2023 SECTOR BUDGET ANALYSIS
PARLIAMENTARY BUDGET OFFICE (PBO)

ENERGY, WATER DEVELOPMENT AND SANITATION, AND TOURISM

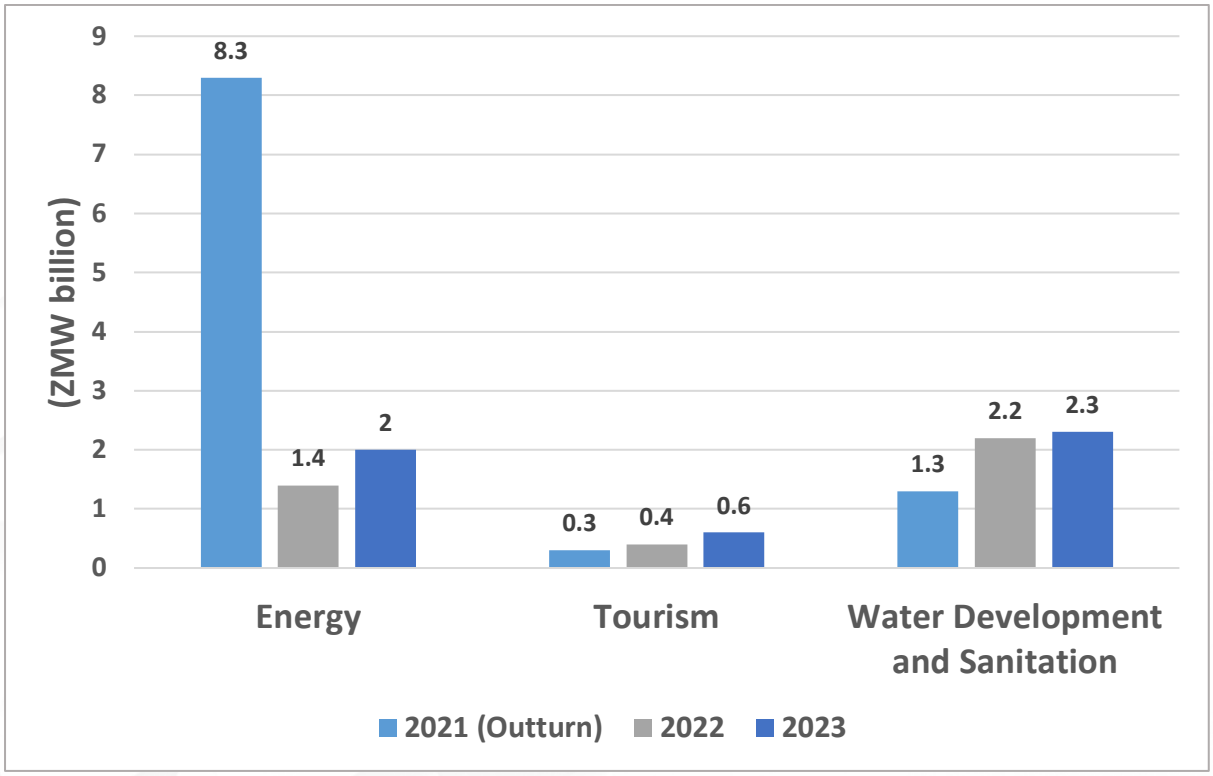
1.0 INTRODUCTION

This brief is prepared for the consideration of the Committee on Energy, Water Development and Sanitation, and Tourism, as they review the 2023 estimates of Revenue and Expenditure. Firstly, the submission presents a general overview of the allocations to the sectors under review. Secondly, revenue and expenditure estimates for each sector are reviewed. Lastly, to enhance oversight, public financial management provisions in the applicable pieces of legislation are appraised.

2.0 SUMMARY OF ALLOCATIONS 2021-2023

Figure 1 and Table 1 below present a summary of the allocations to three ministries on which the Committee exercises oversight.

***Figure 1**: Summary of allocations – Ministry of Energy; Ministry of Tourism; and Ministry of Water Development and Sanitation*



Source: PBO construction using 2021 Financial Report and 2023 Estimates of Revenue and Expenditure

Table 1:*Summary of Allocations 2021 - 2023Ministry of Energy; Ministry of Tourism; and Ministry of Water Development and Sanitation*

Ministry	2021		2022		2023	
	Actual Expenditure (K'Million)	% of Budget	Approved Budget (K'Million)	% of Budget	Budget Estimate (K'Million)	% of Budget
Energy	**8,255.4 [c]**	**6.9**	**1,448.7**	**0.8**	**2,048.1[d]**	**1.2**
Water Development and Sanitation [a]	**1,311.2**	**1.1**	**2,119.7**	**1.2**	**2,265.1[e]**	**1.4**
Tourism [b]	**282.3**	**0.2**	**421.1**	**0.2**	**589.1[f]**	**0.3**

Constructed from Financial Report for 2021 and 2023 Estimates of Revenue and Expenditure

Notes:

[a] *In 2021 included environmental protection*

[b] *In 2021 included arts*

[c] *There was a supplementary in sum of K7.5 billion on Petroleum Development and Management*

[d] *Supplementary on Programme 2199 – Management and Support Services is not included K12 million*

[e] *Supplementary on Programme 2101 – Petroleum Development and Management*

is not included K612 million

[f] *Supplementary on Programmes 2127 – Wildlife Conservation and Management and 2199 – Management and Support Services are not included K8.2 million*

3.0 REVENUE COLLECTION

The three ministries under the purview of the Committee are also involved in revenue collections. Table 2 shows the collections in the three ministries in the period 2021 to 2023 and there contribution towards non-tax revenues.

Table2: *Revenue collection*

	2021 (outturn)	2022	2023	
	(K' million)	(K' million)	(K' million)	
Ministry of Energy				
o/w ERB License Fees	**369.2**	**261.0**	**462.8**	↑
Total	**369.2**	**261.0**	**462.8**	↑
% of total non-tax revenue	**2.7**	**1.2**	**2.6**	↑
Ministry of Tourism				
o/w Hunting and Park Fees	**148.8**	**112.1**	**117.1**	↑
Casino License Fees	**1.7**	**3.5**	**1.4**	↓
Tourism Enterprise Fees	**1.5**	**1.6**	**1.6**	–
Hotel Managers Registration Fees	**1.2**	**0.0**	**0.9**	↑
Other Revenue	**0.5**	**0.1**	**0.1**	↑
Total	**153.6**	**117.3**	**120.9**	↑
% of total non-tax revenue	**1.1**	**0.5**	**0.7**	↑
Ministry of Water Development and Sanitation				
o/w WARMA Fees	**37.2**	**52.5**	**51.9**	↓
Total	**37.2**	**52.5**	**51.9**	↓
% of total non-tax revenue	**0.3**	**0.3**	**0.3**	–

Source: PBO construction using 2021 Financial Report and 2023 Estimates of Revenue and Expenditure

In the last Report of the Auditor General for the year ended 31 December 2020, issues were raised on the management of revenue which the Ministry is mandated to collect. Specific issues raised were:

1) failure to account for revenue collected;

2) delayed banking of revenue; and

3) failure to collect revenue.

While these matters are active before the Public Accounts Committee, they pose as risks to domestic resource mobilisation efforts.

As part of the efforts to enhance domestic resource mobilisation, the Committee may find out from the ministries the challenges they may be facing to enable them collect revenue at optimum levels. This notwithstanding, the Ministry of Energy and Ministry of Tourism have Appropriation – in – Aid Provisions in 2023 – K90,646,914 and 64,925,510 respectively.

4.0 EXPENDITURE ALLOCATIONS

This section presents a summary of the analysis on allocations to the ministries directly involved in the three sectors. Having had a detailed analysis on the energy sector by the non-key expert from Uganda, this briefs only provides some additional information which the Committee may utilise as it continues to scrutinise the 2023 Budget Estimates specifically on the energy, tourism and water and sanitation sectors.

4.1 MINISTRY OF ENERGY

Key 2023 Budget pronouncements and allocations include:

Standard rate the supply of petrol and diesel effective 1st October 2022;

Standard rate selected energy saving appliances and equipment to rationalise the zero-rated supplies for value added tax purposes;

Remove 15 percent customs duty on gas cylinders to make the use of liquefied petroleum gas affordable to safeguard the environment and diversify the energy mix;

Of the proposed allocation under functions of Government for Housing and Community Amenities for 2023, 88 percent is towards Water Supply and Sanitation;

Personal Emoluments (PEs) account for 0.9 percent, non-PEs 99.1 percent;

PEs though slightly below percent, the absolute nominal allocation for PEs has nearly been doubling from 2021 – K4.5m in 2021, K8.8m in 2022 and K19.2m in 2023 as shown in Table 3.

Table 3: 2023 Allocations by Economic Classification – Ministry of Energy

No	ECONOMIC CLASSIFICATION	2021 APPROVED BUDGET (K)	2022 APPROVED BUDGET (K)	2023 BUDGET ESTIMATE (K)
21	Personal Emoluments	4,548,637	8,779,944	19,159,818
22	Goods and Services	20,392,814	16,047,406	14,588,631
26	Transfers	91,838,630	105,614,425	114,931,045
31	Assets	728,366,162	1,318,276,894	1,899,458,604
	Head Total	**845,146,243**	**1,448,718,669**	**2,048,138,098**

4.2 MINISTRY OF WATER DEVELOPMENT AND SANITATION

Generally social sectors do not usually contribute significantly to direct wealth creation or Gross Domestic Product (GDP) value added ***as their true value is in welfare enhancement for the citizens***. From 2015 to date the highest contribution to GDP has been around 4 percent. It is critical to note ***that water and sanitation issues affect women more than men because they have to travel long distances to collect the commodity more especially in the rural areas*** where the quality of supply is poor. However, the Ministry has a mandate to developing and managing of water resources as well as to ensure universal access to clean and safe water and adequate sanitation services as provided for in the **Government Gazette Notice No. 1123 of 2021.**

One of the Ministry's strategies is to develop and rehabilitate water supply and sanitation infrastructure in both rural and urban areas in order to improve access to clean and safe water and sanitation services as well as improve good hygiene practices by all segments of the population.

The Budget has provided an allocation of K2.3 billion or 1.4 percent of the Budget for 2023 to the Ministry of water Development and Sanitation. This is a marginal increase from 1.2 percent of the budget in 2022. This allocation has been made for implementation of three (3) programmes namely; ***Water Resources Management and Development, Water Supply and Sanitation*** as well as Management and Support Services. According to the economic classification of the budget, 88.4 percent has been allocated towards acquisition of Assets whilst only about 1.04 percent is going towards Personal Emoluments.

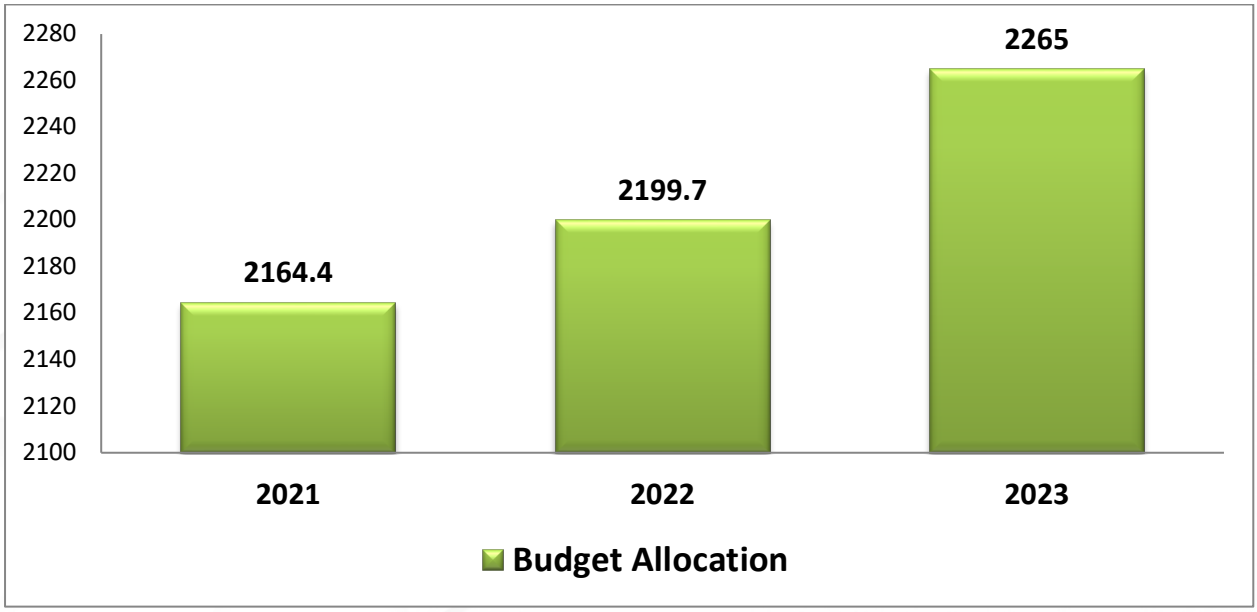
4.2.1 2023 BUDGET COMMITMENTS

1) Accelerate the completion of construction and rehabilitation of water supply and sanitation infrastructure.

2) To enhance hygiene in public places, Government will construct water borne sanitation infrastructure across the country
3) Completion of Kafulafuta Dam Project on the Copperbelt is expected to be completed in 2023 connecting water supply to over a million households in Masaiti, Luanshya, Mpongwe and Ndola Districts.
4) other water and sanitation projects which are ongoing include the Integrated Small Towns Water Supply and Sanitation Project in Nakonde and Mpika Districts

The total budget allocation to Ministry of Water Development and Sanitation has increased marginally from 2022 to 2023 from 1.2 percent of the budget to 1.4 percent of the budget respectively. The Figure below shows budget allocation from 2021 to 2023. The budget from 2022 to 2023 in absolute terms increased by K65.3 million compared from previous year where the increase was K35.3 million.

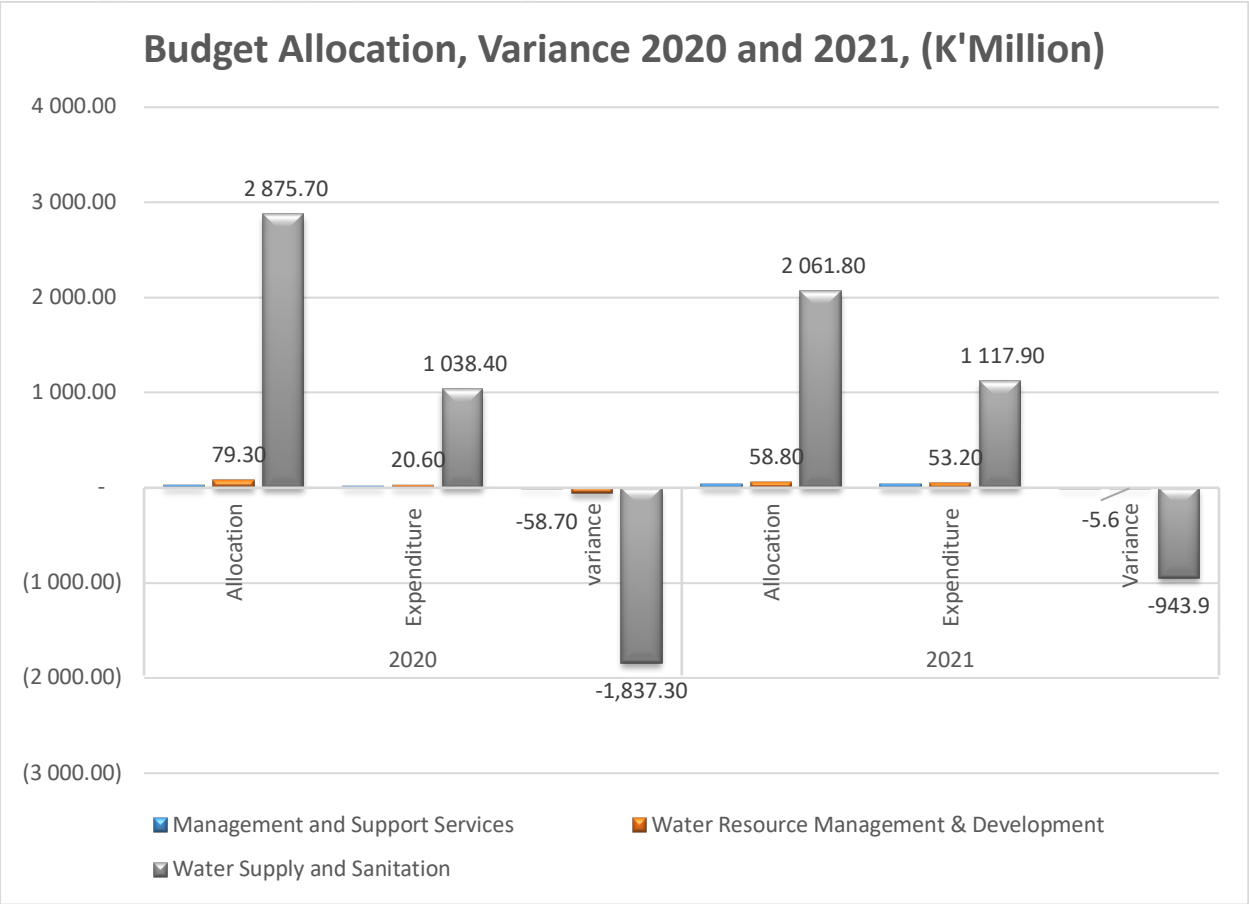
Figure 2: *Budget Allocation for Water Development and Sanitation 2021-2023, (K'million)*



The Figure below shows budget allocation, expenditure, and variance for three programs: Management and Support Services, Water Resources Management and Development and Water Supply and Sanitation for 2020 and 2021. It is clear from the Figure below that most of the allocation of the budgets go towards Water and Sanitation and followed by water Management and Development. Although allocation is high in Water and Sanitation showing

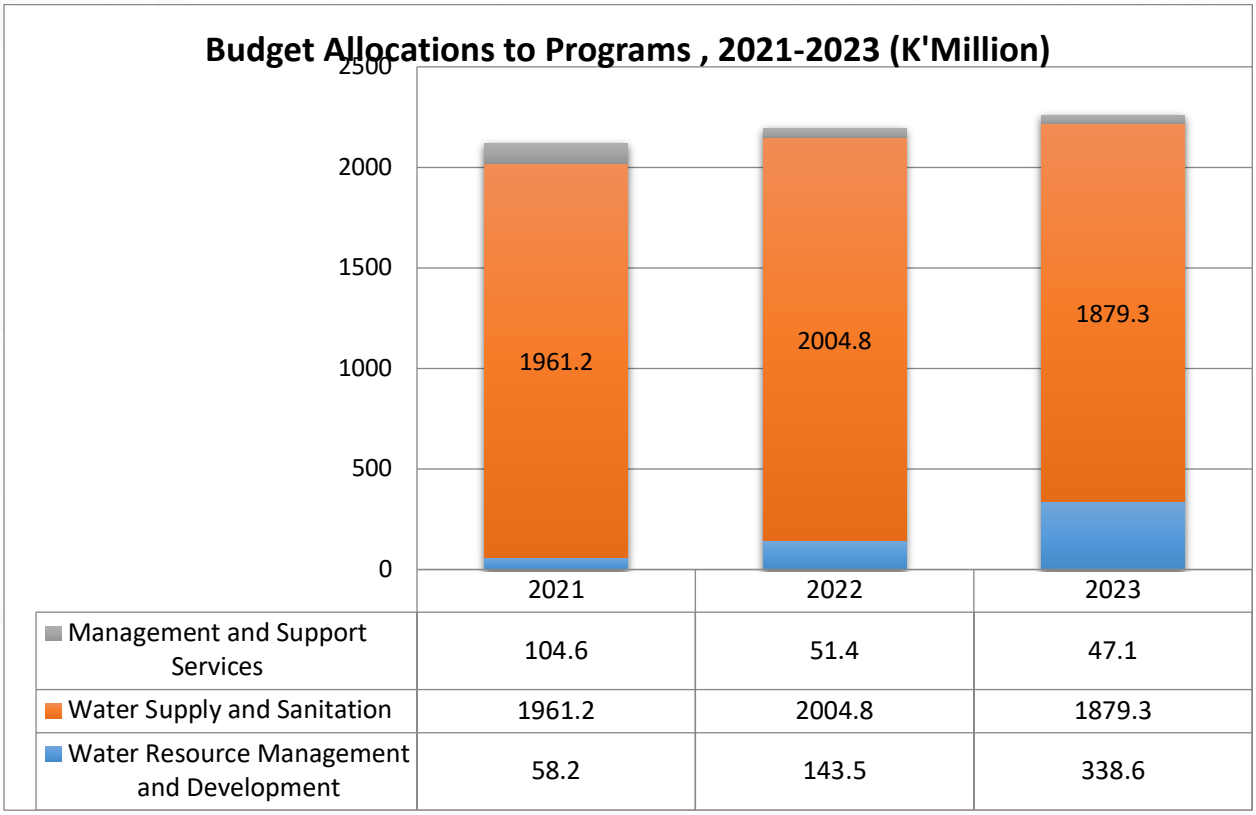
Government commitment, actual expenditure is below by more than half creating huge variance of about K1,837.3 million in 2021 and K 943.9 million in 2022 which is just below half. Although the program on Water Resource Management and Development received low funding it is also not funded fully compromising the infrastructure drive in the sector.

Figure 3:



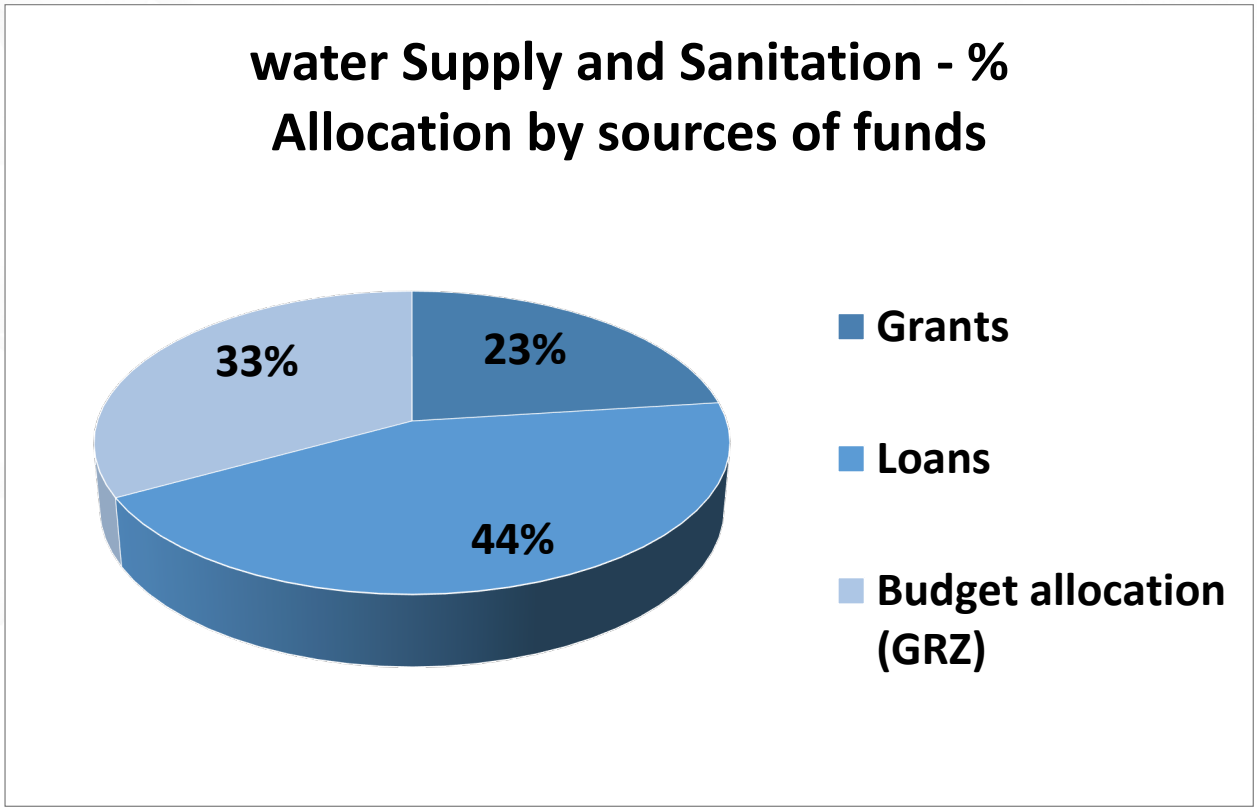
The Figure below shows allocation per program from 2021 to 2023. The bulk of the allocation is towards water and sanitation amounting ***to 83 percent of the budget in 2023 giving an indication that government seems committed to providing clean water for different communities***. Some funds are also allocated to Water Resource Management and Development where the assets are provided for and the allocation has almost doubled in 2023 at 15 percent of the budget compared to 2022 were it was 7 percent of the budget.

Figure 4:



The Figure below allocation to the program Water and Sanitation which has a biggest allocation of K1879.3 million though a slight reduction from 2022. This is one of the areas where gender sensitive budget is applicable, women are more affected by water issues. However, even if the program has received a larger amount, 67 percent of the amount is coming from Grants and Loans which is not sustainable and often unpredictable.

Figure 5:


water Supply and Sanitation - %
Allocation by sources of funds
33%
23%
44%
Grants
Loans
Budget allocation (GRZ)

4.3 MINISTRY OF TOURISM

In the 2023 budget, K589 million has been allocated to the Ministry of Tourism, a 39.9 percent increase from 2022. According to the Eighth National Development Plan (8NDP), tourism, together with agriculture, mining, and manufacturing, is earmarked as a key driver upon which the country's economic transformation and growth agenda is anchored. Tourism is a significant source of employment, accounting for 15.7 percent of employment as of 2019.Key programs in the 8NDP are outlined below:

(a) Infrastructure development

(b) Tourism product development

(c) Tourism promotion and marketing

(d) Wildlife management

4.3.1 2023 BUDGET COMMITMENTS

4.3.1.1 Provincial Aerodromes

To ease access to tourist destinations across the country, the Government has allocated K300 million towards the upgrading of provincial aerodromes. Additionally, the Government will upgrade tourism infrastructure in various areas, key among them the Kasaba Bay and Liuwa National Park to sustain and create new jobs in the sector.

4.3.1.2 Tourism Marketing

In line with the Zambia Tourism Master Plan's goal of effective destination promotion, the Government has allocated K50 million towards tourism marketing.

4.3.1.3 Non-tax Expenditure

To attract investment into the sector, the Government has suspended customs duty on imports of selected fixtures and fittings, capital equipment, machinery, and safari game viewing vehicles for a period of three years. K60.4 million is estimated to be the revenue loss resulting from this measure in 2023.

4.3.1.4 Visa Requirements

Additionally, the Government has waived visa requirement for tourists from the United Kingdom, United States of America, Canada, Norway, Australia, China, Japan, South Korea, the Gulf States, and the European Union. This measure took effect on 1st October 2022.

4.3.1.5 Hunting Concessions

Through the Ministry of Tourism, the Government intends to raise K120 million, an increase of 3% from 2022. Of this amount, K117 million will be raise from Hunting and Park Fees. However, this income line faces a downside risk following a legal dispute currently in the High Court and Court of Appeal. Two firms, Mopane Safari Limited and the Zambia Community Resources Board Association Limited have contested the cancellation of hunting concessions in MUSALANGU Game Management by the Ministry of Tourism. On 29th September 2023, The Court of Appeal issued a 14-day ultimatum to commence Judicial Review in the matter.

4.3.1.6 Hotel Managers Registration Fees

Revenue from hotel managers and registration fees are expected to increase exponentially by 4150% in 2023. In absolute terms, the Government intends to raise K850,000 compared to K20,000 in 2022. The revenue increase follows the expiration of the suspension of hotel managers registration fees implemented in the 2021 budget. This was one of the measures intended to resuscitate the tourism sector and promote local tourism.

4.3.1.7 Casino License Fees

Revenue from casino license fees is expected to reduce by 62%. However, this is on the backdrop of the Government onboarding the service on the Government Service Bus (GSB), a measure intended to increase efficiency and seal revenue leakages.

4.3.1.8 Personal Emoluments

Personal emoluments (PE) account for 41 percent of total expenditure in 2023 whereas, non-PEs account for 59 percent.

5.0 PLANNING AND PUBLIC FINANCIAL MANAGEMENT

1. Planning and Resource Allocation

Section 26 (1) of the National Planning and Budgeting Act, 2020 provides as follows -

A ministry, provincial office, local authority, and spending agency that receives an appropriation or appropriation- in-aid shall prepare a five-year institutional strategic and implementation plan within four months of the coming into operation of the National Development Plan.

Whilst it may not be expected that these institutions have completed preparing the plans, for purposes of oversight, the Committee may request the officials from the three ministries to give an update on the preparation of the plans.

2. Expenditure and Performance Management Audit

Section 47 (1) of the National Planning and Budgeting Act requires a controlling officer to be accountable for the attainment of the output targets set out in the estimates of revenue and expenditure falling under the controlling officer's mandate.

Some of the information in the programme outputs and outputs by geographical locations in the Yellow Book appears questionable – of course, there can be an explanation by officials – and may be a challenge to follow up.

Table 4: Outputs – Ministry of Energy

Key Output and Output Indicator	2021		2022		2023
	Target	Actual	Target	Actual*	Target
Petroleum infrastructure developed					
01 Number of Provincial Fuel Depots commissioned	-	-	2	1	-
02 Number of bio-fuel blending facilities upgraded	-	-	1	-	-
03 Number of Memorandum of Understanding for the construction of the Zambia-Tanzania Liquefied Natural Gas Pipeline signed	-	-	-	-	1
Structural and Integrity Checks Conducted					
01 Number of fuel depots inspected	-	-	-	-	8
02 Number of filling stations inspected	-	-	-	-	2
Private Sector Participation in Petroleum Procurement Increased					
01 Percentage rate of private sector players in petroleum procurement	30	30	40	30	100
Petroleum Products Supply Facilitated					
01 Volume of cubic meters of diesel supply facilitated	-	-	-	-	1,329,140
02 Volume of cubic meters of petrol supply facilitated	-	-	-	-	597,140
03 Volume of cubic meters of Jet A1 supply facilitated	-	-	-	-	56,544
04 Volume of cubic meters of kerosene supply facilitated	-	-	-	-	3,171
Fuel Procurement and Supply Chain Model Operationalised					
01 Number of Procurement and Supply Chain Model Operationalised	-	-	-	-	1
Proportion of Uniform Petroleum Pricing Mechanism facilitated					
01 Proportion of reconciliations conducted at filling stations	-	-	-	-	100
02 Proportion of monthly reconciliations of payments and contributions for all Oil Marketing Companies	-	-	-	-	100

Executive Authority: Minister of Energy

Controlling Officer: Permanent Secretary, Ministry of Energy

Table 5:

Programme: 2102 Electricity Development and Electrification Management

Table 6: Programme Outputs

Key Output and Output Indicator	2021		2022		2023
	Target	Actual	Target	Actual*	Target
Number of private sector participation in power investment promoted					
01 Number of private players in the electricity subsector	30	-	30	30	35
Energy infrastructure developed in rural areas					
01 Number of off-grid renewable energy projects implemented	2	3	37	-	135
02 Number of grid extension projects implemented in rural areas	10	-	78	-	141

Executive Authority: Minister of Energy

Controlling Officer: Permanent Secretary, Ministry of Energy

Table 6: Outputs – Ministry of Water Development and Sanitation

Programme: 2119 Water Supply and Sanitation

Table 6: Programme Outputs

Key Output and Output Indicator	2021		2022		2023
	Target	Actual	Target	Actual*	Target
Water Supply and Sanitation infrastructure Developed					
01 Number of Water-Borne Sanitation Facilities Constructed at Public Institutions	100	235	100	100	240
02 Number of Open Defecation Free (ODF) Status Villages	1,000	925	1,000	925	1,100
03 Number of Household Connections to Sewer Network	15,000	11,000	15,000	11,000	15,000
Urban and Rural Water Supply Infrastructure Constructed					
01 Number of Piped Water Schemes Constructed	-	-	6	100	500
02 Number of Boreholes Rehabilitated	-	884	300	300	900
03 Distance (km) of Water Distribution Networks Constructed	-	-	-	100	100
04 Number of Hours of Water Supply Increased	-	-	24	18	20
05 Number of Household Connections made to the Water Supply Network	-	-	21,564	20,000	25,000
06 Percentage Reduction in Non-Revenue Water	-	-	53	50	48
07 Number of Boreholes Constructed	2,020	107	3,205	638	3,305

Executive Authority: Minister of Water Development and Sanitation

Controlling Officer: Permanent Secretary, Ministry of Water Development and Sanitation

Table 7:

Annex I: Outputs by Geographic Location

Geographic Location	Key Outputs and Outputs Indicator	MTEF Output Target		
		2022	2023	2024
National				
	01 Water resource Infrastructure Developed			
	1 Number of Well Fields Developed and Functional	2	3	5
	2 Number of Exploratory Boreholes Constructed and Functional	100	350	400
	3 Number of Dams Constructed	16	16	16
	4 Number of Dams Rehabilitated	6	10	15
	5 Number of Dams Maintained	90	90	90
	6 Number of Rainwater Harvesting Facilities Constructed for Aquifer Recharge	2	2	2
	02 Transboundary Resources Management Reports Developed			
	1 Number of Transboundary Water Cooperation Multistakeholder Platforms Attended	9	9	9
	2 Annual Water/Asset Accounts Report Produced	1	1	1
	3 Number of Feasibility Studies Undertaken	10	10	10
	4 Number of Transboundary Water Investment Projects Implemented	2	2	2

Table 8: Outputs – Ministry of Tourism

Annex I: Outputs by Geographic Location

Geographic Location	Key Outputs and Outputs Indicator	MTEF Output Target		
		2022	2023	2024
CHIPATA				
	01 Wildlife Habitat Protected			
	1 Proportion of Wildlife Habitat Protected	100	-	-
	02 Strategic Species Restocked			
	1 Proportion of Key Species Population Achieved	100	100	100
	2 Number of Protected Areas (Animal translocations) Restocked	3	-	-
	03 Wildlife Tourism Sites Developed			
	1 Number of Tourism Sites Developed	5	-	-
	04 Wildlife Tourism Infrastructure Developed			
	1 Proportion Wildlife Tourism Infrastructure Developed	100	-	-
	05 Wildlife Ground Staff and Community Resource Boards Trained			
	1 Proportion of Wildlife Ground Staff and Community Resource Boards Trained	100	-	-
	07 Tourism Sites Marketed			
	1 Proportion of Tourism Sites Marketed	100	-	-
	01 Tourism Products Base for Northern Circuit Promoted			
	1 Number of Tourism Products Promoted	1	1	1
	02 Tourism Products Base for Southern Circuit Promoted			

Section 48 of the National Planning and Budgeting Act requires a minister responsible for a head of expenditure to submit a budget performance report relating to the previous year to the National Assembly by the last Friday of June or the end of the second sitting, in a financial year, of the National Assembly, whichever is later.

As the Committee continues its interaction with officials from the various ministries, itmay ask them on whether the budget performance reports for the year 2021 have been submitted to Parliament.

There are other accountability issues raised by the Office of the Auditor General in the last Audit Report on the Accounts of the Republic for the Financial Year 2020. These include:

1) poor financial management – Ministry of Energy and Ministry of Tourism;

2) poor project management – Ministry of Water Development and Sanitation;

3) failure to achieve output targets – Ministry of Water and Sanitation; and

4) failure to properly manage the Tourism Development Fund specifically failure to reimburse borrowed funds and failure to produce annual reports from 2016 to 2020– Ministry of Tourism.

Without reinventing the wheel, the Committee may seek the assurance of the officials that the Ministries have taken or are taking corrective measures as recommended by the Public Accounts Committee.