



Brief on the 2024 Full-Year and 2025 First Quarter Budget Performance

Parliamentary Budget Office
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1. INTRODUCTION

The 2024 National Budget, themed “Unlocking Economic Potential,” aimed to stimulate economic growth through enhanced private sector investment, increased production and productivity, and improved public service delivery. It was formulated in the context of the anticipated conclusion of debt restructuring, increased recruitment in the public sector, expansion of social protection programmes, and a scaled-up Constituency Development Fund. The total Budget was set at K177.9 billion, representing a 6.3 percent increase from K167.3 billion in 2023.

However, the year presented significant macroeconomic challenges, primarily driven by a severe drought that led to the declaration of a national disaster and emergency. The energy and agricultural sectors were hardest hit, with adverse implications food security and electricity supply.

In response, the Government presented two Supplementary Budgets to the National Assembly for approval to realign spending priorities and amended the Annual Borrowing Plan twice to help finance the revised Budget.

Despite these shocks, revenue mobilisation remained resilient, with total revenue and grants exceeding the annual target. This Brief highlights the performance of the 2024 National Budget and provides an update on fiscal developments during the first quarter of 2025. It has been prepared for the Planning and Budgeting Committee.

2. MACROECONOMIC PERFORMANCE FOR THE 2024 FINANCIAL YEAR

The macroeconomic section highlights, in brief, the developments in the global economy before detailing the domestic dynamics.

2.1 Global Economic Developments

The global economic performance had significant effects on the economies of both developed and developing nations. Global growth was projected to fall from an estimated 3.3 percent in 2024 to 2.8 percent in 2025. Similarly, advanced economies growth was projected to drop from an estimated 1.8 percent in 2024 to 1.4 percent in 2025¹. The downgrades were broad-based across countries and reflected in the larger part the direct effects of the new trade measures and their indirect effects through trade linkage spillovers, heightened uncertainty, and deteriorating sentiments. For Sub-Saharan Africa, economic activity exceeded expectations in 2024, with regional growth reaching 4 percent compared to 3.6 percent in 2023². Growth in the region is now expected to ease to 3.8 percent in 2025, a downward revision of 0.4 percentage point. The slowdown has been driven in large part by turbulent global conditions, as reflected in lower external demand, subdued commodity prices, and tighter financial conditions, with more significant downgrades for commodity exporters and countries with larger trade exposures to the United States.

2.2 Domestic Developments

In this section, the performance of some of the key macroeconomic indicators is discussed. Emphasis is given to those that have ultimate impact on Budget performance.

2.3 Gross Domestic Product Growth Rate

Similar to the global economy where growth slowed down to 3.2 percent in 2024 from 3.3 percent recorded in 2023, domestic growth for 2024 was expected to reduce to 4.0 percent from 5.4 percent over the same horizon previously. The GDP

¹ IMF World Economic Outlook (April, 2025)

² IMF Regional Economic Outlook (April, 2025)

growth rate was revised downwards to 2.3 percent due to the drought situation which contributed to contraction in economic performance.

Table 1: GDP Growth rate projections and outturns for the period 2022 to 2025

Years	Projection	Outturn	Variance (%)
2022	3.5%	5.2%	1.7
2023	4% later revised to 2.7%	5.4%	1.4 (2.7 after revision)
2024	At least 4.8%	4.0%³	0.8
2025	At least 6.6 %	-	-

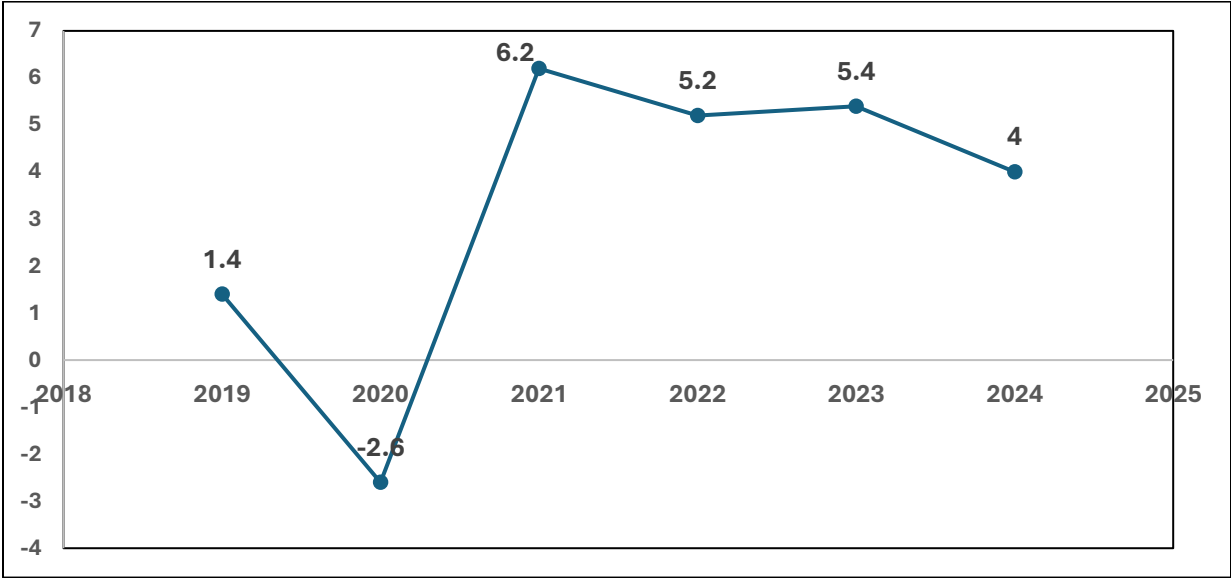
Source: PBO construction using MoFNP data

Table 1 shows that while in 2023, the real growth forecast was below the actual Gross Domestic Product (GDP) growth rate, in 2024 the projection was lower than the actual economic growth. Despite the growth downgrade to 2.3 percent in 2024, the economy grew at 4.0 percent reflecting an overestimation of 0.8 percent from the original forecast. Preliminary estimates indicate that the domestic economy growth was driven by positive contributions from the Information and Communication (1.8), Mining and Quarrying (0.7), Construction (0.6) and Financial and Insurance industries (0.6), contributing 1.8 percent, 0.7 percent, 0.6 percent and 0.6 percent, respectively. Notably, there was contraction in two of the four sectors earmarked to drive growth in the Eighth National Development Plan (8NDP) namely agriculture and energy, threatening the country's economic transformation and job creation agenda. The results

³ 4.0 % is still a forecast. The final figure is yet to be published by ZamStats.

suggest that climate-change related risks were not factored in the growth assumptions in the two sectors as the likelihood of a drought had been predicted.

Figure 1: Annual GDP Growth rate for the period 2019 to 2024



Source: PBO construction using MoFNP⁴data

Figure 1 above shows that growth in last four years has been positive following negative growth recession in 2020. In 2022, the economy grew by 5.2 percent and continued to grow to 5.4 percent in 2023. However, preliminary results indicate that the economic growth slowed down to 4.0 percent in 2024.

2.4 Inflation Rate

Similar to preceding years, in 2024, inflation exceeded the projected range of 6-8 percent. End year inflation at 16.5 percent was higher than the 6-8 percent target band. Annual average inflation was recorded at 15.0 percent compared to 10.4 percent in 2023. The higher inflation was mainly attributed to the low supply of maize amidst sustained demand, and reduced hydropower generation exacerbated by increased imports of food and electricity.

⁴ Annual Economic Report (MoFNP; 2024)

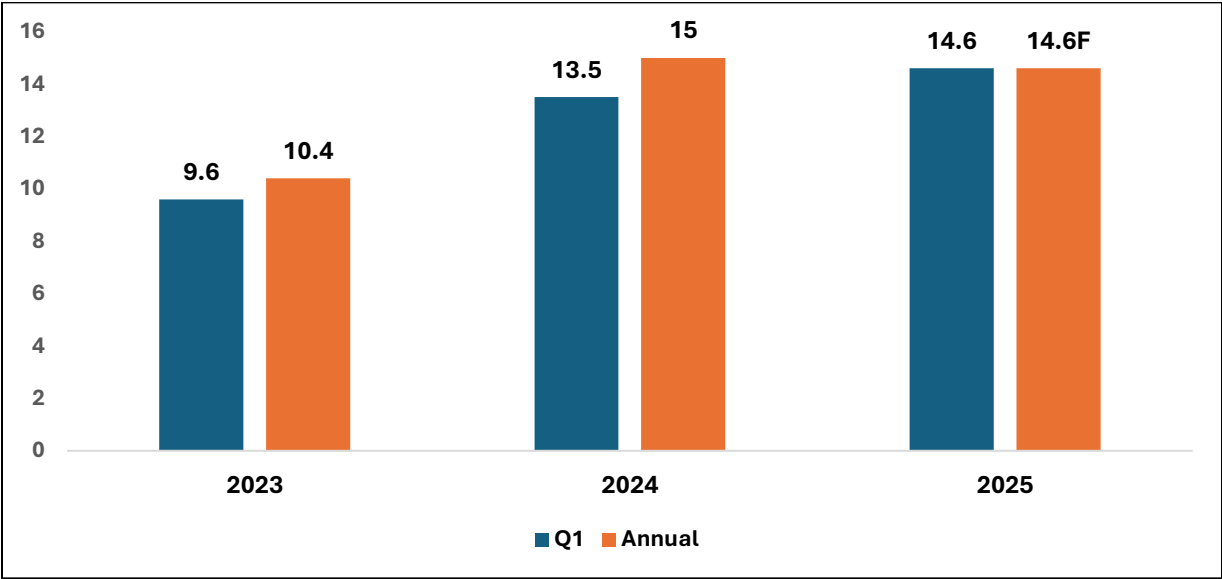
Over the forecast horizon covering the first quarter of 2025 to the fourth quarter of 2026, inflation is projected to remain outside the 6-8 percent target band⁵. It is expected to average 14.6 percent in 2025, higher than the 13.9 percent projected in November 2024. This is largely influenced by the recent increase in inflation and persistent depreciation of the exchange rate.

The Central Bank forecasts that the balance of risks to the inflation outlook is now tilted to the downside suggesting that inflation outcomes could be lower than projected. The shift in the balance of risks is mostly prompted by the expected improvement in food supply, particularly maize grain, and electricity generation in view of the current favourable rainfall. That notwithstanding, the external environment remains a source of upside risk to inflation as the shift in global trade policies evolve and geopolitical tensions rise.

Figure 2 below shows the average annual inflation rates for 2023 and 2024 and quarter one of both 2024 and 2025. The data shows that inflation continues to rise despite the interventions by the Central Bank.

⁵ Monetary Policy Report (BoZ, 2025).

Figure 2: Average Annual Inflation Rate for 2023-2024 and quarter one inflation for the period 2023-2025 (%)



Source: PBO computation using data from ZamStats

2.5 Exchange Rate

In 2024, the Kwacha depreciated further against major currencies. Specifically, it depreciated against the United States Dollar (USD) and the British Pound Sterling. Between 2023 and 2024, the Kwacha depreciated against the Dollar by 29.4 percent from K20.23 to K26.19. The Kwacha also depreciated against the British Pound Sterling by 33.0 percent from K25.17 to K33.48⁶.

The depreciation of the Kwacha was due to elevated demand amidst lower foreign exchange supply. The devastating impact of the drought largely pressured the Kwacha to weaken but was partially offset by a series of developments, including tighter monetary policy, positive market sentiments from progress in restructuring external debt, and a favourable third review of the International Monetary Fund (IMF) Extended Credit Facility (ECF) arrangement.

⁶ Annual Economic Report (MoFNP, 2024)

In the first quarter of 2025, the Kwacha saw a loss of 3 percent compared to its post-debt restructuring levels in early 2024, trading in a very narrow range of about K27.95 to K28.80 per USD.

2.6 International Reserves

In spite of the exchange rate pressures, exchange rate support and debt service, there was a modest build up in Gross International Reserves (GIR). GIR increased by about US\$0.2 billion to US\$4.3 billion (equivalent to 4.6 months of import cover) at end-December 2024. The increase was due to inflows from the World Bank and African Development Bank, disbursement by the IMF under the Extended Credit Facility (ECF) arrangement and net purchases of mining taxes⁷.

2.7 Developments in the Commodities Market

This section highlights price movements in some commodities in 2024.

a) Crude Oil

Annual crude oil prices for 2024 averaged US\$80/barrel, a decrease from US\$82.6/barrel in 2023. This was on account of strong global growth in production of oil against a slower demand growth which put downward pressure on prices. Crude oil prices are projected to decline further to US\$74.37 per barrel in the first half of 2025. The reduction in oil prices could lead to reduced prices of fuel on the domestic market and reduce inflationary pressures.

b) Copper and Other Minerals

Performance of the mining sector is highly susceptible to global market prices as determined by the London Metal Exchange. In 2024, copper prices increased to an average of US\$9,144 per metric tonne (Mt) in 2024 from US\$8,490/Mt in 2023, representing a 7.8 percent increase⁸. Similarly, the average price of copper

⁷ Monetary Policy Report (BoZ, 2025)

⁸ Annual Report (ZRA, 2024)

increased to US\$9,142.9 per metric tonne, from US\$8,482.1 per metric tonne in 2023. This was attributed to increased global demand for copper resulting from rising demand in data centres and electric vehicle manufacturing, amidst production cuts by major Chinese copper smelters. Copper is currently in a robust position due to strong demand, limited supply, and increased investment in energy transition projects.

With regard to production in 2024, Copper production increased to 820,676 metric tonnes from 736,746.9 metric tonnes in 2023. The increase in production was largely attributed to the resumption of mining operations at some major mines following the coming on board of new shareholders. The increase in the price, coupled with higher production played a significant role in driving revenue collections from the mining sector particularly mineral royalty tax.

The aspirations to increase production to 3 million metric tonnes by 2032 have been rekindled but production still remains below target, especially that the rate at which annual output is increasing is low.

2.8 Status of Macroeconomic Objectives against Targets

Table 2 shows the status of selected macroeconomic objectives against the 8NDP targets as at the end of 2024.

Table 2: Macroeconomic Targets

	2024		8NDP Target
	Budget Target	Outturn (Annual)	
Average Inflation Rate (%)	6-8	16.5	6-8
GDP Growth Rate (%)	>4.0	4.0* ⁹	4.3

⁹ The 4.0 is an annual GDP estimate, Zamstats are yet to publish the actual GDP figure for 2024.

Domestic Revenue (% of GDP)	22.0	23.4	22.3
Fiscal Deficit (% of GDP)	≤ 4.8	3.5	5
Domestic Borrowing (% of GDP)	≤ 2.5	1.1	5.8
International Reserves (Months Import Cover)	>3.0	3.7	≥3.0

Source: PBO construction using MoFNP data

Table 2 above shows the relationship between the macroeconomic targets made in the National Budget, the annual Budget outturns as well as the 8NDP targets. The Table shows that in 2024, average annual inflation was 16.5 percent which is above the macroeconomic target of 6-8 percent set in the National Budget as well as the 8NDP. However, the rest of the macroeconomic variables were within the Budget and 8NDP targets except with some such as the fiscal deficit being more favourable than the target. The low fiscal deficit compared to the forecast has been attributed to the adverse effects of the drought on the economy which resulted in the Government realigning the Budget.

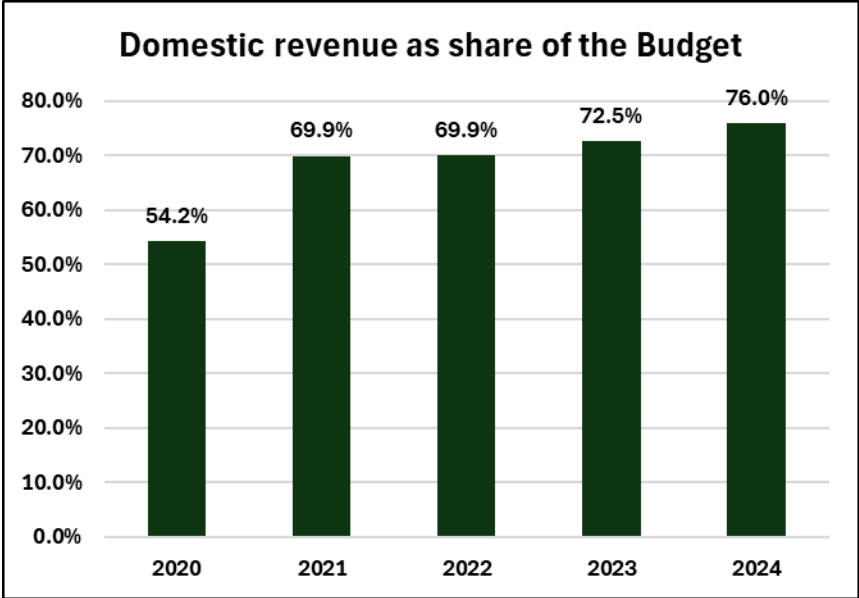
3. REVENUE PERFORMANCE IN 2024

In 2024, total revenue and grants amounted to K152.6 billion, which was 5.6 percent above the Budget target of K144.5 billion. This positive performance was largely attributed to higher-than-projected outturns from Import Value Added Tax (VAT), Withholding Tax, and Mineral Royalty. Import VAT collections were above target by 31.7 percent, Withholding Tax by 21.9 percent, and Mineral Royalty by 15.3 percent.

Compared to 2023, total revenue and grants increased by 25 percent from K122.1 billion to K152.6 billion. Domestic revenue growth was much stronger at 29.5 percent from K116.1 billion to K150.3 billion. Grant receipts amounted to K2.4

billion, 61.1 percent below the K6 billion grant receipts in 2023. Collectively, the 2024 revenue performance reflects improved domestic revenue mobilisation and reduced reliance on external borrowing and foreign aid. Figure 3 below illustrates the increasing reliance on domestic revenue to finance the Budget.

Figure 3: Domestic revenue as a share of the Budget



Source: PBO construction using MoFNP data

3.1 Composition of Domestic Revenue

Import VAT was the largest contributor to domestic revenue in 2024, accounting for 20.8 percent of total collections. This strong performance was driven by sustained increases in the importation of petroleum products and other vatable goods, coupled with the depreciation of the Kwacha against major currencies, which expanded the taxable base. The next major contributors were Pay As You Earn (PAYE) at 16.5 percent, Withholding Tax and non-mining Company Income Tax at 9.7 and 8.1 percent, respectively. Mineral Royalty accounted for 7.7 percent while Domestic VAT accounted for only 6.5 percent of total domestic collections, reflecting the persistent narrow Domestic VAT tax base. Low filing and payment compliance also contributed to its underperformance.

Table 3: Composition of Domestic Revenue in 2024 (Kwacha '000)

Description	Outturn	Percentage of Domestic Revenue
Domestic Revenue	150,271,468.82	100.0%
Import VAT	31,311,736.95	20.8%
Pay As You Earn (PAYE)	24,852,144.73	16.5%
Other Income tax - Withholding Tax	14,538,019.10	9.7%
Non-mining Company Tax	12,232,403.76	8.1%
Mineral Royalty	11,538,256.34	7.7%
Domestic VAT	9,799,286.96	6.5%
Excise Duties	9,365,776.97	6.2%
Customs Duty	8,382,166.05	5.6%
Mining Company Tax	7,740,424.48	5.2%
Interest from On-lending/Dividends	6,689,303.50	4.5%
Others	13,821,949.98	9.2%

Source: PBO construction using MoFNP data

3.2 Performance Against Revenue Targets

Several revenue sources significantly outperformed their targets. The Tourism Levy recorded the highest overperformance, with an outturn of 142.4 percent, followed by the Insurance Premium Levy and Import VAT with outturns of 60.3 and 37.1 percent above target, respectively. On the other hand, some revenue types underperformed. The Local Fuel Levy and Carbon Tax achieved were 95.3 and 81.2 percent below their respective targets. Notably, despite increased mining output in 2024 and increased copper prices by 7.8 percent, mining Company Income Tax was 46 percent below target, potentially due to increased capital allowances. Domestic VAT also underperformed by 27.5 percent, with collections amounting to K9.8 billion - slightly below the K9.9 billion recorded in 2023.

3.3 VAT Refunds

As at the end of 2024, a total of K17.6 billion had been paid out in VAT refunds. However, the stock of unpaid VAT refund claims increased to K60.7 billion, reflecting an 8.8 percent increase from the stock of K55.8 billion as at the end of September 2024. This stock included both audited and unaudited claims.

While the average processing time for VAT refund payments slightly improved - from 845.3 days in 2023 to 812.3 days in 2024, it remained significantly above the standard 30 days provided in the Zambia Revenue Authority Taxpayer Charter. The continued delays were largely due to inadequate funding to meet refund obligations and insufficient human resources to process claims. Additionally, the adoption of the “First-In, First-Out” (FIFO) approach, which prioritises older claims, has contributed to the extended processing times. These persistent delays pose a negative impact on business cash flow, production, and reinvestment.

3.4 Taxpayer Compliance

In 2024, taxpayer compliance deteriorated on two fronts. Filing compliance declined to 41 percent from 77 percent in 2023, while payment compliance declined to 72 percent compared to 87 percent in the previous year. This decline in compliance poses a risk to domestic revenue mobilisation efforts, highlighting the need for strengthened enforcement and taxpayer engagement measures.

3.5 Revenue Forecasting Accuracy

Although the overall revenue target was met and marginally exceeded, the significant deviations of actual collections from projections for certain revenue types highlight ongoing challenges in revenue forecasting which have the potential to affect budget credibility. Table 4 below illustrates the significant deviations of selected revenue types.

Table 4: Revenue forecasting accuracy (K' Million)

	2024			2023		
	Actual	Target	Variance	Actual	Target	Variance
Tourism Levy	64.50	26.60	142.5%	45.72	24.64	85.5%
Insurance Premium Levy	405.90	253.30	60.2%	301.53	210.72	43.1%
Import VAT	31,311.70	22,841.00	37.1%	23,042.33	19,413.97	18.7%
Skills Development Levy	350.40	268.20	30.6%	294.83	220.83	33.5%
Mining Company Income Tax	7,444.30	13,785.70	-46.0%	5,352.51	12,849.66	-58.3%
Carbon Tax	50.30	267.10	-81.2%	117.93	302.04	-61.0%
Domestic VAT	9,804.30	13,520.90	-27.5%	9,865.32	9,795.24	0.7%

Source: PBO construction using MoFNP and ZRA data

4. PUBLIC DEBT MANAGEMENT IN 2024

In 2024, the Government planned to contract a total of K58.66 billion in debt to support the National Budget. Of this amount, K22.33 billion was earmarked as net domestic financing, including K6 billion intended to be borrowed from local commercial banks specifically to clear fuel arrears. External financing was projected at K36.33 billion. Overall, as of the end of 2024, the Government mobilised K41.54 billion in debt financing, 29 percent below the projected 58.66 billion.

Table 5: Financing outturn in 2024 (K' Billion)

Financing Source	Projected	Outturn	Variance	Outturn (%)
Net Domestic Financing (a)	22.33	14.53	-7.8	65%
- of which for Fuel Arrears	6	0.68	-5.32	11%
External Financing (b)	36.33	27.1	-9.23	75%
Total Debt Financing (a+b)	58.66	41.54	-17.12	71%

Source: PBO construction using MoFNP data

4.1 Domestic Debt

By the end of 2024, the Government had contracted K14.53 billion of the targeted K22.33 billion in net domestic financing, representing 65 percent of the projected amount. Of the K14.53 billion raised, K13.85 billion was raised through the issuance of Government securities while K0.68 billion was secured from local commercial banks.

The ratio of Treasury Bills to Government Bonds issued in 2024 stood at 57:43. While this outturn is within the 68:32 target outlined in the 2024–2026 Medium-Term Debt Strategy, the increased reliance on shorter-term instruments increases refinancing risks within the domestic debt portfolio leading to reliance on general revenues to refinance maturities.

Government Bond auctions performed strongly, with an average subscription rate of 112 percent. In contrast, Treasury Bill auctions were undersubscribed at 88 percent, largely due to tight monetary policy aimed at curbing inflation. Consequently, the Government was compelled to use K7.48 billion from general revenues to refinance maturing securities, contrary to the principle that Government securities should be self-financing, thereby straining budget execution.

4.2 External Debt

By end-December 2024, K27.1 billion was raised in external financing, 26 percent below the projected K36.33 billion (USD 1.3 billion). This amount was sourced from both loans contracted in 2024 and disbursements from loans contracted before 2024.

The shortfall of K9.23 billion (USD 330 million) was primarily due to delays in meeting project implementation milestones. Similar delays in the 2023 financial year led to the non-disbursement of USD 212.4 million. As a result, these delays increase exposure to exchange rate and inflation risks, thereby raising the local currency cost of debt repayment.

These recurring setbacks highlight weak project management, despite the issuance of the 2023 Public Investment Management Guidelines by the Ministry of Finance and National Planning. The Guidelines mandate the establishment of a Project Management Team responsible for ensuring that projects are delivered on time, within budget and in accordance with the agreed design.

4.3 Refinancing Fuel Arrears

In the Revised Dismantling of Domestic Arrears Strategy (2024–2029), fuel arrears have been identified as the most expensive category of domestic arrears due to high late interest charges embedded in supply contracts. As a result, these arrears grew by 19.3 percent from USD 597.45 million in December 2021 to USD 712.69

million by December 2024, accounting for 25.3 percent of the total USD 2.8 billion in domestic arrears.

To refinance this debt with cheaper financing, the Government planned to borrow K6 billion from local commercial banks in 2024, with the remainder to be raised through Government securities and negotiated interest discounts. However, by December 2024, only K0.68 billion (11 percent of the target) had been secured, owing to delays in finalising agreements with fuel suppliers and banks. Consequently, the bulk of the fuel arrears remain unpaid, continue to accrue costly interest, and undermines the effectiveness of the Arrears Dismantling Strategy aimed at restoring fiscal sustainability and supporting the business community.

4.4 Compliance with the Public Debt Management Act

The National Assembly approved a USD 7.8 million loan for the Enhanced Smallholder Livestock Programme (ESLIP) as part of the total borrowing for 2024. However, according to the End Year Performance Review of the 2024 Annual Borrowing Plan submitted to the National Assembly by the Ministry of Finance and National Planning, the Government contracted USD 7.873 million—USD 73,000 above the approved amount. This contravenes Section 8(7) of the Act, which states that National Assembly approval of the Annual Borrowing Plan constitutes approval of the loans within it. It is advisable that the Committee seeks an explanation on this matter.

4.5 Debt Stock

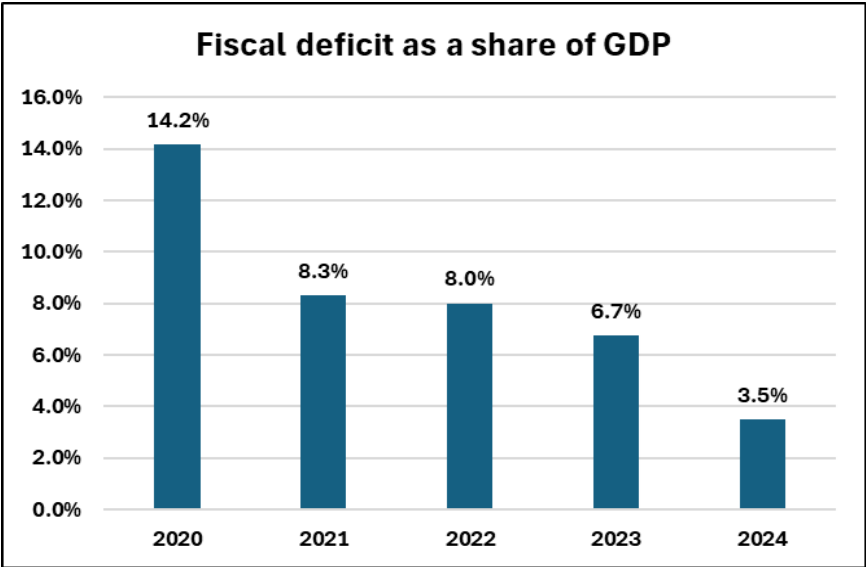
As of end-December 2024, the total stock of Central Government debt amounted to USD 25.03 billion, remaining unchanged from December 2023. However, the stock of domestic debt declined by 1.4 percent to K229.37 billion from K232.62 billion in December 2023, partly due to subdued investor demand for Government securities in the first half of 2024, driven by tight monetary policy

aimed at containing inflation. In contrast, the stock of external debt increased by 5.9 percent, from USD 14.57 billion to USD 15.43 billion.

4.6 Debt Sustainability

Following reforms to restore debt sustainability and macroeconomic stability, Zambia's fiscal deficit has narrowed as a share of both the Budget and GDP. Despite the drought, the fiscal deficit (on cash basis) fell to 3.5 percent of GDP in 2024 from 6.7 percent in 2023, while the fiscal deficit as a share of the Budget reduced to 11.3 percent from 23.5 percent, reflecting increased reliance on domestic resource mobilisation. Further, according to the IMF's 2024 Debt Sustainability Analysis during the fourth review of the Extended Credit Facility, Zambia's public debt is now assessed as sustainable on a forward-looking basis, assuming the completion of debt restructuring which currently stands at 90 percent. However, the country remains at high risk of overall and external debt distress.

Figure 4: Fiscal deficit as a share of GDP



Source: PBO construction using MoFNP data

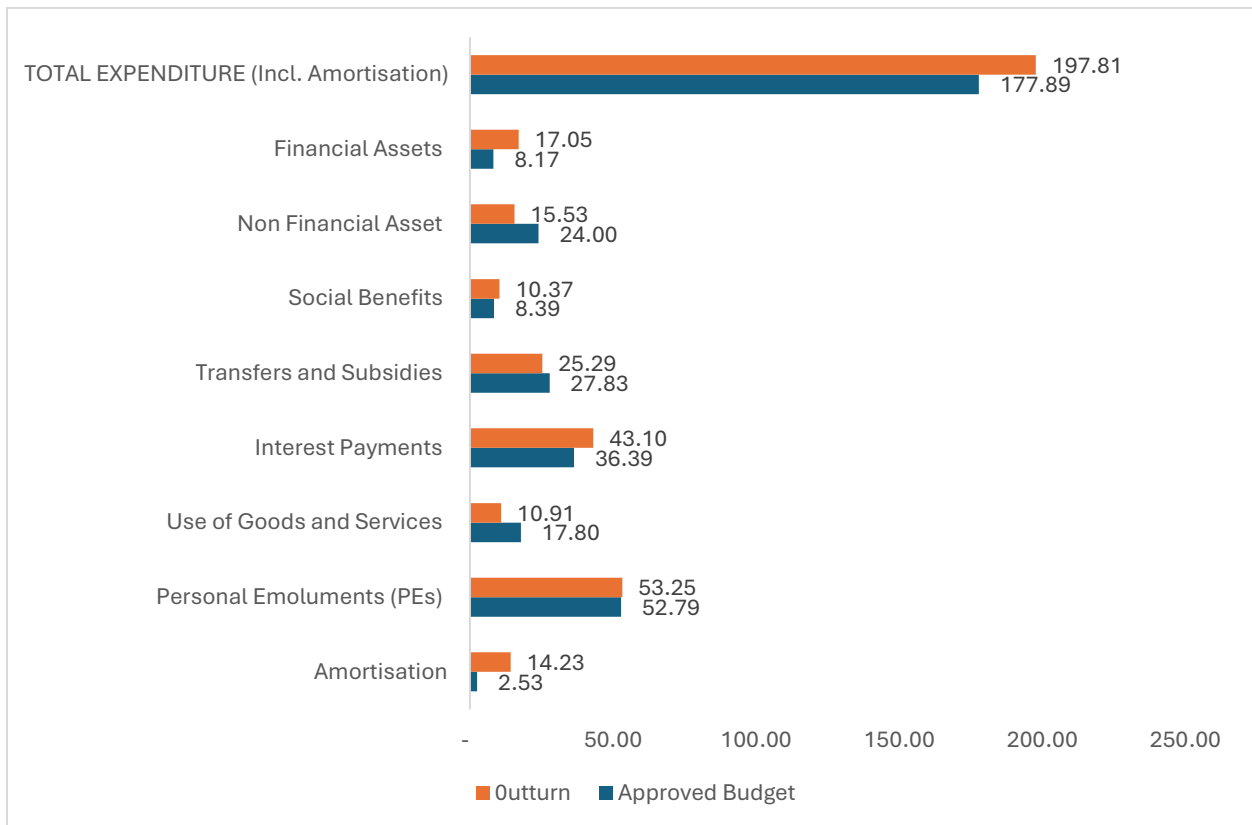
5. EXPENDITURE PERFORMANCE IN 2024

In 2024, K177.89 billion was set to meet expenditure on goods and services including debt obligations. Two supplementary budgets of 41 .916 billion and K11.765 billion were approved by the National Assembly during the year.

5.1 Fiscal Discipline

The 2024 Budget demonstrated resolve to maintain aggregate fiscal discipline, with an acceptable deviation (11.2 percent) from the initial approved Budget. Major expenditure lines like personal emoluments, interest payments, financial assets, and social benefits contributed to the increased expenditure recorded in 2024, allocations for non-financial assets, transfers and subsidies, and goods and services were below the approved amounts.

Figure 5: Budget Performance, 2024 (K' Billion)



Source: PBO construction using MoFNP data

The overfunding (4 percent) towards social benefits was due to higher releases to the Social Cash Transfer (SCT) Programme with over K3.0 billion provided by cooperating partners. This shows an increase compared to 2023 where disbursements were only 0.5 percent above target.

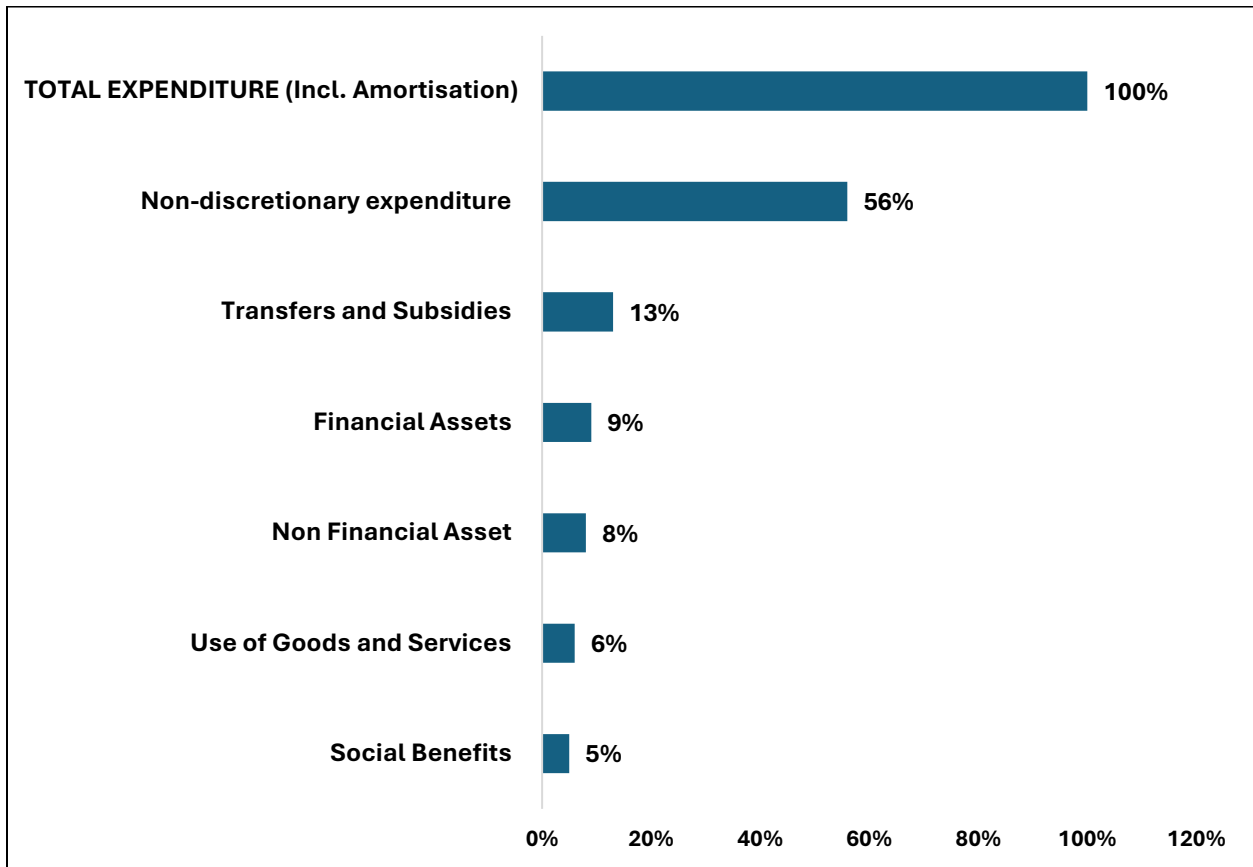
5.2 Expenditure Analysis

In the fiscal year ending 31st December 2024, the Government's total disbursements amounted to K197.8 billion¹⁰, surpassing the approved initial Budget of K177.9 billion¹¹ by 11.2 percent. In comparison, total disbursements for 2023 amounted to K159.88 billion, marking a 4.5 percent shortfall from the proposed target of K167.3 billion. While spending more than budgeted was necessitated by the drought, however, expenditure above 10 percent can also imply inefficiencies.

¹⁰ Fiscal Table (MoFNP, 2024)

¹¹ Ibid.

Figure 6: Expenditure Disbursements, 2024



Source: PBO construction using MoFNP data

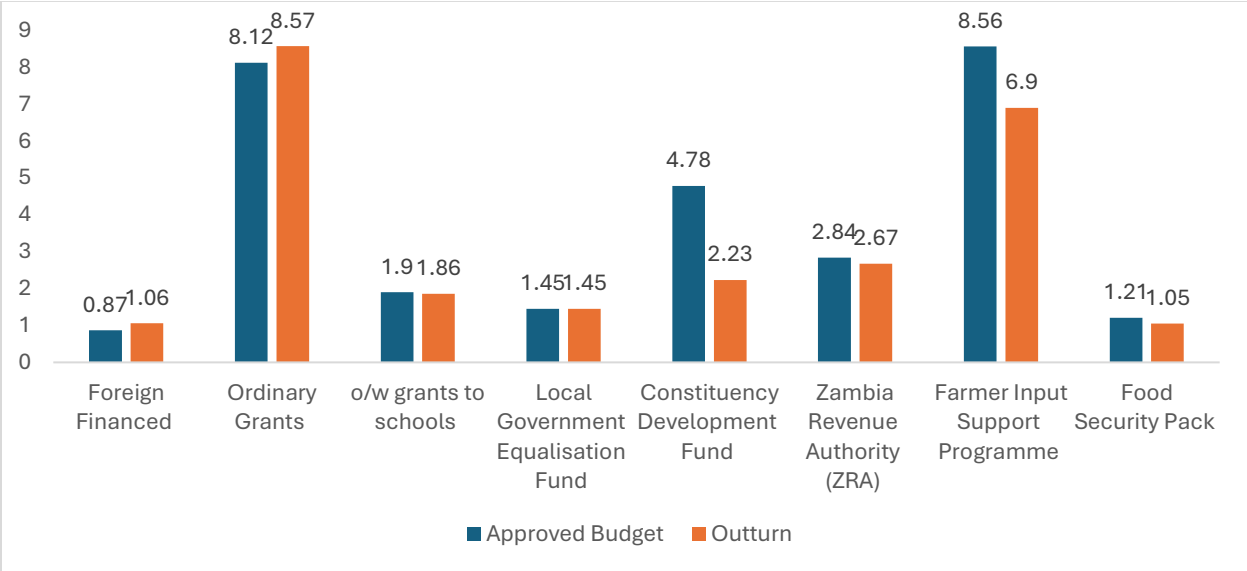
Expenditure distribution for 2024, reveals that personal emoluments constituted the largest portion at 27 percent, followed by interest obligations on debt at (22 percent) and transfers and subsidies at 13 percent. Non-financial assets, crucial for economic growth, accounted for only 8 percent of total expenditure, raising concerns about potential hindrances to economic progress. Notably, in Figure 6, a substantial 56 percent of total expenditure was allocated to non-discretionary expenditure (the wage bill and debt) leaving 44 percent for investment in productive sector and social sector expenditure, which is a slight increase when compared to 2023, where the public service wage bill and debt payments accounted for 54 percent of total expenditure. This is of concern as an increase in non-discretionary spending leaves little fiscal space for the Government to

embark on developmental projects and fund social sectors. However, given the country’s debt position and drought related challenges in 2024, the increase in non-discretionary expenditure shows the Government’s commitment to solving the challenges.

5.3 Transfers and Subsidies

In 2024, disbursements for transfers and subsidies amounted to K25.3 billion, falling short of the approved amount of K27.8 billion¹². The underperformance is primarily due to the lower-than-expected releases to the Farmer Input Support Program (FISP), which received K6.9 billion against an approved K8.6 billion, and the Constituency Development Fund, which received K2.2 billion against an approved K4.8 billion. While most of the disbursements towards transfers and subsidies were either underfunded or met their approved amounts, ordinary grants received more than its approved amount of K8.1 billion.

Figure 7: Transfers and subsidies disbursements, 2024



Source: PBO construction using MoFNP data

¹² Ibid.

Figure 7 above shows that releases under transfers and subsidies. Notable is Farmer Input Support Programme (FISP) which was underfunded with the balance of funds targeted for release in the first quarter of 2025.

5.4 Social Benefits

In 2024, K10.4 billion was disbursed towards social benefits surpassing the target of K8.4 billion by 23.6 percent. This outturn was due to higher releases to the Social Cash Transfer Programme with over K3.0 billion provided by cooperating partners. This is in contrast to 2023 where the overall social benefits releases were only above the target of K6.4 billion by 0.5 percent. In 2023, the number of beneficiary households on SCT increased to 1,100,998 by June 2023, from 1,027,000 in 2022¹³. Following the drought, a total of 2.3 million beneficiary households were supported in 2024.

5.5 Transactions in Non-Financial Assets

An amount of K15.5 billion was released towards non-financial assets against a projection of K24.0 billion, representing an under performance of 35.3 percent in 2024. In 2023, transfers in non-financial assets underperformed only by 9.5 percent due to underfunding to rural electrification.

¹³ National Budget Speech-2024

Table 6: 2024 transactions in Non-financial Assets (in billions of Kwacha)

	Approved Budget	Outturn	Variance	Variance(% Budget)
TRANSACTIONS IN NON-FINANCIAL ASSETS	23.999	15.53	(8.47)	-35.29
Rural Electrification Programme	0.41	0.41	-	0.00
Roads	7.056	4.72	(2.34)	-33.09
Fuel Depots	0.271	0.87	0.59	219.19
Provincial Aerodromes	0	0.86	0.86	
Ordinary Capital	5.334	1.62	(3.71)	-69.55
Water and Sanitation	1.114	0.65	(0.46)	-41.56
Foreign Financed	8.134	6.81	(1.32)	-16.23
Food Reserve Agency	1.68	1.14	(0.54)	-32.14

Source: PBO construction using MoFNP data

Table 8 above shows that disbursements to non-financial assets was below target with managed releases to ordinary capital and roads having the highest variances at 3.71 and 2.335, respectively.

5.6 Use of Goods and Services

Government released K10.9 billion for Use of Goods and Services which was 38.7 percent below the target of K17.8 billion. This was arising from the realigned budget which prioritised drought related expenditures and debt payments, thereby limiting spending on other items in this category. In 2023, underfunding to the use of goods and services by 12.6 percent coincided with countrywide medical supply shortages. Limiting spending to categories such as medical supplies and other items would lead to poor service delivery.

2025 FIRST QUARTER BUDGET PERFORMANCE

This section highlights performance of the 2025 Budget in the first quarter. Macroeconomic performance, revenue and expenditure performances are discussed.

6. MACROECONOMIC PERFORMANCE: 2025 FIRST QUARTER

Major developments in the domestic economy are summarised below.

6.1 Gross Domestic Product

Year-on-year real GDP growth was 8.6 percent in the fourth quarter of 2024, up from 3 percent in the third quarter and 1.9 percent in the second quarter. Preliminary estimates indicate that real GDP continue to expand in the first quarter of 2025, growing by 7.9 percent from 8.6 percent in the last quarter of 2024. Strong mining performance and higher cement production were the key drivers.

However, the Zambian private sector signaled a return to contraction territory in March 2025 as business conditions deteriorated, according to the March 2025 PMI data¹⁴. The fresh downturn was largely driven by renewed falls in output and new orders amid weak client demand and challenges securing new work. At 49.3 in March, the headline PMI was down from 50.9 in February to signal a renewed downturn in the health of the Zambian private sector. The latest decline was only marginal overall but ended a three-month sequence of improvement

6.2 Inflation Rate

The annual headline inflation rate fell over the quarter to 16.5 percent from 16.75 percent at the end of 2024, a notable first significant decline since the second quarter of 2023. The Monetary Policy Committee increased the Monetary Policy Rate by 50 basis points to 14.5 percent in their February 2025 meeting.

Over the forecast horizon covering the first quarter of 2025 to the fourth quarter of 2026, inflation is projected to remain outside the 6-8 percent target band. It is expected to average 14.6 percent in 2025, higher than the 13.9 percent

¹⁴ PMI March, 2025

projected in November 2024. This is largely influenced by the recent increase in inflation and persistent depreciation of the Kwacha.

The Central Bank forecasts that the balance of risks to the inflation outlook is now tilted to the downside suggesting that inflation outcomes could be lower than projected. The shift in the balance of risks is mostly prompted by the expected improvement in food supply, particularly maize grain, and electricity generation in view of the current favourable rainfall. That notwithstanding, the external environment remains a source of upside risk to inflation as the shift in global trade policies evolve and geopolitical tensions rise.

6.3 Exchange Rate

The Zambian Kwacha depreciated marginally from K27.75 per USD at the end of 2024 to K28.13 per USD at the end of quarter one in 2025, after peaking at K28.89 per USD on March 25th. The depreciation is attributed to increased imports of food and electricity and high dollar demand. The current account deficit narrowed in the fourth quarter of 2024 to US\$0.1 billion from US\$0.2 billion recorded in Q39 driven by a reduction in retained earnings by foreign-owned entities and receipt of grants from Cooperating Partners.

However, the surplus on the trade account reduced by 45.2 percent to \$0.2bn due to stronger growth in imports than exports. Gross International Reserves rose to \$0.2bn to US \$4.5bn (equivalent to 4.6 months of import cover) at the end of March 2025 from US\$ 4.5 billion (equivalent to 4.6 of import cover) at end December 2024. The increase was due to inflows from the World Bank and African Development Bank, a disbursement by the IMF under the Extended Credit Facility (ECF) arrangement and net inflows from mining taxes.

6.4 Developments in the Commodities Market

Copper production decreased by 23.7 percent to 63,032 Mt compared to 82,645 Mt in December 2024. Similarly, Copper prices in January, 2025, reduced by 0.5 percent, averaging US\$8,962.80/Mt from US\$8,919.53/Mt recorded in December, 2024¹⁵.

Copper production and prices are linked to Budget performance. The 2025 revenue target for ZRA is premised on monthly average copper prices and production of US\$10,329.0/Mt and 68,555.1 Mt, respectively¹⁶. The committee may wish to understand how unfavourable fluctuations may affect revenue collection in 2025 and measures put in place to mitigate the same.

There have been developments in the mining sector in quarter one of 2025. Mimbula Minerals Limited in Chingola, has invested US\$250 million in the establishment of a copper cathode plant, which will enable the firm to produce 60,000 tonnes of the mineral annually while employing additional 200 local people.

Export duty suspension on precious minerals from 15 percent to percent also took place in the first quarter of 2025. This was to allow local producers to compete more effectively during auctions and sales on a global market. The Ministry of Mines and Minerals resource signed an MoU with the Kingdom of Saudi Arabia aimed at fostering collaboration across the mineral resources value chain, including potential joint ventures in exploration, mining, processing, and development of human capital¹⁷.

¹⁵ MoFNP Monthly Economic Indicators Report (January, 2025).

¹⁶ April Town Hall Forum on Budget Performance (MoFNP, 2025)

¹⁷ Quarterly Economic and Fiscal Brief (GFG, 2025)

Lastly, the Zambia Integrated Mining Information System (ZIMIS) was launched in the first quarter of 2025. Now connected to the Government Service Bus (GSB) platform for payments, ZIMIS is a platform for mining licensing and succeeds the current cadastre system, Trimble Landfolio System.

7. REVENUE PERFORMANCE: 2025 FIRST QUARTER

In the first quarter of 2025, total revenue and grants amounted to K38.3 billion, exceeding the target of K38.1 billion by 0.7 percent. Domestic revenue amounted to K37.7 billion, 3.3 percent above target, while grants underperformed significantly at K677.2 million, 58.2 percent below the target of K1.6 billion.

7.1 Positive Performing Revenue Types

Several key revenue categories significantly exceeded projections, potentially indicating a high degree of under forecasting. Notably, mining and non-mining Company Income Tax were above target by 102 percent and 32 percent, respectively. In the fourth quarter of 2024, mining Company Income Tax was below target by 16.8 percent while non-mining Company Income Tax was above target by 11.3 percent. PAYE and Import VAT also performed strongly, contributing to the overall revenue overperformance.

Table 7: Positive performing revenue types (Kwacha '000)

Description	Q1 Projection	Q1 Outturn	Variance	Variance (%)
Mining Company Tax	1,501,379.9	3,026,677.4	1,525,297.5	102%
Non-mining Company Tax	2,410,738.4	3,183,186.3	772,447.9	32%
Skills Development Levy	76,031.4	96,529.0	20,497.5	27%
Road user charges and fees (RTSA)	284,555.6	338,038.4	53,482.8	19%
Fuel Levy	410,872.5	481,495.8	70,623.3	17%
Other Income Tax - Withholding Tax	3,736,822.1	4,230,148.7	493,326.5	13%
Insurance Premium Levy	119,688.6	130,525.7	10,837.0	9%
RDA (Tolls)	779,816.3	840,660.2	60,843.9	8%
Pay As You Earn (PAYE)	6,508,706.2	6,999,812.4	491,106.1	8%
Import VAT	7,614,028.3	8,163,297.0	549,268.6	7%

Source: PBO construction using MoFNP and ZRA data

1.1 Negative Performing Revenue Types

Domestic VAT underperformed by 60 percent in the first quarter of 2025, partly due to low compliance with the Smart Invoicing system by businesses. Mineral Royalty was also below target by 3 percent, despite a 29.9 percent increase in copper production in the first quarter of 2025, reaching 224,103.8 tonnes, up from 172,548.6 tonnes during the same period last year.

Table 8: Negative performing revenue types (Kwacha '000)

Description	Q1 Projection	Q1 Outturn	Variance	Variance (%)
Domestic VAT	3,448,888.0	1,363,741.1	(2,085,146.9)	-60%
Rural Electrification Fund	132,793.8	68,316.3	(64,477.5)	-49%
Mobile Money Levy	58,117.4	48,500.2	(9,617.3)	-17%
Excise Duties	2,613,871.1	2,285,258.1	(328,613.0)	-13%
Export Duties	78,337.7	70,665.9	(7,671.8)	-10%
Mineral Royalty	3,530,991.7	3,416,429.2	(114,562.5)	-3%

Source: PBO construction using MoFNP and ZRA data

8. FINANCING PERFORMANCE: 2025 FIRST QUARTER

Total financing stood at K7.7 billion, 29.7 percent above the target of K5.9 billion. This was driven by an overperformance in net domestic financing, which amounted to K7.2 billion against a target of K3.2 billion - an outturn of 125.5 percent - mainly due to strong demand in Government securities auctions. In contrast, net external financing, amounting to K547 million against a target of K2.8 billion, was significantly below target by 80.2 percent, attributed to lower-than-expected disbursements from both programme and project loans.

9. EXPENDITURE: FIRST QUARTER OF 2025

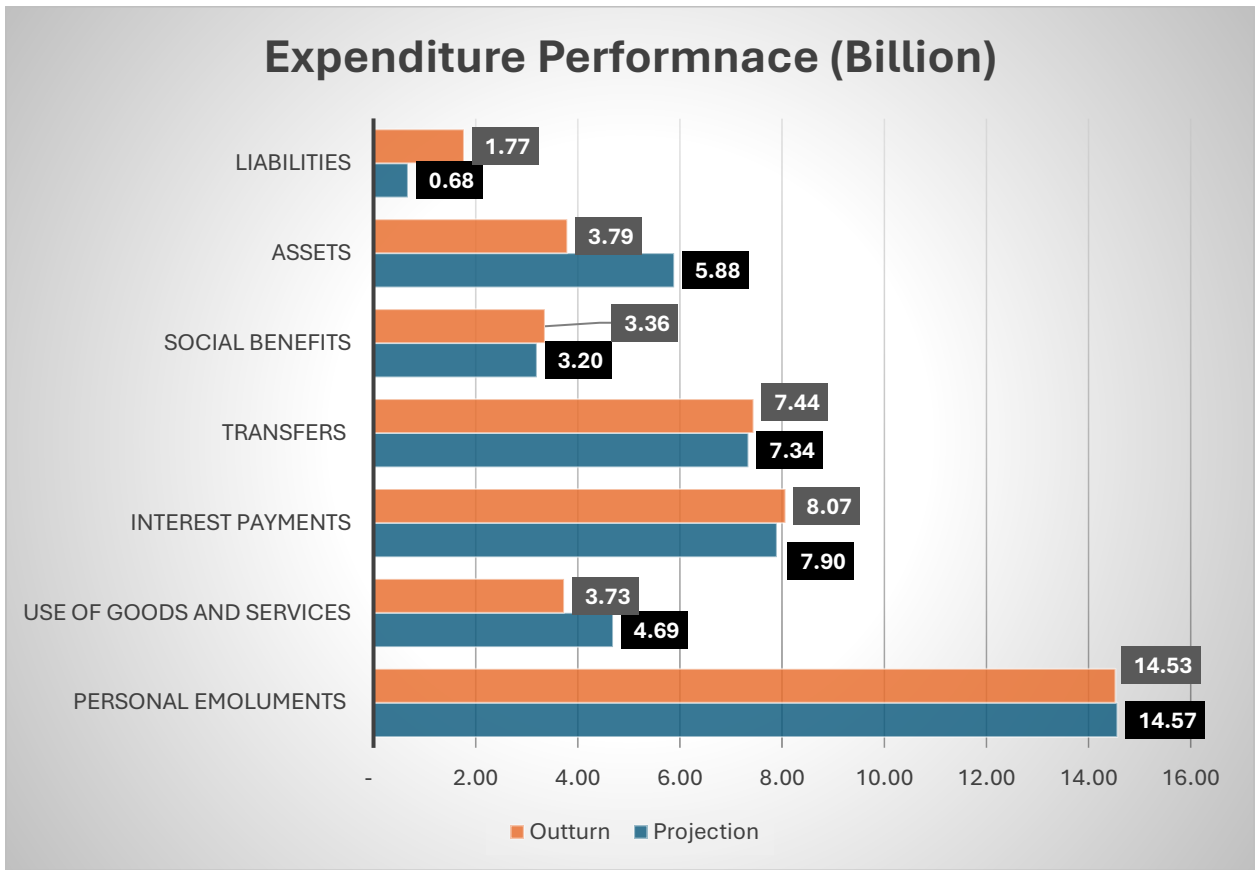
In the first quarter of 2025, total expenditure, including amortisation, amounted to K43.4 billion, 2.8 percent below the target of K44.7 billion. This represents an increase from K38.8 billion allocated during the same period in 2024.

Regarding disbursements, 98 percent of funding was sourced domestically, while the remaining 2 percent came from external sources, notably the IMF Extended Credit Facility (ECF) and the World Bank.

9.1 Budget Credibility

Expenditure amounting to K42.69 billion (excluding amortisation) reflected a negative variance of 3.5 percent. The deviation between the actual releases below the projection in Q1 2025 was significantly smaller (3.5 percent) than the 10 percent recorded in the corresponding period of 2024, indicating an improvement in Budget credibility. Figure 6 compares Q1 2025 outturns against projections across key expenditure categories.

Figure 8: Budget Performance Q1 2025 (K' Billion)



Source: PBO construction using MoFNP data

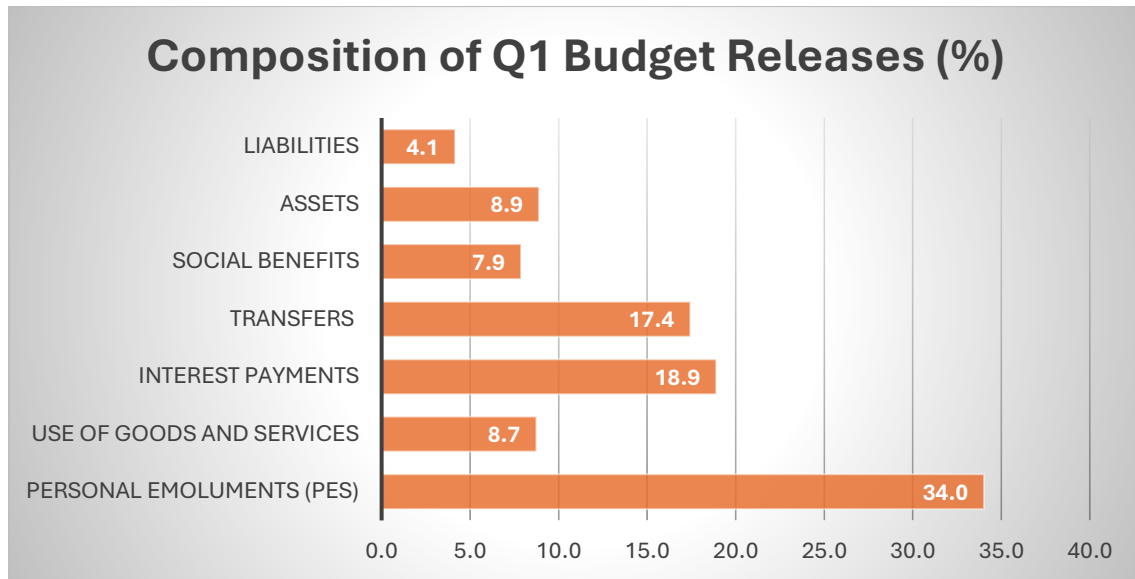
Personal emoluments: Spending was almost on target (K14.53 billion vs. K14.57 billion), showing strong budget adherence. While interest payments and transfers were slightly above projections. Social Benefits exceeded projections of K3.36 billion against the target of K3.20 billion, suggesting enhanced social support interventions in Q1.

While most categories stayed within reasonable variance, assets, use of goods and services were significantly underfunded against respective targets, while the spike in liabilities reflects unplanned payments in Q1.

9.2 Composition of Budget Releases

Figure 8 below shows composition of releases as a share of expenditure outturn (excluding amortisation)

Figure 9: Composition of Budget Releases for Q1 2025



Source: PBO construction using MoFNP data

9.3 Personal Emoluments

In the first quarter of 2025, more than a third of the total budget releases (34 percent) were allocated to personal emoluments. Despite receiving the largest share of disbursements, the category recorded a negative variance of 2.8 percent, explained by underfunding towards constitutional posts and overseas allowances.

9.4 Liabilities

Liabilities recorded the highest positive variance (161.9 percent) due to higher than projected releases towards dismantling areas. This high disbursement has potentially unlocked liquidity in the economy and supported business activities. Although the Q1 releases were significantly higher than projected, the released

amount is still within the annual approved Budget amount for liabilities (K5.27 billion) for the 2025 financial year.

9.5 Interest Payments

Out of the K7.08 billion disbursed for debt servicing, a substantial 92.2 percent (K7.42 billion) was used to service domestic debt, while the remaining K644.80 million was allocated to external debt obligations. The variance in interest payment (2.2 percent) was as a result of interest payment towards external debt service, where K218.02 million was spent above the projected K426.28 million. The variance was driven by a combination of exchange rate movement and debt restructuring. Particularly, the Kwacha depreciated against the USD by 3 percent in the first quarter of 2025 against the rate of K27.5 percent used during Budget preparation. Further, interest payment towards external debt was higher than anticipated due to the ongoing debt restructuring resulting in increase in external debt service than projected.

9.6 Transfers and Subsidies

In the first quarter of 2025, K7.4 billion was disbursed toward transfers and subsidies against a target of K7.3 billion, which is higher than the K4.5 billion disbursed in the corresponding quarter of 2024. The overperformance was attributed to disbursements to the Farmer Input Support Program (FISP), which received K2.2 billion against a target of K1.6 billion, Cash for Work - Drought Response, which received K666.7 million against a target of K500 million, and Ordinary Grants which received K2.9 billion against a target of K2.8 billion. The increased allocation to the FISP was due to payment of arrears carried over into 2025 from the previous financial year. Given that people engaged in farming are among those experiencing higher levels of poverty, an increase in allocations toward the FISP could result in these farmers being able to access agricultural inputs, thereby helping address the country's food insecurity and poverty levels.

9.7 Assets

In Q1 of 2025, the underperformance in the assets category was mainly driven by significantly lower disbursements to foreign-financed projects and road infrastructure, which fell short of the budgeted allocations by 68 percent and 25 percent respectively.

The subdued disbursements to foreign-financed projects were largely attributed to exchange rate volatility. This delay in releasing funds may adversely affect project completion timelines and reduce the value of external financing, especially considering the recent appreciation of the Kwacha against the US Dollar. This could also increase debt servicing costs when the local currency depreciates. Additionally, the Rural Electrification Programme and allocations towards roads were below their projected amounts.

9.8 Social Benefits

In the first quarter of 2025, social benefits allocation saw an increase, rising from K9.7 billion in 2024 to K16.2 billion, representing a 67.1 percent budget increase. This was due to increased allocation to social protection programs, with the Social Cash Transfer program doubling in size to address drought-affected communities.

9.9 Variance in Budget performance in Q1 2024 and Q1 2025

The variance in Budget releases was mainly driven by releases below projections to use of goods and services, assets and personal emoluments.

Table 9: Variance in Budget performance in Q1 of 2024 and 2025

Category	Q1 2024	Q1 2025	Comment
Personal Emoluments (PEs)	-1.5%	-0.3%	The variance narrowed, signalling improved credibility in this category in 2025 Q1 compared to the previous year.
Use of Goods and Services	-16.5%	-20.4%	The negative variance deepened, suggesting less funds were released relative to the approved budget
Interest Payments	8.8%	2.2%	Reduced positive variance. Although still slightly above target, the decrease shows improved alignment of debt servicing releases against planned levels
Transfers	19.3%	1.3%	Significantly reduced variance, implying the releases were closer to the planned in 2025 compared to the same period in 2024
Social Benefits	-54.4%	5.0%	The variance moved from a severe under-release in 2024 to a positive variance in 2025 Q1
Assets	-19.9%	-35.5%	The negative variance widened, signalling increased underfunding relative to the budgeted amount.
Liabilities	0.4%	161.9%	Sharp positive increase in the variance between the two periods, indicating an unplanned increase in the servicing of liabilities

Source: PBO construction using MoFNP data

Use of goods and services, liabilities and assets remained above the acceptable deviation range of below 10 percent in Q1 of 2024 and 2025 while the rest of the categories were within the range improved Budget credibility.

10. CONCLUSION

Despite strong revenue performance and a narrowing fiscal deficit, the 2024 Budget faced significant fiscal pressures from the drought and exchange rate volatility. While progress was made in social spending and domestic revenue mobilisation, underperformance in capital expenditure and delayed external financing remain concerns. In view of this, strengthening project implementation, Budget credibility, and public investment efficiency will be critical for successful implementation of the 2025 Budget and attainment of the objectives of the Eighth National Development Plan.