



**ANALYTICAL BRIEF ON THE  
SUPPLEMENTARY ESTIMATES OF  
EXPENDITURE NO. 2 OF 2024**

**PARLIAMENTARY BUDGET OFFICE  
DECEMBER 2024**

## Table of Contents

1.0	INTRODUCTION .....	1
2.0	COMPLIANCE CHECK.....	1
3.0	SOURCES OF FINANCING OF THE SUPPLEMENTARY ESTIMATES OF EXPENDITURE .....	2
4.0	EXPENDITURE BY HEAD.....	3
4.1.	Head 21 - Loans and Investment: Dismantling of Arrears: .....	5
4.2.	Head 99: Constitutional and Statutory Expenditure: Domestic Debt Service .....	6
4.3.	Ministry of Foreign Affairs and International Cooperation.....	6
5.	CONCLUSION.....	7
	Appendix 1.....	8

## **1.0 INTRODUCTION**

In December 2023, the National Assembly enacted the Appropriations Act No. 29 of 2023, authorising expenditure not exceeding K177.9 billion from the Consolidated Fund during the financial year ending 31<sup>st</sup> December, 2024. The Supplementary Estimates of Expenditure No. 2 for 2024 have been submitted to the National Assembly for approval in accordance with Article 203 (2) of the *Constitution of Zambia (Amendment) Act, No. 2 of 2016*. These Estimates, totalling K11.8 billion, directed towards seven (7) Heads of Expenditure, are intended to address several key issues, including the dismantling of arrears, domestic debt servicing, skills development and support to Smart Zambia in enhancing information, communication and technology. This follows the initial adjustment of the Budget by K41.9 billion through the *Supplementary Appropriation Act No. 9 of 2024*, which aimed to address debt obligations, dismantle arrears, and support livelihoods affected by the drought crisis.

## **2.0 COMPLIANCE CHECK**

The presentation of the Supplementary Estimates is in line with the Constitution and Section 45 (1) and (2) of the *Planning and Budgeting Act, No. 1 of 2020* which provide for approval by the National Assembly and the requirement for the sources of funding to be provided, respectively. However, Section 45(3) of the *Planning and Budgeting Act, 2020* has not been complied with in full, which states as follows:

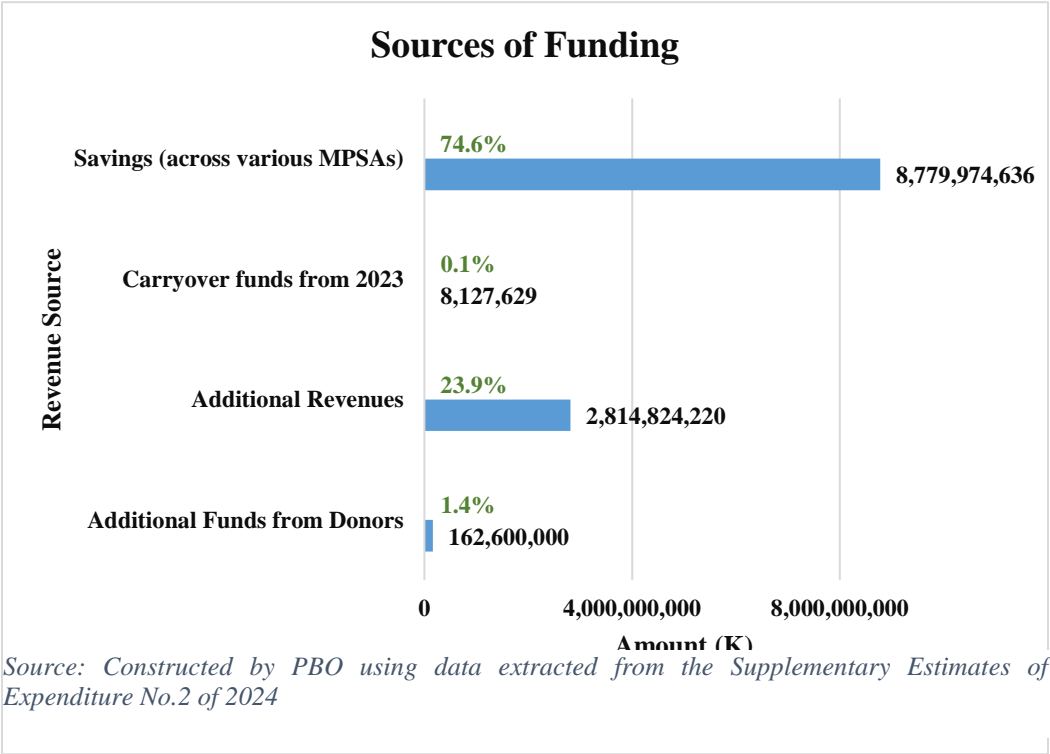
“The implications on the output targets associated with the supplementary estimates of expenditure, shall be tabled with the request for authorisation of the supplementary estimates of expenditure.”

**Comment:** *The Supplementary Expenditure Estimates have not provided details on which Heads of Expenditure have incurred Budget cuts resulting into the declared savings of K8.8 billion. Furthermore, there is no information on the impact of these reallocations on output targets for the Heads of Expenditure that received additional allocations or those that incurred budget cuts. In the context of output-based budgeting, the information is critical in measuring budget performance.*

**3.0 SOURCES OF FINANCING OF THE SUPPLEMENTARY ESTIMATES OF EXPENDITURE**

Funding for the Supplementary Estimates of Expenditure No. 2 of 2024 will be drawn from savings (across various MPSAs), additional revenues, additional funds from donors, and carryover funds from 2023. The respective sources of funding are as show in figure 1 below.

**Figure 1: Source of Funding for the 2024 Supplementary Budget**



The primary funding sources include savings of K8.9 billion (74.6%), with K2.5 billion from fuel arrears. Additional revenue of K2.8 billion comprises K2.5 billion from a debt swap involving Zamtel and Ndola Energy, K177 million from VAT over-collections, and K150 million from the Skills Development Levy. Other sources include K162 million from the World Bank (1.4%) and K8.1 million in carryover funds from 2023 (0.1%). Debt swap is one of the strategies of liquidating some of the arrears.<sup>1</sup>

*Committee: The Committee may wish to scrutinise the specific nature and terms of the obligation underlying the debt swap, which has generated revenue amounting to K2.5 billion.*

#### **4.0 EXPENDITURE BY HEAD**

The total amount of K11.76 billion has been proposed in the Supplementary Estimates and of this amount, 95 percent or K11.17 billion has been allocated to settling outstanding obligations in the form of arrears and domestic debt financing while the remaining K597.5 million representing 5 percent has been allocated to the other five Heads of Expenditure. The Breakdown of the allocations is as detailed below in Table 1 below.

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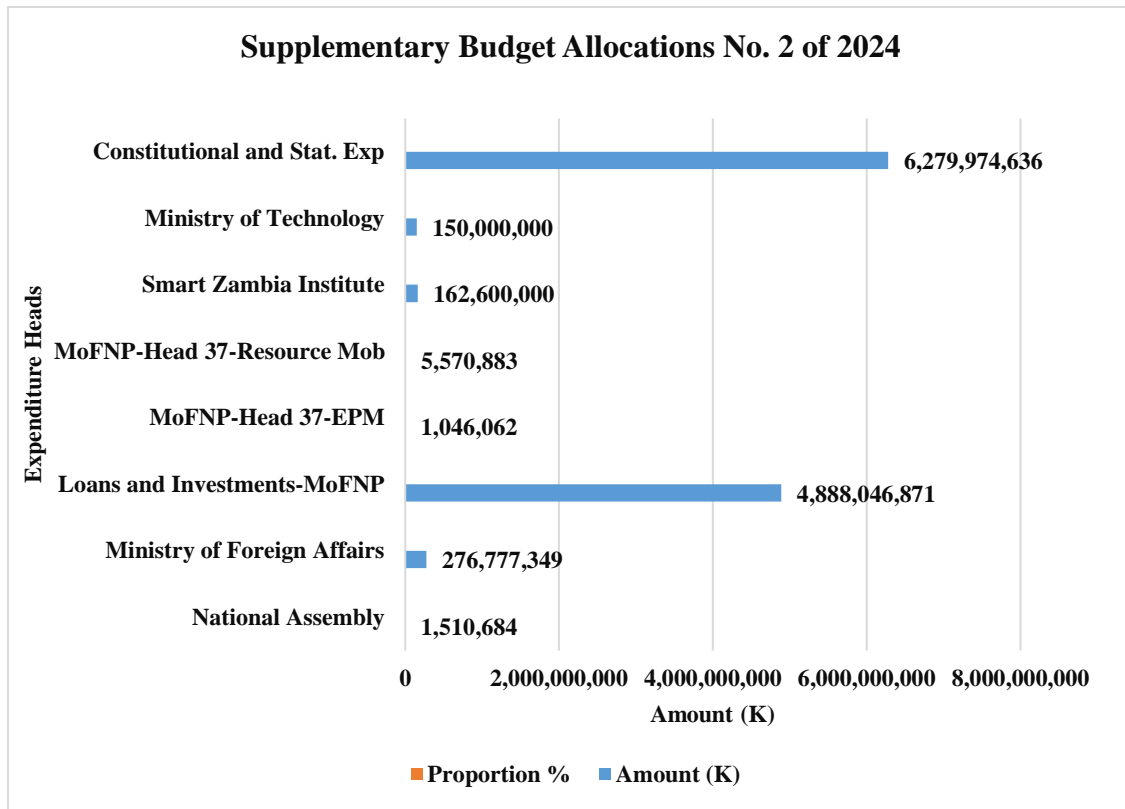
<sup>1</sup> Revised Dismantling of Domestic Arrears Strategy (2024-2029)

**Table 1: Allocation of 2024 Supplementary Estimates of Expenditure No.2 of 2024**

<b>Head</b>	<b>Sub-Programme</b>	<b>Amount (K)</b>	<b>Proportion (%)</b>
National Assembly of Zambia	Parliamentary Facilities Management	1,510,684	0.01%
Ministry of Foreign Affairs	Missions Abroad-Economic and Political Cooperation	276,777,349	2.4%
Loans and Investment-MoFNP	Dismantling of Arrears	4,888,046,871	42%
Ministry of Finance and National Planning	Economic Policy and Management	1,046,062	0.01%
	Resource Mobilisation	5,570,883	0.05%
Smart Zambia Institute	ICT GRZ Standards and Regulations	162,600,000	1.4%
Ministry of Technology	Skills Development	150,000,000	1.3%
Constitutional and Statutory Expenditure	<b>Domestic Debt Service</b>	<b>6,279,974,636</b>	<b>53%</b>
<b>Total for Heads 01/01 to 99/05</b>		<b>11,765,526,485</b>	<b>100%</b>

*Source: Constructed by PBO using data extracted from the Supplementary Estimates of Expenditure No.2 of 2024-Ministry of Finance and National Planning.*

**Figure 2: Allocation of 2024 Supplementary Budget**



Source: Constructed by PBO using data extracted from the Supplementary Estimates of Expenditure No.2 of 2024

**4.1. Head 21 – Loans and Investment: Dismantling of Arrears:**

The total domestic arrears stood at K88.5 billion<sup>2</sup> as of March 2024. To address this, the Government allocated K1 billion in the initial 2024 Budget towards fuel arrears while further support was provided through the *Supplementary Appropriation Act No. 9 of 2024*, which allocated an additional K15.2 billion bringing the cumulative total allocation for fuel arrears to K16.2 billion.

However, out of the K16.2 billion earmarked for fuel arrears in 2024, a total of K2.5 billion has been declared as savings and reallocated to other budget lines. However,

<sup>2</sup>Revised Dismantling of Domestic Arrears Strategy (2024-2029)

the remaining K13.7 billion falls below the projected K16.2 billion in the annual payment plan for the liquidation of fuel arrears in 2024.

The Supplementary Estimates of Expenditure No. 2 of 2024 propose an allocation of K4.89 billion towards other outstanding arrears. This measure is expected to help alleviate liquidity constraints and stimulate economic activity, particularly in the context of subdued business performance caused by the ongoing energy crisis.

#### **4.2. Head 99: Constitutional and Statutory Expenditure: Domestic Debt Service**

Regarding domestic debt servicing, the K6.28 billion domestic debt obligation has been primarily driven by the increase in coupon payments as a result of increased net domestic financing from the initial K16.3 billion to the K22.3 billion necessitating increased coupon payments to be settled in the second half of 2024.

#### **4.3. Ministry of Foreign Affairs and International Cooperation**

A total amount of K276.78 million has been allocated to the Ministry of Finance and National Planning in the Supplementary Budget No 2. Notably, the Ministry was allocated K418.68 million in the July 2024 through the Supplementary Budget No 1, bringing the Ministry's total supplementary funding to K695.45 million, over and above the original budgetary allocation of K1.5 billion.

The additional funding requirement has primarily been driven by the exchange rate depreciation, with the rate moving from the budgeted K18/\$ to K28/\$, significantly increasing the cost of overseas allowances and other obligations denominated in foreign currency.

**Comment:** The Committee may wish to enquire from the Ministry of Finance and National Planning on the following:

- i. the Committee may wish to know that between 2024 and 2025, funds allocated towards Dismantling of Arrears in the National Budget has reduced by 17.3 percent from K6.9 billion to K5.7 billion*
- ii. the measures to mitigate the exchange rate risk which has impacted allocation to the Ministry of Foreign Affairs and International Corporation and may further impact external debt financing and other exchange rate lines.*
- iii. the breakdown of K4.9 billion which has been allocated towards domestic arrears*

## **5. CONCLUSION**

The Supplementary Estimates of Expenditure No. 2 of 2024 has allocated 95 percent of funds towards dismantling of arrears and domestic debt service. The other 5 percent has been channelled towards various heads of expenditure such as the Ministry of Finance and National Planning, Ministry of Foreign Affairs, Smart Zambia Institute, and Ministry of Technology and Science.

The K6.3 billion allocated towards domestic debt is meant to settle debt obligations over and above what was budgeted for. Of the K11.8 billion supplementary budget, 75 percent is from savings (across various MPSAs), 23.9 percent from additional revenues, while the remaining 25 percent will be drawn from carryover funds from cooperating partners from 2023 and additional revenues.

**Appendix 1:** Summary expenditures of specific heads allocated in the Supplementary Estimates of Expenditure No. 2 of 2024.

Head	Name	Budget (K)	Supplementary (K)	Source	Purpose
03	National Assembly	10,364,250	1,510,684	Carry Over	Parliamentary Facilities Management
<b>Total</b>		<b>11,874,934</b>			
17	Ministry of Foreign Affairs and International Cooperation	1,265,259,705	276,777,349		Mission Abroad-Economic and Political Cooperation
<b>Total</b>		<b>1,542,037,054</b>			
21	Loans and Investments-Ministry of Finance and National Planning	6,864,199,141	4,888,046,871		Dismantling of Arrears
<b>Total</b>		<b>6,864,199,141</b>	<b>4,888,046,871</b>		
37	Ministry of Finance and National Planning	42,399,692	1,046,062	Carry Over	Economic Policy and Management
<b>Total</b>		<b>43,445,754</b>			
37	Ministry of Finance and National Planning	2,532,067,992	5,570,883	Carry Over	Resource Mobilization
<b>Total</b>		<b>2,537,638,875</b>			
<b>Head Total</b>		<b>2,574,467,684</b>	<b>6,616,945</b>		
39	Smart Zambia	128,835,738	162,600,000	Donor	ICT Standards GRZ and

				fundi ng- Worl d Bank	Regulations
<b>Total</b>		<b>291,435,738</b>			
<b>66</b>	Ministry of Technology and Science	441,351,173	150,000,000		Skills Development
<b>Total</b>		<b>441,351,173</b>	<b>150,000,000</b>		
<b>99</b>	Constitutional and Statutory Expenditure- Ministry of Finance and National Planning	32,905,550,262	6,279,974,636		Domestic Debt Service
<b>Total</b>		<b>32,905,550,262</b>	<b>6,279,974,636</b>		
<b><i>Total for Heads 01/01 to 99/05</i></b>			<b><i>11,765,526,485</i></b>		