

REPORT OF THE COMMITTEE ON ESTIMATES ON THE QUARTERLY REVIEW OF THE 2015 BUDGET FOR SELECTED MINISTRIES FOR THE FOURTH SESSION OF THE ELEVENTH NATIONAL ASSEMBLY, APPOINTED ON WEDNESDAY 24TH SEPTEMBER 2014

Consisting of:

Mr H H Hamududu, MP (Chairperson); Mr G Lubinda, MP; Mr E M Sing'ombe, MP; Mr R Mpundu, MP; Mr A Lufuma, MP; Mr L Chabala, MP; Mr R P Mtolo, MP; Ms A C Kansembe, MP; and Mr P Phiri, MP.

The composition of your Committee changed following the appointment to ministerial positions of Mr G Lubinda, MP and Ms A C Kansembe, MP. The two were subsequently replaced by Dr G L Scott, MP and Ms I M Mphande, MP, respectively.

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir

Your Committee has the honour to present its report on the quarterly review of the 2015 budget for selected ministries for the Fourth Session of the Eleventh National Assembly.

Functions of the Committee

2.0 The functions of your Committee are as follows:

- a. examine the Estimates and Excess Expenditure Appropriation Bill;
- b. report on economics, improvement in organisation, efficiency or administrative reform, consistent with the policy underlying the Estimates, and examine whether the money is well laid out within the limits of the policy implied in the Estimates;
- c. suggest alternative policies in order to bring about efficiency and economy in administration;
- d. carry out regular examination and scrutiny of budgets, estimates and management thereof; and conduct budget hearings; and
- e. make recommendations and report to the House for the formulation and implementation of future budget Estimates.

Meetings of the Committee

3.0 Your Committee held eight (8) meetings to review the performance of the first quarter of the 2015 budget for the Ministries of Finance; Health; Agriculture and Livestock; Education, Science, Vocational Training and Early Education; and Transport, Works, Supply and Communications.

Report of the Committee

4.0 The report of your Committee is divided into four (4) parts. Part I highlights some recent macroeconomic developments. Part II presents the findings on the quarterly review of the performance of the 2015 budget for selected ministries. Part III explains your Committees Observations and Recommendations while Part IV is the Conclusion.

PART I

Recent macroeconomic developments

5.0 During each Session, your Committee conducts a quarterly review of the performance of the budget. The review provides an opportunity for Members to appreciate the effectiveness and efficiency of the release of funds by the Ministry of Finance and expenditure by spending agencies in the first quarter. Further, it gives an opportunity for your Committee to appreciate the challenges facing spending agencies in the budget execution process. The *ex ante* involvement of your Committee helps to mitigate the possible abuse of resources by spending agencies early enough at the execution stage of the budget process thereby, minimising adverse *ex post* budget audit queries.

In conducting the review, the Ministry of Finance was given an opportunity to highlight recent macroeconomic developments and to verify the accuracy and consistency of submissions by the spending agencies whose budgets were under review. The overview of the macroeconomic developments explained the environment influencing the performance of spending agencies and the ability by the Ministry of Finance to raise sufficient revenue.

In this regard, your Committee was informed that at the time of formulating the 2015 Budget, the Treasury took into account various assumptions on forecasting revenue and expenditure estimates. These assumptions are set out here below:

- a. exchange rate would stabilise at around K6.1/US\$;
- b. GDP growth of 7.0 per cent;
- c. inflation of 7.8 per cent;
- d. overall fiscal deficit of K10.35 billion;
- e. maintaining the wage freeze;
- f. no subsidies on fuel (cost reflective pump prices);
- g. net recruitment of 10,000 public service workers;
- h. import volumes would increase by 13.7 per cent;
- i. copper prices would be around US \$6,780 per tonne;
- j. copper production volumes were estimated at 959,000 metric tonnes;
- k. mineral royalty rates at 8 per cent and 20 per cent for underground and open cast mining operations, respectively; and
- l. procurement of 500,000 metric tonnes of maize for the strategic reserves.

However, your Committee was informed that during the first quarter of 2015, there had been adverse and critical developments in the domestic and global economies which had impacted on the performance of the 2015 Budget. This observation is supported by the *World Bank's Zambia Economic Brief, Issue 4 of 2014* which notes: "key domestic risks in 2015 are associated with expansionary fiscal policy and currency weaknesses while some of the external risks to the economy related to increased volatility in global financial markets and delayed recovery in industrial countries". Therefore, these developments coupled with the strengthening of the US Dollar against all major convertible currencies, among others, had affected the assumptions as follows:

- a. exchange rate was around K7.30 to US\$1;
- b. subsidies on fuel to cater for arrears from the past were at K3.2 billion;
- c. copper prices had declined to around US \$6,100 per ton;
- d. copper production volumes were estimated at 808,000 metric tonnes; and
- e. mineral royalty rates have been proposed to reduce to a unified rate of 9 per cent for both underground and open cast mining operations.

However, your Committee notes that the Minister of Finance presented a Ministerial Statement that highlighted further and more recent developments in the economy. He noted that GDP growth was now estimated at 5.8 per cent from the initial projection of at least 7.0 per cent. He noted further that

the Bank of Zambia continued managing liquidity through Open Market Operations and maintained the Policy Rate of 12.5 per cent. The Bank also raised the Commercial Banks' statutory reserve ratio to 18 per cent from 14 per cent to counter the pressure on the exchange rate mainly in the first quarter of the year. These measures contributed to the decline in annual inflation rate to 6.9 per cent in May, 2015 from 7.9 per cent in December, 2014. Furthermore, the developments in the balance of payments for the first quarter of 2015 was unfavorable as the overall BOP deficit widened to US\$405.2 million from US\$131.9 million in the last quarter of 2014.

As a result of these changes in the economic fundamentals, the outturn of the 2015 Budget was projected to be as follows:

- a. total revenues to decline by between K1.5 billion and K2 billion;
- b. total expenditure to rise beyond K46.7 billion, the final numbers would be determined after the Treasury had held policy meetings with all Ministry Provinces Spending Agencies (MPSAs); and
- c. from the preliminary calculations, the fiscal deficit was projected to widen to more than K15 billion.

In terms of the outturn for 2015 budget, the Minister of Finance announced more recent developments in his Ministerial Statement. He highlighted that the total revenue was projected to decline by K2.12 billion below the budget level while expenditure for the 2015 Budget was now projected to increase by K13.43 billion beyond the budget. This meant that the deficit had increased from the projected K8.5 billion to K20.0 billion. Furthermore, he informed the House that Zambia's external debt currently stood at US\$4.8 billion representing about 18.5 per cent of GDP while domestic debt was K20.5 billion (approximately US\$3.7 billion) representing about 14.2 per cent of GDP. The Debt Sustainability Analysis (DSA) confirmed that Zambia's total debt was, therefore, estimated at 32.7 per cent of GDP adding that the internationally accepted threshold is 40 per cent of GDP.

PART II

Quarterly review of the performance of the 2015 Budget for the selected ministries

6.0 After the consideration of the recent macroeconomic developments, your Committee undertook the quarterly review of the 2015 budget for the following ministries: Health; Agriculture and Livestock; Education, Science, Vocational Training and Early Education; and Transport, Works, Supply and Communications. The selection of these ministries for consideration was informed by the size of their budgets in relation to the national budget and the impact of their key programmes on key poverty reduction indicators such as education, health, to mention a few. The analysis of your Committee's findings regarding the performance of the selected ministries is presented into two (2) categories: firstly, consolidated performance of selected ministries; and secondly, focusing on individual performance of selected ministries.

Consolidated findings for selected ministries

6.1 The consolidated findings by your Committee are set out below.

i. Approved budget for 2015

Your Committee notes that the approved budgetary provision for the Ministries of Health; Transport, Works, Supply and Communications; Education, Science, Vocational Training and Early Education; and Agriculture and Livestock amounted to K22,532,652,374. This translated into 48.3 per cent of the approved Budget. Table 1 below gives the breakdown of the allocations to these institutions.

Table 1: 2015 Approved Budgets for Selected Institutions

Institution/Head	2015 Approved Budget	% of 2015 Approved Budget
MINISTRY OF HEALTH	2,758,080,222.00	5.9%
Personal Emoluments	1,086,243,300.00	
Non-Personal Emoluments Programmes	1,671,836,922.00	
MINISTRY OF AGRICULTURE AND LIVESTOCK	4,108,454,445.00	8.8%
Personal Emoluments	449,104,181.00	
Non-Personal Emoluments Programmes	3,659,350,264.00	
MINISTRY OF EDUCATION, SCIENCE, VOCATIONAL TRAINING AND EARLY EDUCATION	9,415,154,444.00	20.2%
Personal Emoluments	6,420,714,241.00	
Non-Personal Emoluments Programmes	2,994,440,203.00	
SUB-TOTAL		
MINISTRY OF TRANSPORT, WORKS, SUPPLY AND COMMUNICATIONS	6,250,963,263.00	13.4%
Personal Emoluments	73,656,157.00	
Non-Personal Emoluments Programmes	715,143,629.00	
o/w Road Development Agency Operational Grant	113,406,754.00	0.24
Road & Bridges Infrastructure	5,462,163,477.00	11.70
TOTAL	22,532,652,374.00	48.3%
2015 APPROVED BUDGET	46,666,560,736.00	100.0%

Your Committee notes that the Ministry of Education, Science, Vocational Training and Early Education was given higher priority in relation to resource allocation at 20.2 per cent, followed by the Ministry of Transport, Works, Supply and Communications with an allocation of 13.4 per cent.

ii. Allocation to emoluments

Your Committee notes that during the first quarter of 2015, a total of K1.8 billion or 42 per cent out of the K4.7 billion disbursed to the selected institutions went to emoluments. The details by institution are tabulated in Table 2.

Table 2: 2015 1st Quarter I Emolument Releases for Selected Institutions

INSTITUTION/HEAD	A	B
	1 st Qtr releases (K)	% of budget released In 1 st Qtr
Ministry of Health	564,066,201.23	
o/w Personal Emoluments	195,797,199.00	34.7
Ministry of Agriculture and Livestock	694,175,755.47	
o/w Personal Emoluments	105,180,999.00	15.2
Ministry of Education, Science, Vocational Training and Early Education	2,199,417,640.02	
o/w Personal Emoluments	1,514,877,749.00	68.9
Ministry of Transport, Works, Supply and Communications	906,042,695.13	
o/w Personal Emoluments	17,409,095.00	1.9
TOTAL RELEASES	4,363,702,291.85	
TOTAL RELEASES - EMOLUMENTS	1,833,265,042.00	
TOTAL RELEASES - EMOLUMENTS (%)	42.0	

Further, your Committee notes that while the allocation to the Ministry of Education, Science, Vocational Training and Early Education had the highest allocation, 68.9 per cent of it was for personal emoluments. This can be explained by the fact that the Ministry employed a lot of teachers and other employees. However, the allocation to Personal Emoluments to the Ministry of Transport, Works, Supply and Communications was only K17,409,095.00 or 1.9 per cent out of K906,042,695.00 or 14.49 per cent of the budget released in the first quarter. This means that there were more resources available for operations.

iii. Releases for the First Quarters of 2014 and 2015

From the detailed analysis presented in Appendix 1, your Committee notes that a total of K4.4 billion or 19.4 per cent of the approved 2015 budget was released during the first quarter of the year 2015. In 2014, the Treasury had released K4.0 billion or 20.0 per cent of the approved budget during the same period. The total releases to these ministries in 2015, which amounted to K4.4 billion, were above the 2014 releases in the same period by K348.6 million or 8.7 per cent. In terms of the proportion of the budget, however, there was an insignificant variance between the 20.0 per cent released in 2014 and 19.4 per cent released in 2015 for these institutions. This means that prioritisation in terms of resources to these ministries had marginally changed. This was also observed with regard to the Ministries of Education, Science, Vocational Training and Early Education; and Transport, Works, Supply and Communications whose variances were at 0.4 per cent and 0.5 per cent, respectively. The Ministry of Health did, however, record a reduction of 8.1 per cent in releases during the first quarter of 2015, compared to the same period in 2014.

Findings relating to specific ministries

6.2 The detailed analysis of the performance of specific ministries in the first quarter of the 2015 budget is outlined below.

i. Ministry of Health

Your Committee notes that the approved budgetary provision for the Ministry of Health for the year 2015 was K2,758,080,222 compared to K2, 646,390,446 in 2014.

a. Proportion of the 2014 and 2015

Your Committee notes that the proportion of the 2014 and 2015 budgets that was released during the 1st quarter was 10 per cent and 23 per cent, respectively. See Table 3 below.

The increase in the releases could be explained by the infrastructure developments that are taking place in the Ministry such as the construction of various health posts.

Table 3: Proportion of budget releases to the budgets

MIEF Approved Budgets		Quarter 1 Releases (Statement C)		% of Releases against Budget (Quarter 1, 2015)		Expenditure (Statement C)		% of Expenditure against Funding (Quarter 1,
2014 (K')	2015 (K')	2014 (K')	2015 (K')	2014	2015	Authorized Provision (K')	Quarter 1, 2015 Actual (K')	
2,646,390,446	2,758,080,222	264,929,896.32	629,742,057.23	10%	23%	2,769,834,264	447,568,367.67	71%

b. Statement C

According to the statement 'C', authorised provision was K2,769,834,264 for the year 2014 which included supplementary funding of K11,754,041.50 while the actual expenditure was K447,568,367.67. Further, the Ministry of Health utilised 71 per cent of the available funding in the 1st quarter of the 2015 budget.

c. Project implementation

Your Committee notes that the Ministry had committed itself towards the upgrading of selected Third Level Hospitals to Teaching Hospitals, upgrading of various Second Level Hospitals to Third Level Hospitals as well as upgrading of selected First Level Hospitals. The Ministry was implementing various projects across the country, among them, the construction of new district hospitals whose contract sum amounted to K526 million. By the end of the first quarter of 2015, a total of fifteen (15) out of thirty-one (31) district hospitals had not been completed as scheduled. Although, most of these projects were targeted to be completed by end of 2014 or early 2015, they were still not complete. From the remaining thirty-six (36) district hospitals, twelve (12) were new contracts, thirteen (13) were on course, ten (10) were completed and awaiting hand over whilst one (1) contract, for Mungwi District Hospital construction, was earmarked for termination.

ii. Ministry of Agriculture and Livestock

Your Committee notes that the approved budgetary provision for the Ministry for the Year 2015 was K 4,108,454,445 broken down as follows:

Activity	Amount (ZMK)
PE's	449,104,181.00
FISP	1,338,498,950.00
FRA	992,901,229.00
DIP Tank construction and rehabilitation	15,700,000.00
Donor funds towards support to Agriculture Development Programmes	634,263,018.00
SNDP Programme s and support services including Livestock Development, fisheries development, crop production and support to Agriculture Training Institutes	677,987,067.00
Total	4,108,454,445.00

a. Proportion of the 2015 and 2014 budget released

Table 4 below gives a breakdown of the proportion of the 2014 budget released during the first quarter and how it compares with the 2015 budget in the same period.

Table 4: Proportion of 2014 first quarter budget released compared to 2015

	2014	2015
Budget Profiled	380,850,107	527,235,086
Budget Released	516,298,415	588,994,756
o/w FISP	397,708,105	149,464,600
o/w FRA	38,740,203	397,218,800
o/w SNDP	79,850,107	42,311,356
Proportion Released	135.56 %	111.71 %

Source: FMU (2015)

Your Committee notes that an amount of K380,850,107 was profiled against K516,298,415 representing 135.56 per cent of the profiled amount was released in the first quarter of 2014. In the first quarter of 2015, an amount of K527,235,086 was profiled whilst K588,994,756, representing 111.71 per cent of the profiled amount was released. Further, the *135.6 per cent* released in 2014 and the *111.7 per cent* released in 2015 against the profiled amounts was as a result of supplementary funding to the Farmer Input Support Programme (FISP) and the Food Reserve Agency (FRA). These amounts catered for carry-over payments for contracts entered into by the Ministry of Agriculture and Livestock and FRA in 2013 and 2014 for the 2013/14 and 2014/15 agricultural seasons.

b. Farmer Input Support Programme (FISP) and the Food Reserve Agency (FRA)

Your Committee notes that a total amount of K397,708,105 was released in 2014 towards the FISP against the profiled amount of K271,000,000 during the first quarter of 2014 representing a surplus funding of *46.8 per cent*. In addition, K38,740,203 was released towards the Food Reserve Agency (FRA) against the profiled amount of K30,000,000 representing a surplus funding of *29.1 per cent*. Furthermore, other Sixth National Development Plan (SNDP) programmes received K79,50,107 representing *15.5 per cent* of the total amount released in the first quarter. In 2015, the funding pattern was similar to 2014 where a total of K149,464,600 was released for FISP against a profiled amount of K100, 000,000 representing a surplus funding of *49.5 per cent*. The FRA received K397,218,800 against a profiled amount of K352,218,799 representing a surplus funding of *12.8 per cent*.

c. Statement C

Your Committee notes that the total authorised provision for 2015 was K4,153,186,496.30 of which K808,946,970.44 was released. Actual expenditure amounted to K781,755,097.87 corresponding to *96.64 per cent* of released funds. Your Committee was informed that statement C included the first three weeks of the month of April, 2015. In addition, Statement C included personal emoluments.

d. Monthly funding for the first quarter of 2015

Your Committee notes that releases to the Ministry of Agriculture and Livestock were higher by *3.11 per cent*. This was driven by higher releases made during the quarter for the purchase of crop by the Food Reserve Agency. The early disbursement of funds was necessitated by the need to facilitate the additional payments to farmers for the 2014 crop marketing season, following the Government's decision to increase crop purchases from 500,000 MT to 1,000,000 MT.

iii. Ministry of Education, Science, Vocational Training and Early Education

Your Committee notes that the Ministry of Education, Science, Vocational Training and Early Education was in 2015 piloting the Output Based Budgeting (OBB) system and it was envisaged that, if successful, this budgeting system would be rolled-out to all other ministries, provinces and Spending Agencies in 2016. The emphasis of this new budgeting system moved from inputs to outputs.

Your Committee was informed that the approved budgetary allocation for the Ministry of Education, Science, Vocational Training and Early Education in 2015 was K9.4 Billion registering an increase of about *13.3 per cent* compared to the 2014 allocation. This 2015 allocation was broken down into K6.4 billion or *68 per cent* for Personal Emoluments and K2.9 billion or *32 per cent* for Non Personal Emoluments. This represented the highest funded sector in the 2015 Budget, at *20 per cent* of the total National Budget. However, it was noted that the Ministry consisted of a combination of three sectors: Science and Technology; Education and Skills Development as well as Higher and Tertiary Education. Despite this seemingly high allocation, the bulk of the funding went to salaries for teachers and other workers in the sector. The resources available to the Ministry to undertake projects and operations accounted for only *23 per cent* of the total budget for education.

iv. Ministry of Transport, Works, Supply and Communications

Your Committee notes that the approved budgetary provision for the first quarter of 2015 for the Ministry of Transport, Works, Supply and Communications for 2015 was K788,799,786.00. This was allocated as follows:

ACTIVITY	BUDGET PROVISION (ZMK)
Human Resources and Administration	39,394,280
Civil Aviation Department	5,009,082
Meteorological Department	25,480,766
Maritime and Inland Waterways	72,205,092
Communications Department	21,636,878
Department of Transport	81,239,637
Buildings Department	135,074,095
Government Printing Department	23,917,825
Office Equipment and Maintenance	8,262,702
Planning and Monitoring Department	22,030,429
Head Total	788,799,786

Your Committee notes that while the Ministry of Transport, Works, Supply and Communications was allocated K788,799,786, which is only 3.5 per cent of the budget, the approved budgetary provision for the Road Development Agency (RDA) for the year 2015 was K5.46 billion which is 11.7 per cent of the budget.

a. Proportion of releases for 2014 and 2015

The proportion of the releases for 2014 and 2015 are highlighted in table here under.

Description	1st Quarter 2014	1st Quarter 2015
Actual Amount Released	K220,465,822.90	K172,533,553.88
Proportion of the Budget Released	25.5%	21.9%

Your Committee notes that there was a reduction in the actual disbursements to the Ministry in the first quarter from 25.5 per cent to 22 per cent of the total allocation to the Ministry.

a. Implementation of programmes

Your Committee was informed that the progress as at the end of first quarter for the various projects under the RDA, which included Link-Zambia 8000, Pave Zambia 2000, Lusaka 400, and other Maintenance and Rehabilitation projects, were generally behind schedule. The overall implementation progress on these projects was as follows; Link-Zambia 8000 was at 15 per cent, Pave Zambia 2000 was at 0.15 per cent and Lusaka 400 was at 24 per cent, and other Maintenance and Rehabilitation projects were at 57 per cent progress.

Further, the RDA commenced the Road Tolling Programme on November 1, 2013. The Programme was designed to provide additional revenues for road maintenance as defined by the Road Tolling Act No.14 of 2011 and SI No. 73 of 2013. A total of K286 million was collected in Toll Revenues against a target of K214 million for the period January 2014 to November 2014. Among other notable successes achieved in 2014, are the following:

- a. construction of 40 Km of the Leopards Hill Road to Katoba Basic School;
- b. construction of the Luangwa to Feira road which is (about 90 per cent complete);
- c. signing of the Kazungula Bridge contract;
- d. Michael Chilufya Sata Bridge;
- e. rehabilitation of Livingstone city roads, among others;
- f. MFEZ roads completed and handed over;
- g. launch of the Road Maintenance Strategy 2015-2024;
- h. establishment of Vendor Rating System;
- i. completion of the design of Lusaka – Kapiri Mposhi Dual Carriageway; and

- j. completion of the rehabilitation of the Kapiri Mposhi Weighbridge.

Your Committee was informed that as of February 2015, a total of K394,325, 135.98 had been collected in Toll revenues from both ports of entry and weighbridges since 1st November 2013 when RDA launched Road Tolling operations.

PART III

Committee's Observations and Recommendations

7.0 After carefully undertaking the study, your Committee makes the observations and recommendations as set out here under.

i. Rationalisation of expenditure

Your Committee observes that the Government expenditure has been higher than budgeted giving rise to the higher than the projected fiscal deficit. The main drivers of this higher expenditure are higher than the planned purchase of 500 000 Mt of maize by the FRA, Fuel subsidies and the Farmer Input Support Programme (FISP).

In this regard, your Committee recommends that the Government should implement expenditure realignments and cuts. In addition, extra budgetary requests should not be funded except those of an emergency nature.

ii. Allocation to FRA and FISP

Your Committee observes that the FRA and FISP have continued to take a larger share of the budget for the Ministry of Agriculture and Livestock. Your Committee is aware of empirical evidence which points to the fact that interventions such as purchase of maize through FRA and the continued implementation of FISP in its current form are not effective at promoting development, poverty reduction and competitiveness.

Following various reviews of the programmes, your Committee recommends that there is need for decisive actions targeting the correct beneficiaries.

iii. Fuel subsidies

Your Committee observes that subsidies on fuel have been one of the key drivers of the increased Government expenditure. Fuel subsidies have at best distorted the market and limited benefits for the ordinary poor Zambians.

In this regard, your Committee recommends that the Government should put in place a cost reflective fuel pricing mechanism that will be self-financing and sustainable.

iv. Concentrating on on-going projects

Your Committee notes that the Government has embarked on various projects. Regrettably, most of these projects have stalled due to inadequate funds. Your Committee is concerned that embarking on new projects without corresponding resources will have adverse consequences on the economy. It notes that the Government will attract unnecessary costs associated with the demobilisation by contractors' accrued interests and other penalties.

In light of the above, your Committee recommends that the Government should concentrate on finishing on-going projects before embarking on new ones.

v. *Out-put Based Budgeting (OBB)*

Your Committee observes that the Government successfully implemented the Output Based Budgeting (OBB) as a pilot programme in 2015 through the Ministry of Education, Science, Vocational Training and Early Education. However, it notes that there is still limited appreciation of the importance and benefits of the OBB by ministries. Further, your Committee is concerned that spending agencies understood OBB to mean budgeting without taking into account activities. Furthermore, it is concerned that there is no legislation governing performance-based management in Zambia.

In view of the above, your Committee recommends that sensitisation activities should be extended to all Ministries, Provinces and Spending Agencies (MPSAs) for them to appreciate the benefits of implementing OBB as an important tool for enhancing results as opposed to overly concentrating on activities. In addition, controlling officers should be made aware that the fact that OBB focuses on outputs for reporting purposes does not preclude costing of activities but will continue to be a major part of the budgeting process. Furthermore, your Committee recommends that legislation on performance-based management should be presented to Parliament for enactment as matter of urgency.

vi. *Inadequate, untimely and unpredictable release of funds*

Your Committee notes that the release of funds to ministries has been inadequate, untimely and unpredictable thereby making it difficult for controlling officers to effectively plan and execute their activities. This is also still the case with the Ministry where the OBB is being piloted.

Your Committee recommends that the Government should ensure adequate, timely and predictable release of funds for effective execution of projects.

vii. *Procurement Planning*

Your Committee notes that controlling officers have continued to raise the problem of long procurement procedures as one of the challenges hampering effective implementation of projects. While your Committee appreciates that this problem exists, it is of the view that part of the reasons for this challenge is absence of procurement plans and early preparations by spending agencies. It argues that if procurement plans are in place, controlling officers will ensure that procurement for a project whose execution is in the immediate is undertaken in time.

In light of the above, your Committee urges controlling officers to include procurement plans as part of project planning. This way, projects will be systematically implemented because long procurement procedures will be provided for in the plans.

viii. *Planning and Budgeting Bill*

Your Committee observes that a considerable period of time has passed since the approval by Cabinet of the National Planning and Budgeting Policy which is the precursor to the enactment of the *National Planning and Budget Act*. Your Committee is of the view that the delay in the presentation to Parliament for enactment of this important piece of legislation will continue to hamper the production of credible budgets. This will deny key stakeholders such as Parliament, Civil Society Organisations and ordinary Zambians at the local level a chance for participation.

In the light of the above, your Committee recommends that the Government should as a matter of urgency present this important piece of legislation to Parliament for enactment.

ix. Presentation of half-yearly budget reports

Your Committee observes that Section 3 sub-section 2 (b) of the *Public Finance Act* of 2004 provides that the Minister shall be responsible for presenting, half yearly, budget performance reports to the National Assembly. Your Committee appreciates the attempt by the Minister of Finance in this respect when he presented a Ministerial Statement on the mid-year 2015 budget performance. However, it is of the view the Ministerial Statement did not provide an opportunity for adequate consideration by Parliament in general and your Committee in particular. It argues that presentation of half yearly reports will provide your Committee and indeed Parliament, an opportunity to appreciate the changes in assumptions made at the presentation of the budget and the performance of the budget mid-year.

In the light of the above, your Committee recommends that the Minister of Finance should be compelled by the provisions of the Law to present to Parliament half-yearly budget performance reports. This report should be effectively considered at committee level before a report is presented to the main House. In so doing, various stakeholders will participate in the process and give Parliament and the Nation an update on the mid-year performance of the budget.

x. Rationalise grant-aided institutions

Your Committee observes that some grant-aided institutions with limited relevance to the economy are receiving huge budgetary allocations. Your Committee is of the view that these allocations can go a long way in bridging the expenditure gaps and in poverty reduction. Some of these institutions are the Zambia Information and Communications Technology Authority (ZICTA) and the Energy Regulation Board (ERB).

In light of this, your Committee recommends that the Government should speed-up the implementation of the policy to rationalise grant-aided institutions.

xi. Ministry of Agriculture and Livestock

Your Committee observes that the allocation to the Ministry of Agriculture and Livestock at K4,108,454,445.00 seems high. However, this allocation does not provide a true picture of the actual funds that remain in the Ministry as the greater portion is directed towards the FRA, FISP and personal emoluments leaving only a small proportion for Agricultural Development.

In light of the above, your Committee recommends that consideration should be made in future to isolate the allocation to the FRA and FISP from the budget of the Ministry of Agriculture and Livestock.

xii. Ministry of Transport, Works, Supply and Communications

Your Committee observes that the allocation to the Ministry of Transport, Works, Supply and Communications at K6,250,963,263.00 for the 2015 budget seems high. However, the allocation distorts the true picture of the financial challenges that other programmes such as dredging canals in the Ministry are facing. This is in view of the fact that the greater portion of the budget at K5,462,163,477 is allocated to the RDA for road infrastructure.

Therefore, your Committee recommends that the budget allocation to the RDA should be de-linked from that of the Ministry so as to give the allocation to the Ministry a realistic picture. This will also allow for other programmes to be given the necessary prominence. Further, your Committee recommends that operations by the Ministry should be streamlined by splitting it into two (2) ministries.

xiii. Ministry of Education, Science, Vocational Training and Early Education

Your Committee observes that the allocation to the Ministry was high at *20.2 per cent* of the 2015 budget. Your Committee also notes that the Ministry represents three (3) sectors: Science and Technology; Education and Skills Development; and Higher and Tertiary Education. Furthermore, it notes that the bulk of the funding at *68.2 per cent* is for personal emoluments for teachers and other staff leaving a small proportion for operations. With this low funding for operations, your Committee is of the view that quality of education will be compromised further.

In the light of the above, your Committee recommends that the Government should increase the allocation to the Ministry for operations in addition to the allocation to personal emoluments. Further, your Committee recommends that operations by the Ministry should be streamlined by splitting it into two (2) ministries.

PART III

Conclusion

8.0 Your Committee wishes to pay tribute to all stakeholders who appeared before it and tendered both oral and written submissions. It also wishes to thank you, Mr Speaker, for affording it the opportunity to serve on your Committee for the year 2015. Your Committee also appreciates the services rendered by the office of the Clerk of the National Assembly. Your Committee is very hopeful that the observations and recommendations contained in this Report will go a long way in improving the economy of Zambia.

June 2013
LUSAKA

Mr H H Hamududu, MP
CHAIRPERSON