



Supplementary Estimates of Expenditure in Zambia

**Parliamentary Budget Office
National Assembly of Zambia
2024**

In Zambia, public finances can only be expended once appropriated by Parliament through an Appropriation Act, which authorises the expenditure of public funds in a given financial year. However, sometimes, the appropriated amounts are found to be inadequate to meet the expenditure needs of the country in a given year, some unexpected revenue comes into the possession of the Government or some appropriated funds for a given programme have to be carried over to the next year when that programme is not completed in the year under which its implementation was budgeted for. In that case, the Minister responsible for finance is mandated to present to a Supplementary Budget for approval. Public funds that have not been appropriated in the Budget for a given year may also be expended through a presidential warrant when there is a compelling national interest that needs to be served, but cannot wait for supplementary expenditure to be appropriated by Parliament.

1.0. INTRODUCTION

This brief has been written in response to numerous questions and debates on the Floor of the House by Members of Parliament concerning what constitutes supplementary budgets. To make it easier for Members to understand the subject, the brief explains the Appropriation Act and the Supplementary Estimates. It also outlines the rationale for supplementary budgets.

The Minister responsible for finance is empowered by Article 202(1) of the Constitution of Zambia to prepare estimates of revenue and expenditure and lay them before the National Assembly not later than ninety (90) days before the commencement of the next financial year. Article 202(5) empowers the National Assembly to approve the estimates. The estimates of revenue and expenditure are presented in the form of an Output-Based Budget (OBB) which is a more performance-oriented budget system. This follows the full rolling out of the OBB system to all ministries, provinces and spending agencies (MPSAs) by the Government (GRZ: 2022). Although the National Assembly is empowered to scrutinise the National Budget, Article 202(4) limits its powers to varying the allocations without amending the total amount of the Budget.

After approval of the estimates, the National Assembly enacts an annual Appropriation Act. Section 2 of the National Planning and Budgeting Act No. 1 of 2020 defines an

Appropriation Act as, “An Act of Parliament authorising the Republic to incur expenditure of public monies for a specified purpose”. The Act authorises the Secretary to the Treasury to release from the Consolidated Fund amounts becoming payable in line with Section 30(1) of the Public Finance Management Act No. 1 of 2018.

2.0. SUPPLEMENTARY ESTIMATES

In the Zambian Parliamentary system, estimates are approved both at Head and Programme levels. Therefore, if there is a need for funds during the cycle of a given budget over and above the appropriated amount, a Controlling Officer may seek a supplementary budget. A supplementary budget may also arise if a Controlling Officer varies estimates from one programme to another, but a variation within a programme or between programmes cannot be made without the approval of the Secretary to the Treasury. Further, Section 31(1)(c) of the Public Finance Management General Regulations, 2020, provides that a variation of estimates from one Head or Sub-Head to another must be made through a supplementary appropriation by the National Assembly.

2.1. Supplementary Appropriation Act

Supplementary budgets are provided for under various pieces of legislation that relate to public finance management. For example, Article 203(2) of the Constitution provides for the Minister responsible for finance to lay before the National Assembly a supplementary estimate of expenditure where the amount appropriated in an Appropriation Act for a financial year is insufficient to meet expenditure in that financial year.

It must be noted that there may be a variance between the appropriated amounts in a given financial year and the outturn for that financial year. For example, not all amounts appropriated for the Primary Health Services Programme in the 2022 Budget totalling K5 billion may have been spent. However, co-operating partners may give grants, for arguments sake, amounting to K2 billion to the same programme. For this amount to be part of the 2022 Budget, it has to be appropriated through a Supplementary Appropriation Bill of 2022. Then the total amount appropriated for Primary Health Services Programme in the 2022 Financial Year would amount to K7 billion. That said, it might be misleading to assume that the whole K7 billion was spent because at the time of receipt of the supplementary funds, not all appropriated funds may have been received.

Section 31(2) of the Public Finance Management Act No. 1 of 2018 provides that unspent funds at the end of a financial year must be retained by the Treasury in a prescribed account and be released upon approval of a Supplementary Appropriation Bill by the National Assembly. Once a supplementary budget has been approved by the National Assembly, the Minister responsible for finance must lay before the National Assembly for enactment a Supplementary Appropriation Bill in respect of the approved supplementary estimate of expenditure.

The Public Finance Management General Regulations, 2020, provide for conditions that may give rise to supplementary estimates. Section 32 of the regulations provides that a ministry, province or Government agency might submit supplementary budget requests to the Ministry responsible for finance where:

- (a) the budgetary provision is inadequate to meet the expenditure on a Sub-Head or programme;
- (b) there is a need to account for sundry receipts as a result of unspent cash balances from the previous financial year;
- (c) there is a need to account for additional funds from co-operating partners not budgeted for; and
- (d) there is a need to vary estimates of revenue and expenditure across Sub-Heads or programmes.

2.2. Excess Expenditure Appropriation Act

A supplementary budget incurred as a result of the conditions indicated in the section above should not be mistaken with excess funds arising from a presidential warrant, which increases the total approved Budget, because they were not part of the approved estimates. The process of approving excess expenditure or warrant is also different from that for supplementary expenditure, although both processes lead to supplementary budgets. A presidential warrant may arise from an emergency or use of funds after protracted general elections, which must be followed by the enactment of an Excess Expenditure Appropriation Act.

Article 203(4) of the Constitution of Zambia, Section 23(1) of the Public Finance Management Act No. 1 of 2022 and Section 33 of the Public Finance Management General Regulations, 2020, provide for the President to issue a warrant authorising the expenditure and withdrawal from the Consolidated Fund where there is an urgent need to incur expenditure for any purpose that has not been appropriated under an Appropriation Act for a given financial year and it would not be in the public interest to delay the appropriation of the expenditure until a supplementary estimate is approved by the National Assembly. Further, Article 203(5) of the Constitution provides for the Minister responsible for finance to present the warrant to the relevant Parliamentary Committee for approval. Article 203(6) provides for that Parliamentary Committee to consider the warrant within forty-eight (48) hours of its presentation by the Minister responsible for finance. Warrants inevitably lead to an increase in the total approved Budget for a year.

Table 2 demonstrates that supplementary estimates may be caused by variations and/or injections of additional funds. It further demonstrates that variations may not change the overall Budget because they are merely movements of funds from one Budget line to another. The table also demonstrates that the initially appropriated amounts of the Budget and the appropriated supplementary amounts do not constitute the total amount of money spent in a financial year (outturn).

Instead, they constitute the total appropriated amounts. *Therefore, the notion or view that the Government spends more money than was initially approved whenever the National Assembly approves a supplementary budget may not always be right. What is true is that at the end of the year, the appropriated amount might be higher than what was initially appropriated for the Budget.*

In order to appreciate the overall effect of supplementary estimates on the total Budget, it is necessary to analyse the components of the given Budget.

Table 2: Breakdown of the 2019 Budget

	ACT	Amount (ZMK)	Variations (ZMK)	Actual Supplementary (ZMK)
A	Appropriation Act, 2018	86,807,894,727.00		
B	Supplementary Appropriation Act No.8 of 2019	9,833,699,877.00	(78,000,000.00)	9,755,699,877.00
C	Supplementary Appropriation Act No.17 of 2019	1,175,762,756.00	(455,000,000.00)	720,762,756.00
TOTAL	A+B+C	97,817,357,360.00	(533,000,000.00)	10,476,462,633.00
<i>Approved Estimates (ZMK)</i>	<i>Supplementary Estimates</i>	<i>Total Authorised Estimates</i>	<i>Expenditure</i>	<i>Variance</i>
86,807,894,727.00	10,476,462,633.00	97,284,357,360.00	66,503,764,986.00	30,780,592,374.00

Note: The Appropriation Act, 2018 is an Act to authorise expenditure from the Consolidated Fund of monies required for the services of the Republic during the financial year ending 31st December 2019. The Act was enacted in December, 2018 for the implementation of the 2019 budget.

2.3. Causes of Supplementary Budgets

Some of the reasons advanced by MPSAs for incurring supplementary budgets are as set out below.

2.3.1. Low Ceilings

Ceilings in which MPSAs may incur expenditure may be so low that a supplementary budget becomes necessary during a financial year.

2.3.2. Late Release of Funds

Some budgetary activities cannot be completed in the year for which they were budgeted because funds are disbursed towards the close of the financial year and, in order to complete them, the funds are carried over to the next financial year. Since the carryover funds are not part of the approved budget of the financial year to which they are carried over, they will have to be expended as supplementary expenditure.

2.3.3. Poor Budgeting

Sometimes, Controlling Officers knowingly seek unreasonably low amounts of money for programmes for purposes of keeping budget lines active and later request supplementary budgets since, unless there is an emergency, it is not possible to ask for a supplementary budget over an activity that is not provided for in the Budget.

2.3.4. *Exchange Rate Fluctuations*

Sometimes, planned programmes cannot be implemented using only the initially appropriated amounts because of depreciation of the local currency, making imports, such as capital goods, more expensive than they were when the allocations were made. Such a scenario is resolved by providing supplementary budgets to bridge the gap between the appropriated amounts and the actual amounts required.

3.0. Conclusion

In Zambia, public finances can only be expended once appropriated by Parliament through an Appropriation Act, which authorises the expenditure of public funds in a given financial year. However, sometimes, the appropriated amounts are found to be inadequate to meet the expenditure needs of the country in a given year, some unexpected revenue comes into the possession of the Government or some appropriated funds for a given programme have to be carried over to the next year when that programme is not completed in the year under which its implementation was budgeted for. In that case, the Minister responsible for finance is mandated to present to the National Assembly a Supplementary Budget for approval. Public funds that have not been appropriated in the Budget for a given year may also be expended through a presidential warrant when there is a compelling national interest that needs to be served but cannot wait for supplementary expenditure to be appropriated by Parliament.

REFERENCES

1. Government of Republic of Zambia (2016). *The Constitution of Zambia (Amendment) Act, 2016*. LUSAKA: Government Printers
2. Government of the Republic of Zambia (2018). *The Public Finance Management Act*. LUSAKA: Government Printers
3. Government of the Republic of Zambia (2019). *Estimates of Revenue and Expenditure for the Financial Year 1st January, 2020, to 31st December, 2020*. LUSAKA: Government Printers
4. Government of the Republic of Zambia (2020). *The National Planning and Budgeting Act*. LUSAKA: Government Printers
5. Government of the Republic of Zambia (2022). *The Public Debt Management Act*. LUSAKA: Government Printers
6. Ministry of Finance and National Planning (2014). *The National Planning and Budgeting Policy*. LUSAKA: Government Printers
7. National Assembly of Zambia (2021). *National Assembly Standing Orders, 2021*. LUSAKA: National Assembly of Zambia