undertaking a debt restructuring exercise with official creditors under the G20 Common Framework is a major achievement and provided important impetus for mobilising around the efforts to unlock the stagnation that had resulted from debt financing. In principle, the agreement reached with official creditors in June 2023 signified progress in managing the country's debt crisis..

Engagement with Commercial Creditors:

Engaging with commercial creditors, including Eurobond holders, to seek debt treatment comparable to official creditors is a reasonable approach. It demonstrates the Government's commitment to treating all creditors fairly and seeking a comprehensive solution to its debt challenges. However, the success of these negotiations will depend on the willingness of commercial creditors to cooperate. **It is important that Zambia concludes the discussions with commercial lenders regarding commercial debt as this will lure financial investments and improve the Country's credit rating**

Focus on Concessional Loans:

Government's commitment to contracting only concessional loans in the medium term is a responsible debt management strategy. Concessional loans typically have lower interest rates and more favourable terms, reducing the burden on the Government and taxpayers. This approach aligns with the goal of debt sustainability.

Addressing High Interest Rates:

The mention of high interest rates in Government securities market highlights an issue that affects the cost of borrowing for Government. A progressive reduction of the fiscal deficit is a prudent step to mitigate this challenge. Additionally, expanding the E-bond trading platform to include retail investors is a positive move to promote competition and liquidity in the secondary market, potentially leading to better pricing for Government securities.

Auction-Based Issuance:

The commitment to issuing Government securities through auctions and avoiding private placements enhances transparency and fairness in the debt issuance process. Auctions allow market forces to determine interest rates, contributing to more accurate pricing and reducing the risk of unfavourable terms for the Government.

Decentralisation by Devolution: Government's commitment to fully implementing decentralisation by devolution in the medium-term is a significant step towards empowering Local Authorities (Councils) and addressing socio-economic inequalities. **Devolving functions to local authorities can enhance local governance, improve service delivery, and better address the specific needs of communities**. However, successful implementation will depend on adequate capacity building and resource allocation.

Devolution of Functions: All eight functions in Phase I have been devolved to local authorities, with civil servants attached. This is a positive development as it signifies a transfer of decision-making and service provision closer to the communities. It's important to ensure that the devolved functions are managed effectively and efficiently at the local level.

Zambia Devolution Support Programme: The implementation of the Zambia Devolution Support Programme focusing on fiscal decentralisation, financial management, local area planning, governance, and human resource management is a commendable effort. Strengthening the capacities of local authorities is crucial for them to effectively manage the devolved functions and resources.

Delegation of Authority: Delegating the authority to approve projects to the Provincial Administration from the Ministry of Local Government and Rural Development, as well as empowering Principal Officers in Local Authorities to vary committed funds, can improve operational efficiency. It streamlines decision-making and allows for more timely project implementation.

Constituency Development Fund (CDF): The increased allocation towards CDF is a positive step, as it enables constituencies to address pressing needs, such as water reticulation and sanitation systems in public amenities and provision of school desks. However, effective utilisation and monitoring of CDF funds will be essential to ensure that these investments benefit the intended communities.

Citizen Participation: The commitment to involving the public in defining their development needs is fundamental to democratic governance. It ensures that projects and initiatives align with the priorities of the communities they serve. This is, however,dependent on how much information is shared with the public and brings the conversation back to the need to expedite the Access to Information Bill.

Review of Relevant Legislation: Government's intention to review the Constituency Development Fund Act, 2018, and the Public Procurement Act, 2020, to strengthen citizen participation and streamline procurement processes is a positive move. Transparent and efficient procurement processes are essential for the successful implementation of development projects.

There is a clear emphasis by the Government on the importance of integrating population-related factors into the country's development planning. Government plans to achieve this by conducting subnational analyses and carrying capacity assessments for all districts and constituencies. These assessments will serve multiple purposes, including the identification of poverty levels and living conditions at the constituency level. By doing so, the Government aims to design more precise interventions that target poverty reduction and inequality reduction.

Furthermore, the mention of conducting carrying capacity assessments for districts and constituencies highlights the Government's commitment to ensuring effective and efficient delivery of public services. These assessments will help determine the readiness and capacity of each region to provide essential public services, allowing for more strategic allocation of resources based on specific district needs.

A critical aspect addressed in this year's budget is the alarming increase in the poverty rate, which rose to 60 percent in 2022 from 54.4 percent in 2015, according to the Living Conditions Monitoring Survey. The Government acknowledges this challenge and has outlined its strategies in alignment with the Eighth National Development Plan. These strategies are aimed at unlocking economic potential, boosting economic growth, and increasing household income. Government recognises that sustainable poverty reduction hinges on enhancing overall economic prosperity..

Integrated National Registration Information System

The Government's initiation of the Integrated National Registration Information System (INRIS) represents a commendable effort to address the limitations associated with manual national identity documents. A Complete Civil Registration and Vital Statistics (CRVS) system that reflects international standards has been the Government's aim; the National CRVS Policy (2022) lays the foundation for interventions to ensure that the use of technology is applied to national identity documents. The move towards biometric identity within INRIS is a significant step in modernising and securing our national identification system. **The inclusion of biometric data, including fingerprints and facial recognition, offers a more robust and secure means of verifying individuals' identities, far superior to the conventional paper-based identity cards**.

One of the key advantages of the INRIS system is to eliminate duplicate National Registration Cards (NRCs). **Duplicate identity cards have led to severe issues like identity theft, fraud, and misuse of public services. By utilising biometric data and a centralised database, the Government will exercise better control and take effective preventive measures against such problems**. This will be most appreciated when applied to national activities such as voter registration where duplicate national registration cards have been used in electoral malpractice.

Streamlining access to services such as registering for a SIM card or opening a bank account or accessing one's pension account through the use of biometric identity from INRIS is expected to enhance efficiency while reducing the administrative burden on individuals. Furthermore, it has the potential to significantly reduce fraudulent activities within these sectors.

Biometric authentication is notoriously difficult to forge, offering an additional layer of security in financial and other transactions. Overall, the INRIS system holds promise for modernising our national identity infrastructure and enhancing security and efficiency in various sectors.

The mention of eliminating costly silo approaches to service delivery is noteworthy. The integration of various Government systems and databases can lead to cost savings, improved data accuracy, and better coordination among Government agencies. This, in turn, can result in more efficient service delivery and reduced administrative redundancies.

Inflation and Its Impact: Inflation lowers the purchasing value of money, making it harder for low-income people to buy basic essentials. It also disrupts planning, boosts borrowing rates, and discourages investment, which can hinder economic progress.

Inflation Targeting: The Bank of Zambia targets 6-8 percent inflation. Inflation targets are standard in modern monetary policy. It guides policy and gives businesses and consumers transparency and predictability critical for the economy.

Monetary Policy Tools: A key tool for achieving the inflation target is the monetary policy rate. The economy's money supply is frequently affected by this rate. A higher rate raises borrowing costs and slows spending, lowering inflation. Lower rates boost economic activity.

Challenges of Addressing Food Inflation: The rise in food costs makes it difficult to address inflation with standard monetary policy measures. Food inflation depends on the weather, crop harvests, and global commodity prices, thus this is important. To combat food inflation, monetary and fiscal policies may be needed as well as efforts to boost agricultural productivity and food security.

Supply-Side Interventions: Overcoming food inflation requires increasing food supply. Policies to assist agriculture, increase distribution, and reduce post-harvest losses are possible. Stabilising prices and making food affordable requires supply-side initiatives.

Financial Sector Policy and Financial Inclusion

Some of the key elements of Zambia's financial sector policy for 2024 encompass various aspects of financial governance and economic development. The establishment of the Financial Stability Committee, as outlined in the Bank of Zambia Act, signifies the Government's commitment to maintaining financial system stability, which is crucial for economic growth and investor confidence. Additionally, the decision to review the Banking and Financial Services Act in 2024 is a positive step, despite the absence of specific details, raising questions about the scope and objectives of the review.

Acknowledging the issue of high borrowing costs and expecting yield rates on Government securities to fall demonstrates the Government's efforts to stimulate economic activity by making credit more accessible to businesses and individuals. Furthermore, recognising the importance of financial inclusion and the rapid expansion of mobile money services is commendable. However, addressing challenges related to internet connectivity, especially in rural areas, is essential to ensure a broader segment of the population can access financial services.

Lastly, the emphasis on financial literacy as a key constraint to financial inclusion is valid. Initiatives like the "Go Cashless" Awareness Campaign and the forthcoming National Financial Inclusion Strategy aims to enhance financial literacy and promote the use of formal financial services. While the broad objectives of Zambia's financial sector policy are laudable, providing more specific details regarding regulatory changes and implementation strategies would enhance transparency and accountability within the financial sector.

The Financial Stability Committee, established in the Bank of Zambia Act, shows the Government's commitment to financial system stability, which is essential for economic growth and investor trust. The 2024 Banking and Financial Services Act review is a good idea, but it lacks details, raising uncertainties about its scope and goals.

Accepting high borrowing costs and expecting Government securities yields to fall shows the Government's efforts to boost economic activity by making credit more accessible to firms and individuals. Furthermore, acknowledging financial inclusion and mobile money's quick growth is laudable. Addressing internet connectivity issues, especially in rural regions, is crucial to expanding financial services to more people.

Financial literacy as a barrier to financial inclusion is valid. Financial literacy and formal financial services are promoted by the "Go Cashless" Awareness Campaign and the future National Financial Inclusion Strategy. Zambia's financial sector strategy has good goals, but more clear regulatory adjustments and execution techniques would improve transparency and accountability.

CONCLUSION

The 2024 National Budget, titled "Unlocking Economic Potential," was introduced to promote economic growth, stimulate private sector investments, enhance production and productivity, and improve public service delivery. Similar to the previous budget, the 2024 budget aligns with four main thematic areas: Economic Transformation and Job Creation, Human and Social Development, Environmental Sustainability, and Good Governance. Within these themes, the Minister highlighted accomplishments from the past two years and identified ongoing challenges. The Budget underscores the Government's steadfast commitment to unlocking the economy, improving people's livelihoods, and fostering a favourable business environment to encourage increased private sector collaboration. The 2024 National Budget has an increased resource allocation to key economic sectors, including agriculture, mining, manufacturing, and tourism, signaling Government's concerted efforts to stimulate growth and development in these crucial sectors.

PMRC commends the Minister for acknowledging the numerous challenges the Government must address in order to unleash the Country's economic potential. He reaffirmed the Government's dedication to tackling these issues directly and emphasized the importance of hard work, perseverance, and discipline in this endeavour. These measures present the aspirations outlined in the 2024 National Budget, while the budget performance for last two years signals positive economic development prospects. The 2022 and 2023 national budgets demonstrated budget credibilty through the continous efforts of reducing fiscal deficits.

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