REPORT

OF THE

PLANNING AND BUDGETING COMMITTEE

ON THE

REVIEW OF THE THIRD AND FOURTH QUARTER PERFORMANCE OF THE 2022 BUDGET FOR SELECTED MINISTRIES AND PROVINCES

FOR THE

SECOND SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

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FOREWORD

Honourable Madam Speaker, the Planning and Budgeting Committee has the honour to present its Report on the Review of the Third and Fourth Quarter Performance of the 2022 Budget for Selected Ministries and Provinces for the Second Session of the Thirteenth National Assembly.

In addition to any other duties conferred upon it by the Honourable Madam Speaker, or any other Order of the House, the Planning and Budgeting Committee is mandated to study and report on matters related to coordination; control; and monitoring of the performance of the National Budget in accordance with Standing Order 195 (4) of the National Assembly of Zambia Standing Orders, 2021.

The Committee held ten meetings to review the third and fourth quarter Budget performance for 2022, with respect to selected Ministries and Provinces . The list of the witnesses who appeared before the Committee and rendered both written and oral submissions is at Appendix I.

In reviewing the budget performance of the selected institutions, the Committee requested detailed written memoranda from the Ministries; Provinces; and Spending Agencies (MPSAs) under review and also from other stakeholders. Thereafter, the stakeholders were invited to provide oral submissions and to clarify issues arising therefrom. The Committee considered the macroeconomic performance and the fiscal framework for both the third and fourth quarter of 2022. The Committee also reviewed the Budget performance of the following: Ministry of Energy; Ministry of Education; Ministry of Health; Ministry of Agriculture; Eastern Province; Northern Province; and Muchinga Province. Furthermore, in order to also appreciate views from other key stakeholders on the performance the 2022 Budget in the third and fourth quarters, the Committee sought the input of other stakeholders. Among them were the following: Ministry of Finance and National Planning; Bank of Zambia; Zambia Revenue Authority; Zambia Institute for Policy Analysis and Research; Policy Monitoring and Research Centre; National Economic Advisory Council; Zambia National Education Coalition and Zambia Statistics Agency.

The Report has been segmented into six parts: Part I gives a review of the macroeconomic framework; Part II assesses the fiscal framework; Part III highlights a review of the third and fourth quarter performance of the 2022 budget for selected MPSAs; Part IV highlights the stakeholders' concerns ; Part V gives the Committee's observations and recommendations; and Part VI highlights the Action Taken Report on the Committee's previous Report.

Madam Speaker, the Committee is grateful to the stakeholders who tendered both written and oral submissions. It also wishes to thank you, for affording it an opportunity to scrutinise the third and fourth quarter performance for the 2022 Budget for selected MPSAs. It also wishes to appreciate the services rendered by the Office of the Clerk of the National Assembly throughout its deliberations.

Mr Fred C Chaatila, MP
CHAIRPERSON

March, 2023
LUSAKA

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List of Acronyms and Abbreviations

IMF	International Monetary Fund
GDP	Gross Domestic Product
GNR	Gross International Reserves
CDF	Constituency Development Fund
FISP	Farmer Input Support Programme
MPSA	Ministries; Provinces; and Spending Agencies
SDRs	Special Drawing Rights
DSSI	Debt Service Suspension Initiative
SCT	Social Cash Transfer
VAT	Value Added Tax
PEs	Personal Emoluments
RDCs	Recurrent Departmental Charges
CASP	Comrephensive Agriculture Support Programme
BEPS	Base Erosion and Profit Shifting
8NDP	Eight National Development Plan

REPORT OF THE PLANNING AND BUDGETING COMMITTEE ON THE REVIEW OF THE THIRD AND FOURTH QUARTER PERFORMANCE OF THE 2022 BUDGET FOR SELECTED MINISTRIES AND PROVINCES FOR THE SECOND SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

1.0 COMPOSITION OF THE COMMITTEE

The Committee consisted of: Mr Fred Chibulo Chaatila, MP (Chairperson); Ms Jean Chisenga, MP, (Vice-Chairperson), MP; Mr Machila Jamba, MP; Amb Robert K Kalimi, MP; Mr Koonwa Simunji, MP; Mr Brian Kambita, MP; Gystave Saka Chonde, MP; Mr Davison Mung'andu, MP; Mr Peter Phiri, MP and Mr Lloyd Lubozha, MP.

PART I

2.0 MACRO-ECONOMIC FRAMEWORK

In the year 2022, the global economic performance had substantial effects on the economies of developed and developing nations. According to the International Monetary Fund (IMF), World Economic Outlook, released in October 2022, global economic activity experienced a broad-based and sharper-than-expected slowdown, with inflation projected to rise from 4.7 per cent in 2021, to 8.8 per cent in 2022. The global economic environment was characterised by increased cost-of-living; tightening financial conditions in most regions Russia's invasion of Ukraine, and the effects of the COVID-19 pandemic whose effects all weighed heavily on the outlook. These global developments contributed to the downward revision of the global growth from 6.1 per cent recorded in 2021, to 3.2 per cent in 2022.

The Committee was informed that as part of the macroeconomic objectives and targets, the Government in its 2022 National Budget whose theme was "Growth, Jobs and Taking Development Closer to the People,'' intended to achieve the macro-economic objectives, set out below.

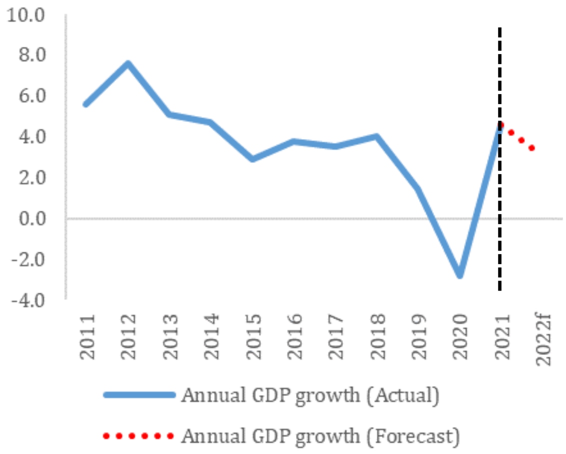
(a) attain a real GDP growth rate of at least 3.5 per cent.
(b) Reduce inflation to single digit by end of 2022 and within the target band of 6-8 per cent by mid-2023.
(c) limit international reserves to at least 3 months of import cover.
(d) increase domestic revenue to not less than 21 per cent of GDP.
(e) reduce the fiscal deficit to not more than 6.7 per cent of GDP in 2022 from an outturn of 9.3 per cent in 2021.
(f) limit domestic borrowing to not more than 5.2 per cent of GDP.

A review of the performance of the 2022 Budget macro-economic objectives during the third and fourth quarters of the year, is as discussed hereunder.

2.1 Economic Growth

The Committee was informed that the economy recovered strongly in 2021, growing by 4.6 per cent, from a contraction of 2.8 per cent in 2020, as shown in Chart 1.

Chart 1: Annual Real GDP Growth (percent)



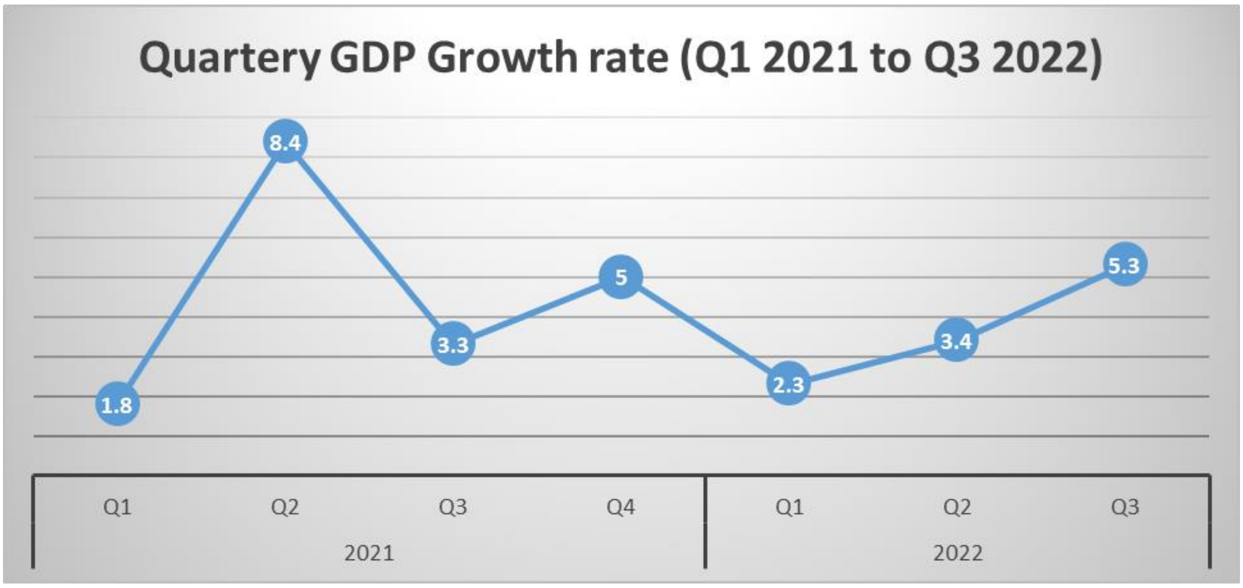
Source: Zambia Statistics Agency

It was explained that construction; information and communication; agriculture; manufacturing; as well as wholesale and retail trade sectors underpinned the recovery.

It was further explained that with regard to 2022 as a whole, consistent with the global picture where global growth was revised downwards in 2022, Zambia's Gross Domestic Product (GDP) growth rate was revised downwards to 3.0 per cent in September 2022, from an initial projection of 3.5 per cent. Therefore, real GDP growth was projected at 3.0 per cent, a slowdown from the outturn of 4.6 per cent in 2021 (Chart 1). The Committee was informed that this was on account of lower output in agriculture, attributed to the late onset of the rainy season; drought; and flash floods in some parts of the country during the 2021/22 farming season; as well as projected weaker performance in the mining and construction sectors. In addition, tighter global financial conditions, increases in commodity prices, induced by the Russia-Ukraine conflict and lingering adverse COVID-19 pandemic effects continued to be key downside risks to the growth outlook.

With regard to 2022, preliminary data indicated sluggish growth during the first half of 2022. The economy was shown to have grown by 2.4 per cent; 3.5 per cent and 5.3 per cent in the first; second and third quarters; respectively compared to 1.8 per cent; 8.4 per cent and 3.3 per cent during the corresponding periods in 2021, as shown in figure 1.

Figure 1: GDP growth rate for the period Q1 2021 to Q3 2022 (%)



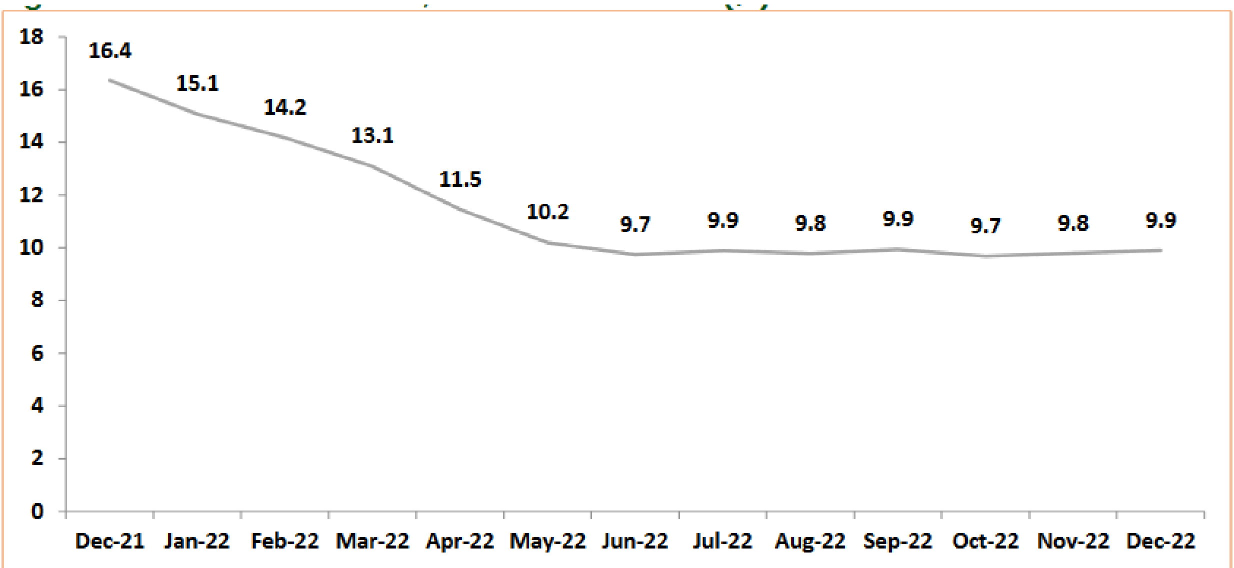
Source: ZamStats, December 2022 Statistical Bulletin

2.2 Inflation Rate

The Committee was informed that inflation rate was the speed at which prices of goods and services were increasing over time. Inflation had been consistently trending downwards standing at 16.4 per cent in December 2021, up to 9.7 per cent in July 2022, hitting a critical milestone of a single digit of 9.7 per cent by midyear of 2022. The last half of the year 2022, annual inflation was wavering between 9.7 and 9.9 per cent, closing the year at 9.9 per cent.

Stakeholders submitted that the appreciation of the Kwacha against the United States dollar; dissipation of past shocks to prices of meat and poultry products; as well as of fish and improved supply of fresh maize, were the key drives for the slowdown in inflation during the period. Other measures included expenditure rationalisation on the fiscal side. The increase in inflation between November and December, from 9.8 to 9.9 per cent was attributed to movements in the prices of non-food items such as fuel and lubricants and purchase of motor vehicles as shown in Figure 2:

Figure 2: Annual Inflation Rate, Dec 2021-Dec 2022 (%)

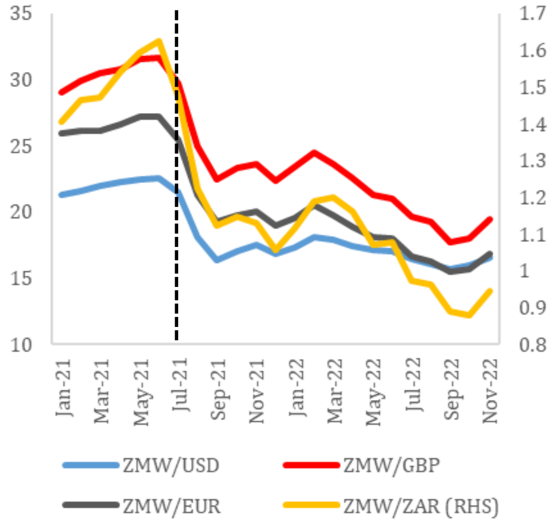


Source: ZamStats

2.3 Exchange Rate

The Committee was informed that the Kwacha appreciated by 22.1 per cent against the US dollar between July 2021 and December 2022, as shown in Chart 2. Higher inflows from non-resident investors in Government securities; positive market sentiments; driven by better macroeconomic prospects; including expectations and eventual allocation of the Special Drawing Rights (SDRs) by the IMF; approval of the IMF Extended Credit Facility on August 31st, 2022; and improved supply from the mining sector supported the Kwacha. However, after a relatively stable exchange rate against the US Dollar in the first half of the year, the performance of the Kwacha began to depreciate against the US Dollar in the third quarter of the year, largely driven by the demand for Dollars to facilitate procurement of agriculture inputs and petroleum products. Furthermore, procurement of drugs in the health sector in the fourth quarter also exerted pressure on the exchange rate and contributed to the fall of the Kwacha against the Dollar. Stakeholders submitted that the year closed with the Kwacha trading at 18.21/1$US. It was further explained that on the supply side, the lower copper prices and production challenges led to lower inflow of the Dollar than projected. Mining, particularly copper, continued to be the main traditional export for Zambia. Records at the Zambia Statistical Agency showed that in the fourth quarter of 2022, traditional exports accounted for 65.8 and 64.5 per cent of total exports value in November and October respectively. The Committee was informed that to address the underlying volatility and support importation of critical agricultural inputs and petroleum products, the Bank of Zambia had to provide US$1.5 billion in 2022 to the market, primarily from the mining tax receipts.

Chart 2: Monthly Nominal Exchange Rate



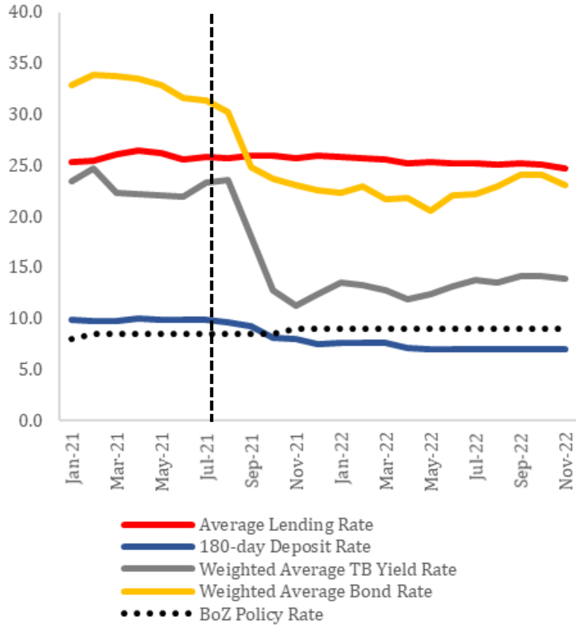
Source: Bank of Zambia

2.3 Interest Rates

With regard to interest rates, the Committee was informed that the rates had generally trended downward since the third quarter of 2021 as shown in Chart 3. The Committee heard that Commercial banks' average nominal lending rate averaged 25.0 per cent, between June and November 2022, marginally down from the 25.8 per cent recorded in the corresponding period in 2021. Over the same period, the 180-day deposit rate for amounts exceeding K20,000 averaged 7.0 per cent, down from 9.1 per cent over the same period in 2021.

However, yield rates on Government securities inched up as at the close of the year mainly due to subdued demand as liquidity conditions tightened, especially in the early part of the third quarter of 2022, and participation by non-resident investors reduced. Yield rates on Treasury Bills and Government bonds rose to an average of 13.8 per cent and 22.8 per cent in November 2022 from 12.3 per cent and 22.6 per cent in July 2021, respectively. Nonetheless, it was expected that yield rates would come down as Government reduced domestic borrowing and inflation fell further. This was expected to positively impact lending rates in the medium-term.

Chart 3: Lending Rates and Yield Rates on Government Securities (percent)



Source: Bank of Zambia

2.4 International Reserves

The Committee was informed that the Gross International Reserves (GNR) rose to US$3.1 billion (equivalent to 3.5 months of import cover) at end-September 2022, from US$1.6 billion (equivalent to 2.9 months of import cover) at end-July of the same year. The Committee was further informed that the increase was mainly due to the receipt of SDR937.6 million from the IMF General Allocation; mining taxes; project inflows; and disbursement of the first tranche of the IMF Extended Credit Facility (ECF). The reduction in the months of import cover in September was due to an upward revision of prospective imports for 2022. As at end of November, 2022, GNR was at US$3.02 billion (equivalent to 3.8 months of import cover).

2.5 Commodity Prices

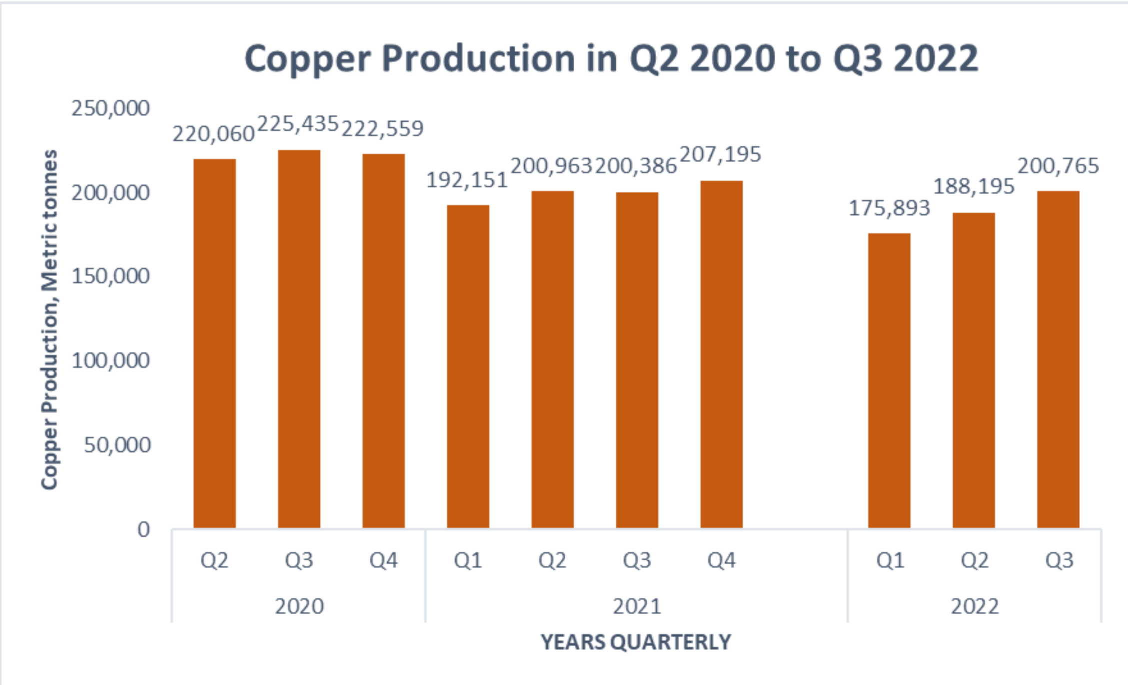
a) Crude Oil

Crude oil prices remained unstable in 2022 contributing to the fluctuations in the price of petroleum products on the domestic market. The average price of crude oil in the first half of 2022 stood at US$104.97 per barrel and was higher than US$69 per barrel in the same period in 2021. In the third quarter of 2022, crude oil prices fell by 16.6 per cent during the third quarter of 2022, averaging US$92.36 per barrel, from an average of US$110.76 per barrel in the second quarter of 2022.

b) Mining Sector

Performance of the mining sector was highly susceptible to global market prices as determined by the London Metal Exchange. Copper prices on the global market remained volatile in 2022 and affected revenue outturns from the mining sector. The commodity recorded a continuous price decline from an average of US$ 9,985.5 by the end of the first quarter to US$7,422 in September 2022. Further, the appreciation of the Kwacha in the first half of the year, among other things, contributed to the underperformance of mineral royalty, recording a variance of US$2.4 billion by end of year. Although copper production increased by 6.7 per cent during the third quarter of 2022, to 200,765 Metric Tonnes (Mt) from 188,195Mt produced in the second quarter of 2022, cumulative output declined by 4.8 per cent in the first three quarters of 2022, when compared to the corresponding period in 2021, as shown in Figure 3. Stakeholders submitted that the relatively low copper production in the first three quarters of the 2022 when compared to the corresponding period in 2021 and weak copper prices were some of the major drivers of reduced growth in the mining sector in 2022. Evidently, the operational challenges at Mopani and Konkola Copper Mines during the period under review could not be isolated from the underperformance of copper production in 2022, when compared to the two preceding years, as shown in Figure 3 below.

Figure 3: Copper Production for the period 2020 Q2 to 2022 Q3



Source: Ministry of Finance and National Planning, Q3 Economic Review Report, 2022

With regard to revenue performance from the mining sector, company tax from the mining sector performed above the target of K10.93 billion by 11.7 per cent, while mineral royalty underperformed by 18.6 per cent against the target of K12.84 billion.

2.6 Debt Position

With respect to debt, the Committee was informed that the pace of accumulation of external debt had significantly reduced standing at US$13.36 billion (excluding publicly guaranteed debt), as at the end of the third quarter, of 2022 from $13.25 billion, as at end of the second quarter of 2022, representing an increase of 2.5 per cent. The resolve to end contraction of non-concessional loans would significantly contribute to debt management. Further, the secured IMF Extended Credit Facility was expected to anchor debt restructuring with creditors whose negotiations would extend to 2023.

Stock of Government securities stood at K207.5 billion by end of the third quarter but rose to K210.0 billion by end of the year 2022. Comparatively, stock of securities rose by 9 per cent between 2021 and 2022, with stock of securities in 2021 amounting to K193.0 billion.

PART II

3.0 REVIEW OF THE FISCAL FRAMEWORK

The review of the fiscal framework covered the performance of both the revenue and the expenditure sides, as set out hereunder.

3.1 REVENUE ANALYSIS AND PERFORMANCE

The Committee was informed that in comparison with 2021, the data showed some improvement with regard to budget accuracy and credibility on total revenues and grants. The variance reduced from 18.6 per cent above budget to 1.7 per cent above budget in 2022. The total revenue and grants increased marginally by 1.6 per cent in 2022. In the 2021 fiscal year, total revenues and grants amounted to K98.9 billion and were above the approved budget target of K83.4 billion, while in 2022 total revenue and grants were K100.5 billion, and were above the approved budget target of K98.8 billion. It was explained that non-tax revenue in 2022, in comparison to 2021, increased by 50 per cent to K19.2 billion, compared to only K 12.8 billion in 2021. In 2022 compared to 2021 tax revenue increased by 11.8 per cent but grants reduced by 24 per cent.

Table 1 below shows the comparison of total revenue and grants performance for 2022 and 2021 fiscal years.

Table 1: Revenue Performance -2022 and 2021

K'Billion	*2022*	*2021*	*Growth%*
Budget Estimate of Total Domestic Revenue	98.8	83.4	18.4%
Percentage total Revenue and Grants collected	101.7%	118.6%	
Total Revenue and Grants	100.5	98.9	1.6%
Total Revenue o/w	98.7	96.5	2.2%
Tax Revenue	79.5	71.1	11.8%

Non-Tax Revenue	19.2	12.8	50%
Grants	1.9	2.5	-24%

Source: MoF, ZRA and Budget Speeches

3.1.1 Revenue Performance in the Third Quarter of 2022

With regard to the revenue performance in the third quarter, the Committee was informed that a total of K20,421.7 million was collected against the quarter target of K22,895.0 million, thereby registering a deficit of K2,473.3 million or 10.8 percent (see Table 2). The Inland Taxes Divisions (Direct and Indirect Taxes) recorded K19,692.5 million in gross collections and refunded K4,477.2 million. The net outturn was, therefore, K15,215.3 million, which was K1,272.8 million or 7.7 per cent below the third quarter target. It was submitted that direct taxes were below their third quarter target by K109.1 million or 0.8 per cent. The unfavourable outturn under direct taxes was driven by under-performances under Mining Company Tax; Rental Income Tax; and Mineral Royalty which were below their respective quarterly targets by K429.2 million, K53.0 million and K787.7 million respectively.

With respect to Indirect Taxes, the Committee was informed that a total of K6,532.2 million was recorded as gross collections while refunds stood at K4,466.0 million. Therefore, the net outturn stood at K2,066.1 million which was K1,163.7 million or 36.0 per cent below the third quarter target of K3,229.8 million. All tax types under this category recorded below target performances, except Tourism Levy which was K6.4 million or 142.9 per cent above its quarter target.

The Committee was informed that trade based taxes were K1,200.5 million or 18.7 per cent below their third quarter target of K6,406.9 million. All trade-based taxes recorded below target performances, except Export Duties; Import Excise Duties; and Motor Vehicle Fees which were above their respective targets by K33.9 million, K34.8 million and K15.9 million respectively. (see Table2).

Table 2: Actual Revenue Collection against Target: Third Quarter (July to Sept 2022) (K' Million)

	Gross	Refunds	Actual	Target	Variance	% Var
1. Inland Taxes	**19,692.5**	**4,477.2**	**15,215.3**	**16,488.2**	**-1,272.8**	**-7.7%**
A. Direct taxes	**13,160.4**	**11.2**	**13,149.2**	**13,258.4**	**-109.1**	**-0.8%**
1. Company tax; o/w	3,939.6	6.1	3,933.5	3,616.4	317.1	8.8%
Mining Company Tax	1,988.0	-	1,988.0	2,417.3	-429.2	-17.8%
Non-Mining Company Tax	1,951.5	6.1	1,945.4	1,199.1	746.3	62.2%
2. PAYE	4,623.5	4.6	4,618.9	4,260.1	358.8	8.4%
3. Withholding taxes and others	2,108.6	0.5	2,108.1	2,056.9	51.1	2.5%
Rental Income Tax	55.5	-	55.5	108.5	-53.0	-48.8%
4. Mineral royalty tax	2,379.1	-	2,379.1	3,166.8	-787.7	-24.9%

5.SkillsDevelopmentLevy	54.2	-	54.2	49.7	4.4	8.9%
B. Indirect taxes	**6,532.2**	**4,466.0**	**2,066.1**	**3,229.8**	**-1,163.7**	**-36.0%**
1. Local Excise Duties	692.8	-	692.8	724.4	-31.6	-4.4%
2. Local Excise-Cement	15.2	-	15.2	22.1	-6.9	-31.3%
3. Rural Electrification Levy	79.3	-	79.3	87.0	-7.7	-8.8%
4. Local Fuel Levy	0.0	-	0.0	10.7	-10.7	-99.9%
5. Insurance Premium	60.5	-	60.5	62.0	-1.5	-2.4%
6.TourismLevy	10.9	-	10.9	4.5	6.4	142.9%
7.VAT on domestic goods	5,673.4	4,466.0	1,207.4	2,319.1	-1,111.8	-47.9%
2. Customs Services Division	**5,211.2**	**4.8**	**5,206.4**	**6,406.9**	**-1,200.5**	**-18.7%**
1. VAT on imports	3,272.3	-	3,272.3	3,879.3	-607.1	-15.6%
3. Customs duty (Import tariffs)	1,411.7	4.8	1,406.9	1,743.1	-336.3	-19.3%
4. Export duties; o/w	60.9	-	60.9	27.0	33.9	125.7%
Export Duty on Maize	-	-	-	-	-	0.0%
Export Duty on Timber	-	-	-	-	-	0.0%
Export Duty on Minerals and concentrates	60.9	-	60.9	27.0	33.9	125.7%
5. Import Excise Duties	382.3	-	382.3	347.6	34.8	10.0%
6. Import Fuel Levy	22.4	-	22.4	306.7	-284.3	-92.7%
7. Carbon Tax	25.1	-	25.1	82.6	-57.5	-69.6%
8.Motor Vehicle Fees	36.5	-	36.5	20.6	15.9	77.1%
Total revenue	**24,903.7**	**4,482.0**	**20,421.7**	**22,895.0**	**(2,473.3)**	**-10.8%**
Tax revenue	**24,802.1**	**4,482.0**	**20,320.1**	**22,820.2**	**(2,500.1)**	**-11.0%**
Non-Tax Revenue	**101.7**	**-**	**101.6**	**74.9**	**26.8**	**35.8%**

Source: Zambia Revenue Authority

It was explained that in the third quarter of 2022, the gross revenue collected amounted to K24,903.7 million compared to K28,555.7 million recorded in the same period in 2021. Thus, gross revenue collections reduced by 12.8 per cent in the third quarter of 2022, compared to 2021. The reduction in gross revenue collections was driven by reduced collections in domestic taxes, which recorded a decrease of 16.4 per cent in the third quarter of 2022 relative to 2021. However, gross collections from customs taxes increased by 4.5 per cent in the third quarter compared to 2021. Overall, net collections in the third quarter of 2022 reduced by 17.9 per cent to K20,421.7 million from K24,883.5 million collected in the same period in 2021. The decrease was mainly attributed to a 23.5 per cent reduction in net collections from domestic taxes.

3.1.2 Revenue performance in the Fourth Quarter of 2022

Stakeholders submitted that during the fourth quarter of 2022, a total of K25,312.3 million in gross taxes was collected, while the refunds stood at K3,696.0 million. The net tax collections, therefore, stood at K21,616.3 million against the period target of K21,936.1 million, thus, registering a deficit of K319.8 million or 1.5 per cent. This unfavourable performance was attributed to under-performances recorded under Direct Taxes; and Indirect Taxes and Excise Divisions. However, the Customs Services Division posted a surplus of 24.1 per cent in the fourth quarter.

The Inland Taxes Divisions (Direct and Indirect Taxes) recorded K17,961.0 million in gross collections and paid out K3,687.0 million in refunds, resulting in a net outturn of K14,274.0 million. This outturn was K1,744.8 million or 10.9 per cent below the fourth quarter target of K16,018.8 million. On the other hand, direct taxes were below their fourth quarter target by K1,181.9 million or 9.2 per cent. This was after refunding K39.8 million from gross collections of K11,656.3 million. The negative performance under this category was as a result of below target performances recorded under Company Tax; Rental Income Tax; and Mineral Royalty Tax of 9.6 per cent, 26.2 per cent and 39.0 per cent, respectively.

Gross collections from indirect taxes stood at K6,304.7 million out of which K3,647.1 million was paid out in refunds. The net outturn, therefore, stood at K2,657.5 million and was K563.0 million or 17.5 per cent below the fourth quarter target of K3,220.5 million. All tax types under this category recorded below target performances, except for Tourism Levy which recorded a surplus of K5.3 million or 99.8 per cent.

On a positive note, trade-based taxes posted K1,425.0 million or 24.1 per cent above their fourth quarter target of K5,917.2 million. Above target performances recorded under Value Added Tax (VAT) on imports, Import Excise Duties, Import Fuel Levy, and Motor Vehicle Fees of 44.9 per cent, 44.8 per cent, 5.5 per cent and 86.7 per cent, respectively, bolstered the favourable outturn under this Division (see Table 3 below).

Table 3: Actual Revenue Collection against Revenue Target Fourth Quarter (Oct to Dec) 2022 (K' Million)

	Gross	*Refunds*	*Actual*	*Target*	*Variance*	*% Var*
1. Inland Taxes	**17,96.0**	**3,687.0**	**14,274.0**	**16,018.8**	**(1,744.8)**	**(10.9)%**
A. Direct taxes	**11,656.3**	**39.8**	**11,616.5**	**12,798.3**	**(1,181.9)**	**(9.2)%**
1. Company tax; o/w	**3,046.3**	**29.5**	**3,016.7**	**3,337.0**	**(320.2)**	**(9.6)%**
Mining Company Tax	804.7	-	804.7	2,095.8	(1,291.0)	(61.6)%
Non-Mining Company Tax	2,241.5	29.5	2,212.0	1,241.2	970.8	78.2%
2. PAYE	4,495.1	9.1	4,485.9	4,318.3	167.6	3.9%
3. Withholding taxes and others	2,163.8	1.2	2,162.6	2,011.6	151.0	7.5%
Rental Income Tax	68.8	-	68.8	93.2	(24.4)	(26.2)%
4. Mineral royalty tax	1,825.2	-	1,825.2	2,990.6	(1,165.4)	(39.0)%
5. Skills Development Levy	57.2	-	57.2	47.7	9.5	20.0%
B. Indirect taxes	**6,304.7**	**3,647.1**	**2,657.5**	**3,220.5**	**(563.0)**	**(17.5)%**
1. Local Excise Duties	694.5	-	694.5	701.2	(6.6)	(0.9)%
2. .Local Excise-Cement	16.8	-	16.8	25.8	(9.0)	(34.9)%
3. Rural Electrification Levy	86.9	-	86.9	98.6	(11.7)	(11.8)%
4. Local Fuel Levy	0.7	-	0.7	11.9	(11.2)	(94.1)%
5. Insurance Premium	50.9	-	50.9	58.7	(7.7)	(13.2)%
6. Tourism Levy	10.6	-	10.6	5.3	5.3	99.8%
7. VAT on domestic goods	5,444.2	3,647.1	1,797.1	2,319.1	(522.1)	(22.5)%

2. Customs Services Division	**7,351.3**	**9.0**	**7,342.3**	**5,917.2**	**1,425.0**	**24.1%**
1. VAT on imports	4,957.8	-	4,957.8	3,422.0	1,535.8	44.9%
3. Customs duty (Import tariffs)	1,415.3	9.0	1,406.3	1,553.6	(147.3)	(9.5)%
4. Export duties; o/w	15.9	-	15.9	32.0	(16.1)	(50.4)%
Export Duty on Maize	-	-	-	-	-	-
Export Duty on Timber	9.1	-	9.1	-	9.1	-
Export Duty on Minerals and concentrates	6.7	-	6.7	32.0	(25.2)	(78.9)%
5. Import Excise Duties	538.7	-	538.7	372.1	166.6	44.8%
6. Import Fuel Levy	356.4	-	356.4	337.9	18.6	5.5%
7. Carbon Tax	25.9	-	25.9	177.7	(151.7)	(85.4)%
8. Motor Vehicle Fees	41.3	-	41.3	22.1	19.2	86.7%
Total revenue	**25,312.3**	**3,696.0**	**21,616.3**	**21,936.1**	**(319.8)**	**(1.5)%**
Tax revenue	**25,203.1**	**3,696.0**	**21,507.1**	**21,860.9**	**(353.8)**	**(1.6)%**
Non-Tax Revenue	**109.2**	**-**	**109.2**	**75.2**	**34.0**	**45.3%**

Source: Zambia Revenue Authority

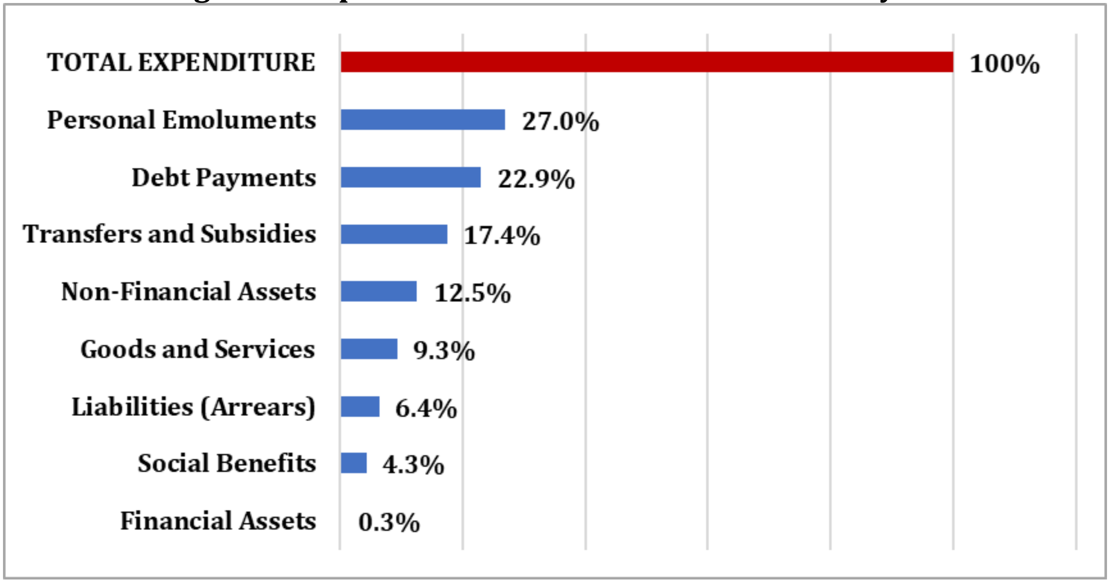
The Committee was informed that in the fourth quarter of 2022, gross revenue collections stood at K25,312.3 million, compared to K22,307.5 million in the same quarter in 2021, implying that gross collections in 2022 increased by 13.5 per cent. The recorded increase was attributed to higher gross collections in both domestic and customs taxes in 2022, compared to the same period in 2021. Gross collections from domestic and customs taxes increased by 3.0 per cent and 50.7 per cent, respectively, in the fourth quarter of 2022 in comparison to the fourth quarter of 2021.

Stakeholders also submitted that net revenue collections in the fourth quarter of 2022 increased by 15.2 per cent to K21,616.3 million from the K18,757.5 million collected in the same period in 2021. The increase was on account of increased net revenue collections from domestic and customs taxes by 2.8 per cent and 50.8 per cent, respectively.

3.2 EXPENDITURE ANALYSIS AND PERFORMANCE

Stakeholders submitted that the 2022 Budget was anchored on restoring fiscal and debt sustainability through enhanced domestic resource mobilisation and expenditure rationalisation. The aim was to reduce the fiscal deficit to sustainable levels, while supporting growth and job creation. To this end, the Government spent a total of K140.4 billion, against a target of K173 billion, 18.8 per cent below target. Government expenditure was consistently lower than projected in the first, second and third quarters of 2022 respectively. During the first quarter, expenditure was less than projected by 17.9 per cent, whereas in the second and third quarters, expenditure was less than projected by 24.1 per cent and 43.8 per cent, respectively. The reduction in Government expenditure throughout 2022, was largely attributed to the suspension of debt service payments under the Debt Service Suspension Initiative (DSSI). The figure below shows the expenditure performance in 2022.

Figure 4: Expenditure Performance – 2022 fiscal year



Source: PBO construction using Ministry of Finance and National Planning data

In 2022, Personal Emoluments (PEs) accounted for 27 per cent of total Government expenditure. Debt payments (interest and amortisation), despite the debt standstill, debt payments made up of 23 per cent; whereas transfers and subsidies which included the Constituency Development Fund (CDF) and Farmer Input Support Programme (FISP) accounted for 17 per cent. It was explained that only 12 per cent of total expenditure was spent on productive capital projects such as roads, rural electrification and water and sanitation. The nominal spending on capital formation and developmental activities adversely affected economic growth. Financial assets, mainly empowerment funds, accounted for 0.3 per cent of total expenditure.

Further, the public service wage bill and debt payments combined, accounted for 50 per cent of total expenditure. As a percentage of domestic revenue (tax and non-tax), the two expenditure lines accounted for 71 per cent. This entailed constrained fiscal space as social and economic sectors were largely financed by debt and grants, thereby exacerbating the country's debt distress, and threatening macroeconomic stability.

3.2.1 THIRD QUARTER EXPENDITURE PERFORMANCE

The Committee was informed that in a comparative analysis of the third quarter of 2021 and that of 2022, total expenditure (including amortisation) amounted to K38.9 billion in the third quarter of 2021 as compared to K32.3 billion in the third quarter of 2022. It was explained that reduction in expenditure could be attributed to the corresponding revenue performance as well as Government's policy of fiscal consolidation aimed at reducing the fiscal deficit. These expenditures were also attributed to categories such as PEs to facilitate payment of salaries, use of goods and services to support Government operations; as well as interest payments on Government securities and external debt amounts.

The releases towards PEs amounted to K9.7 billion in the third quarter of 2021 compared to K9.2 billion in 2022. Further, the releases for use of goods and services for the period amounted to K5.0 billion in the third quarter of 2021 compared to K2.6 billion in 2022. The major categories of expenditure under this classification were drugs and medical supplies, contingency as well as the Compensation Fund. It was submitted that interest payments amounted to K8.0 billion in the third quarter of 2021 compared to K7.9 billion in 2022 owing to interest on domestic debt, that is, treasury bills and bonds as well as external debt.

The releases towards transfers and subsidies for the period amounted to approximately K4.9 billion in the third quarter of 2021, compared to K5.2 billion in 2022 owing to the funds released for the CDF, whose allocation was increased from K1.6 million to K25.7 million per constituency. This was meant to channel resources directly to under-served communities at a local level in the constituencies, as well as the for implementation of the FISP.

The releases towards social benefits amounted to K852.5 million in the third quarter of 2021, compared to K1.8 billion in the third quarter of 2022. This expenditure comprised predominantly financing towards the pension fund financing gap and Social Cash Transfer (SCT), which saw a significant increase in the transfer value and number of participants on the programme, so as to support vulnerable citizens.

The Committee was also informed that releases towards non-financial assets amounted to K5.5 billion in the third quarter of 2021 compared to K3.3 billion in the same period in 2022. The expenditure comprised financing towards water and sanitation as well as roads amongst others.

3.2.2 FOURTH QUARTER EXPENDITURE PERFORMANCE

The Committee was informed that in a comparative analysis of the fourth quarter of 2021 and fourth quarter of 2022, total expenditure (including amortisation) amounted to K25.6 billion in the fourth quarter of 2021, as compared to K39.8 billion in 2022. The increase in expenditure was attributed to factors such as the increase in PEs due to net recruitment in the 2022 fiscal year..

The releases towards PEs increased from K7.4 billion in the fourth quarter of 2021 to K10.0 billion in 2022. The releases for use of goods and services to support Government operations for the period under review amounted to K1.6 billion in the third quarter of 2021 compared to K2.8 billion in 2022. The major categories of expenditure under this classification were drugs, medical supplies, and as well as contingency, and the compensation fund. It was further explained that interest payments amounted to K7.4 billion in the fourth quarter of 2021, compared to K7.0 billion in 2022, owing to interest on domestic debt such as Treasury Bills and Bonds as well as external debt. The releases towards transfers and subsidies for the period increased from K3.3 billion in the fourth quarter of 2021 to K10.0 billion in 2022 owing to funds released for the CDF as well as implementation of FISP for the 2022/2023 farming season.

The releases towards social benefits amounted to K1.8 billion in the fourth quarter of 2021 compared to K1.0 billion in 2022. This expenditure comprised of predominantly financing towards programmes such as SCT so as to support vulnerable citizens. The releases towards non-financial assets amounted to K3.0 billion in the fourth quarter of 2021, compared to K5.4 billion in 2022. The expenditure comprised financing towards water and sanitation as well as roads amongst others.

The performance of the fiscal framework for the third and fourth quarters of 2022 is as shown in Table 4 below.

Table 4: Performance of The Fiscal Framework in The Third and Fourth Quarter Of 2022.

2022 FISCAL TABLE			
	Approved Budget	Q3 Actual	Q4 Prelim
TOTAL REVENUE AND GRANTS	**100,681,126**	**23,600,602**	**23,404,996**
TOTAL REVENUE	**98,859,158**	**21,964,460**	**23,404,996**
Tax Revenue	**77,900,901**	**17,940,972**	**19,681,909**
a. Income Taxes	**42,275,422**	**10,715,928**	**9,734,059**
Company Tax	16,393,900	3,933,478	3,029,033
o/w Mining	10,928,365	1,988,043	804,729
Non-Mining	5,465,535	1,945,434	2,224,304
Pay as You Earn (PAYE)	17,258,897	4,618,890	4,485,927
Other Income tax - Withholding Tax	8,622,625	2,163,561	2,219,100
b. VAT	**22,903,635**	**4,479,633**	**6,754,834**
o/w Domestic VAT	8,865,604	1,207,363	1,797,072
Import VAT	14,038,030	3,272,270	4,957,763
c. Customs and Excise Duties	**12,539,584**	**2,623,984**	**3,126,234**
Customs Duty	6,355,099	1,406,872	1,406,265
Excise Duties	6,184,484	1,217,113	1,719,969
o/w Fuel Levy	1,267,263	22,416	357,142
Carbon	414,809	25,059	25,947
Rural Electrification Fund	362,209	79,311	86,895
Cement Levy	87,965	15,206	16,768

d. Insurance Premium	**48,631**	**60,523**	**50,926**
e. Export Duties	**133,630**	**60,904**	**15,856**
Non-Tax Revenue	**20,958,257**	**4,023,488**	**3,723,088**
a. Total User fees, fines and Charges	**5,902,997**	**1,516,136**	**1,788,122**
o/w fees and fines, charges and GAI's	3,151,703	846,391	899,607
Road user Charges and fees (RTSA)	628,643	149,004	189,843
RDA (Tolls)	2,122,651	520,740	698,671
b. Interest from On-lending/Dividends	1,594,826	26,602	600
c. Mineral Royalty	12,839,010	2,379,124	1,825,177
d. Motor Vehicle Fees	77,669	36,526	41,323
e. FRA-Proceeds from Crop Sales	326,296	-	-
f. Tourism Levy	17,670	10,938	10,635
g. Skills Development Levy	199,787	54,162	57,232
GRANTS	**1,821,968**	**1,636,142**	**-**
Project	1,821,968	**1,636,142**	-
TOTAL EXPENDITURE (Incl Amortisation)	**172,987,078**	**32,345,246**	**39,780,959**
TOTAL EXPENDITURE (Excl. Amortisation)	**132,125,715**	**31,964,606**	**39,226,309**
o/w Domestically Financed	121,804,047	29,185,045	38,211,222
Foreign Financed	10,321,668	2,779,561	1,015,087
EXPENSES	**110,983,130**	**26,805,192**	**30,960,757**
Personal Emoluments (PEs)	**37,822,553**	**9,239,176**	**10,034,832**
Contract Gratuity	**145,000**	**15,290**	**25,454**
Use of Goods and Services	**10,550,972**	**2,591,091**	**2,758,753**
Interest Payments	**37,818,778**	**7,925,065**	**7,032,964**
Transfers and Subsidies	**19,951,312**	**5,242,535**	**10,042,234**
Social Benefits	**4,839,515**	**1,807,325**	**1,091,974**
TRANSACTIONS IN NON-FINANCIAL ASSETS	**15,632,310**	**3,274,032**	**5,377,780**
TRANSACTIONS IN FINANCIAL ASSETS and LIABILITIES	**5,510,275**	**1,885,382**	**2,887,772**

Source Zambia Revenue Authority

3.2.3. Budget Credibility

The Committee was informed that Budget credibility was the ability of the Government to meet their expenditure and revenue targets accurately and consistently. It was explained that the 2022 Budget was largely credible as major expenditure lines were either fully funded or over-funded from savings made from the debt service standstill. However, critical expenditure lines such as rural electrification; school and hospital infrastructure; and water infrastructure, were under-funded. It was, therefore, important for the Government not to neglect productive infrastructure if it was to attain its growth targets. Table 5 shows the allocation of funds to the various programmes.

Table 5: Budget Credibility

Programme	Allocation (K'bln)	Funding (K'bln)	Percentage
Public Service Wage Bill	37.8	37.7	99.7%
Drugs and Medical Supplies	3.4	3.5	103.0%
Debt Payments	78.6	32	40.7%
Farmer Input Support Programme	5.4	7.6	140.8%
Grants to Schools, Hospitals, Universities and others	5.9	7.5	126.2%
Constituency Development Fund	4.0	4	100.0%
Pension Payments	2.0	3.2	157.0%
Social Cash Transfer	3.1	3.1	100.2%
Food Security Pack	1.1	1.1	100.0%
Road Infrastructure	3.5	6.3	178.4%
Capital Projects other than Roads (REA, Schools, Water Projects, Hospitals)	12.1	11.1	91.7%
Dismantling of Arrears	5.2	8.9	172.0%

Source: PBO construction using Ministry of Finance and National Planning data

3.2.4. Debt Payments

The Committee was informed that in 2022, the Government released K32 billion towards debt payments, 59.3 per cent below the target of K78.7 billion. The less than projected expenditure, was mainly due to the moratorium on external debt obligations under the DSSI. However, in the second and third quarters of 2022, domestic debt servicing was above target by 1.5 per cent and 10.6 per cent, respectively, indicative of heavy Government participation on the domestic debt market. This notwithstanding, there was an overall reduction in the pace of domestic debt accumulation in 2022, compared to 2021. This was in line with the 2022 macroeconomic objective of limiting domestic borrowing to no more than 5.2 per cent of GDP. Among the major contributing factors, were the minimised issuance of private bonds and the under-subscription of Government securities on account of subdued demand, largely due to tight liquidity conditions and reduced non-resident investor appetite.

3.2.5. Constituency Development Fund

The Committee learnt that in line with the Government's decentralisation agenda, CDF was fully funded in 2022 with all constituencies receiving their budgetary allocation. This was a demonstration of Government's commitment to devolve service delivery from Central Government to Local Authorities. However, as highlighted by the Minister of Finance and National Planning during the 2023 Budget Speech, absorption of the funds remained as low, as 10 per cent, by September 2022 due to a cumbersome approval process of projects. In this regard, to enhance implementation, Government had issued new guidelines to streamline the approval of CDF projects through Treasury and Financial Management Circular No. 4 of 2023. The new measures were expected to expedite the implementation of CDF projects and make the process more efficient through limited delegation of the powers of the Secretary to the Treasury to the Principal Local Authority Officers to approve variation of expenditure estimates and disbursed funds up to a maximum of 25 per cent of the total budget provision of a particular sub-programme, within the CDF programme.

3.2.6. Social Protection

Despite inconsistent disbursements of both the SCT and Food Security Pack across the second and third quarters of 2022, both programmes were fully funded in 2022. It was reported that K3.1 billion was released towards SCT to support over one million vulnerable households, whereas K1.1 billion was released towards the Food Security Pack to support vulnerable but viable farmers.

3.2.7. Farmer Input Support Programme

As at year end of 2022, the Government released K7.6 billion towards FSIP, against a target of K5.3 billion, representing 40.8 per cent above target. The Ministry of Finance and National Planning stated that the over expenditure was on account of the depreciation of the Kwacha in the third and fourth quarters of 2022. The Committee was informed that in as much as there was over expenditure, Government saved $153.4 million (approximately K2.7 billion), due to much of the fertiliser being produced by and purchased from local suppliers. It was, therefore, expected that the saving should have offset the excess expenditure resulting from the depreciation of the Kwacha.

Despite the programme being fully funded over the aggregate one-year period, releases towards FISP in the first, second and third quarters of 2022 were below target by 14.2 per cent; 79.2 per cent; and 92.9 per cent, respectively, due to the cancellation and renegotiation of contracts with input suppliers. The delayed procurement and distribution of inputs had the potential to affect national and household food security. The challenges faced in 2022 strongly indicated that it was critical that the Government realigned the FISP procurement calendar preferably to begin in the first quarter to allow for timely delivery of inputs.

3.2.8. Financing

The Committee was informed that in the 2022 fiscal year, total revenue and grants, amounted to K100.5 billion, whereas expenditure was K140.4 billion, representing a financing deficit of K39.9 billion, against the Budget target of K79.3 billion. The less than projected borrowing, was on account of savings declared on the payment of external debt obligations. To plug the financing gap, K13.7 billion was financed through the domestic debt market, whereas K25.3 billion was external financing, namely; a drawdown of SDRs; budget support from the World Bank; and disbursements for on-going works related to foreign financed projects. The Government did not contract any new non-concessional loans in 2022. This was consistent with Government policy to curtail debt accumulation by restricting external borrowing to concessional loans except in instances of refinancing. Table 6 below shows a summary of total financing in 2022.

Table 6: 2022 Budget financing (K'billions)

DOMESTIC FINANCING	**13.7**
EXTERNAL FINANCING	**25.3**
Special Drawing Rights (SDRs)	12.1
Disbursements on On-Going Foreign Financed Projects	5.6
Budget Support (World Bank)	5.2
Zambia Emergency Health Project (World Bank)	2.4
TOTAL	**39**

Source: Ministry of Finance and National Planning

As a result, the fiscal deficit (cash basis) in 2022 was 8.1 per cent of GDP, against the Budget target of 6.7 per cent. The year-end target was, however, revised to 9.8 per cent of GDP, on account of subdued growth mainly attributed to lower output in agriculture and a weak performance recorded in the construction sector.

PART III

4.0. REVIEW OF THIRD AND FOURTH QUARTER PERFORMANCE OF THE 2022 BUDGET FOR SELECTED MINISTRIES AND PROVINCES

The Committee reviewed the third and fourth quarter budget performance for the Ministry of Education; Ministry of Agriculture; Ministry of Energy; and Ministry of Health. It also reviewed the budget performance for Northern; Muchinga; and Eastern Provinces respectively. For purposes of budget tracking, the Committee interacted with the Ministry of Finance and National Planning over the budgetary performance of these ministries and provinces after receiving submissions from the selected ministries and provinces. The Committee also interacted with the Zambia Institute for Policy Analysis and Research; the Policy and Monitoring Research Centre; and the Zambia National Education Coalition Council.

4.1 Ministry of Health: Head 46

The Committee was informed that in the year 2021, the approved budgetary provision for the Ministry of Health was K9,230,638,998 and a total of K3,153,428,960, was granted as supplementary budget, bringing the total budget provision to K 12,384,067,958, representing 10.4 per cent of the National Budget, which stood at K119,616,011,615. With regard to the 2022 budget, the Ministry of Health had an approved budgetary provision of K12,416,098,313 and a total of K10,021,281 was granted as supplementary budget bringing the total budget to K 12,426,119,594, representing 7.2 per cent of National Budget, which stood at K172,987,077,535. It was further explained that in nominal terms, the total budget for the Ministry of increased by 0.3 per cent, from K 12,384,067,959 in 2021, to K12,426,119,594 in 2022. However, the proportion of the budget for the Ministry in relation to the National Budget reduced from 10.4 per cent in 2021, to 7.2 per cent in 2022. This percentage was still below the recommended 15 per cent allocation to the health sector as required by the Abuja Declaration. The allocations were as shown in Table 7 below.

Table 7**:** Approved Budgetary provision for 2021 and 2022 as percentage of total Budget

MTEF APPROVED BUDGET					
Year	**National Budget**	**Approved Budget**	**Supplementary Budget**	**Total Budget**	**MoH Budget as a percentage of the National Budget**
2021	119,616,011,615	9,230,638,998	3,153,428,960	12,384,067,958	10.4%
2022	172,987,077,535	12,416,098,33	10,021,281	12,426,119,594	7.2%

Source: Ministry of Finance and National Planning

The Committee was informed that the budget performance during the third and fourth quarter was as outlined hereunder.

(a) Budget performance for the third quarter of 2022

Table 8: Economic Classification for the third quarter for 2021 and 2022

PROGRAMME	ANNUAL BUDGET		THIRD QUARTER BUDGET (PROFILES)		THIRD QUARTER RELEASES		RELEASES % OF THE THIRD QUARTER	
	2021	2022	2021	2022	2021	2022	2021	2022
Personal Emoluments	5,022,518,780.00	5,507,086,563.00	1,255,629,695.00	1,376,771,640.75	555,873,598.40	37,223,848.53	44.27	2.70

Use of Goods and Services (RDCs)	4,808,697.13	3,842,795.003	1,202,174,403.25	960,698,750.75	1,089,827,700	488,485,090.05	90.65	50.85
Assets (Infrastructure)	1,549,791,373	1,615,653,411.00	387,447,843.25	403,913,352.75	28,000,000	88,620,533.350	7.23	21.94
Movable Assets	0	80,000,0000	0	0	0	0	0	0
Liabilities	0	0	0	0	0	0	0	0
Transfers and Subsidies	1,003,060,192.00	1,380,584,617.00	285,568,279.25	865,160,392.75	229,128,382.76	259,662,236.70	30.46	75.23
Total	**12,384,067,958.00**	**12,426,119,594.00**	**3,597,547,085.50**	**3,086,529,898.50**	**1,902,829,681.16**	**873,991,708.63**	**52.89**	**28.32**

Source: Ministry of Finance and National Planning

The Committee was informed that the total released funds during the third quarter of 2021, amounted to K1,902,829,681.16, compared to K873,991,708.63 released in the same period in 2022. Despite the released quarterly funding in 2021 appearing to be more than in 2022, cumulatively, more funds were released in 2022 to the tune of K7,205,575,998.48, as compared to K5,752,778,139.81 in 2021. It was explained that the budget performance was better in 2022 than 2021, as there was 20 per cent more funds released in the same period. In the quarters under review, 52.89 per cent was released in 2021, while 28.32 per cent was released during the same period in 2022.

(b) Budget performance for the fourth quarter of 2022

Table 9: Economic Classification for the fourth quarters for 2021 and 2022

PROGRAMME	ANNUAL BUDGET		THIRD QUARTER BUDGET (PROFILES)		FOURTH QUARTER RELEASES		RELEASES % OF THE FOURTH QUARTER	
	2021	2022	2021	2022	2021	2022	2021	2022
Personal Emoluments	5,022,518,780.00	5,507,086,563.00	1,255,629,695.00	1,376,771,640.75	2,309,711,232.10	1,071,771,941.68	18.95	77.85
Use of Goods and Services (RDCs)	4,808,697.13	3,842,795.003	1,202,174,403.25	960,698,750.75	1,089,827,700	488,485,090.05	28.57	47.34
Assets (Infrastructure)	1,549,791,373	1,615,653,411.00	387,447,843.25	403,913,352.75	28,000,000	88,620,533.350	0.01	15.28
Movable Assets	0	80,000,0000	0	0	0	0	0	0
Liabilities	0	0	0	0	0	0	0	0
Transfers and Subsidies	1,003,060,192.00	1,380,584,617.00	285,568,279.25	865,160,392.75	229,128,382.76	259,662,236.70	38.01	76.31
Total	**12,384,067,958.00**	**12,426,119,594.00**	**3,597,547,085.50**	**3,086,529,898.50**	**1,902,829,681.16**	**873,991,708.63**	**81.70**	**59.99**

Source: Ministry of Finance and National Planning

With regard to the fourth quarter, the Committee was informed that during the fourth quarter, the budget continued to perform as it did in the third quarter. It was explained that in as much as it showed as though the budget performed better in 2021, at 81.7 per cent than in 2022, 59.99 per cent, on a cumulative basis the 2022 budget performed far much better than 2021 as it was 86.44 per cent in 2022 and at 70.23 per cent in 2021.

The Committee was informed that the reason for showing a higher percentage in 2021, when analysed on a quarterly basis, was that in 2021, there was no consistency in the release of funds, compared to the 2022 funding flow. In 2021, funds were released in arrears in the last two quarters of 2021, while in 2022 financial year, there was a consistency in the flow of funds throughout the months up to December, 2022.

4.1.2 Programme performance of the budget during the third and fourth quarters of 2022

The Committee was informed that the Ministry had five programmes which included: Primary Health Care; Hospital Services; Central Technical Services Human Resource Development; and Management and Support Services. The performance of the Ministry with regard to these programmes was as outlined below.

(a) Primary Health Care

The Committee was informed that the total annual budget for the programme was K4,785,125,495.00. The objectives of the programme were to provide primary clinical care; outreach; community health services; referral and surveillance services; as well as construction and rehabilitation of primary health facilities. The Committee was further informed that what was profiled for the third quarter, was K1,193,776,053.50 and that out of the profiled funds, K 570,124,736.43 was released, representing 47 per cent and the actual expenditure was K337,828,161.58. It was further explained that cumulatively, the release of funds was at 84.57 per cent of the budget of K4,785,125,495.00, while expenditure indicated 28.30 per cent, but cumulatively the expenditure was at 69.16 per cent.

The Committee was further informed that the Ministry targeted to build forty health posts but none were constructed. Stakeholders also submitted that during the fourth quarter, the profiled amount was released at 90 per cent, while expenditure was at 82 per cent and fell short by 8 per cent. However, not all that was profiled was released.

(b) Hospital Services

The Committee was informed that the total annual budget for the programme was K6,606,335,098.00. The objectives of the programme were to provide safe, affordable, accessible and timely hospital services to the communities. It was explained that what was released in the third quarter, was less than what was profiled by 12.62 per cent but cumulatively, it was 71.70 per cent of the budget of K6,606,335,098.00, amounting to K3,552,596,049.19. The Committee was further informed that K813,300,484 was released during the fourth quarter out of K1,651,583,774 in as much as 272,878,921 was expended. The Committee learnt that the expenditure fell by 0.72 per cent because procurements were not completed due to processing time limitations and infrastructure. However, not all that was profiled was released.

(c) Central Technical Services

The Committee was informed that the total annual budget for the programme was K 10,356,561.00. The objectives of the programme were to strengthen the capacity of health workers in emerging health issues and policy amendments. The Committee was further informed that what was released during the quarter was less than what was profiled by 88.43 per cent. However, cumulatively, it was 112.90 per cent, of the budget of K10,356,561.00, that was released amounting to K 8,7869,698.62. Stakeholders submitted that the profiled expenditure indicated 90.43 per cent but cumulatively it was 51.64 per cent. With respect to the fourth quarter, 100 per cent of the profiled amount was released, but expenditure, compared to the profile was 83.27 per cent cumulatively. The programme fell short to exhaust what was profiled by 16.73 per cent because procurements were not completed due to processing time limitations and infrastructure.

4.2 Ministry of Energy: Head 62

The Committee was informed that in the year 2022, the approved budget for the Ministry of Energy was K 1,448,718,669.00, representing 0.84 per cent of the total budget of K 173 billion, as compared to K 902, 815,370.00 for 2021, representing 0.75 per cent of the total National Budget of K 119.6 billion. The Committee further learnt that in addition to the initial budget for 2022, the Ministry received supplementary funding amounting to K 546, 510, 059.87, as compared to K 7, 686,409,319.00 for the financial year 2021. The Committee was informed that the release of funds for the third and fourth quarters was as outlined hereunder.

(a) Budget performance for the third quarter

Table 10: Economic Classification for the third quarters for 2021 and 2022

PROGRAMME	ANNUAL BUDGET		THIRD QUARTER BUDGET (PROFILES)		RELEASES % OF THE THIRD QUARTER	
	2021	2022	2021	2022	2021	2022
Personal Emoluments	15,007,451.00	15,707,773.00	3,751,862.75	3,717,163.00	100	100
Use of Goods and Services	10,000,000.00	10,419,000.00	2,500,000.00	2,523,225.69	91.30	114.15
Supplementary or Declared Expenditure		612,000,000.00		541,955,086.60		88.5
Assets (Infrastructure)	785,969,289	1,316,977,471.00			210.1	0

Movable Assets	0	0	0	0	0	0
Liabilities	0	0	0	0	0	0
Transfers and Subsidies	91,838,630.00	105,614,425.00	22,959,657.50	73,015,190.62	100	100
Total	**902,815,370.00**	**2,060,718,669.00**	**29,211,520.25**	**621,210,665.91**		

Source: Ministry of Finance and National Planning

(b) Budget performance for the fourth quarter

Table 11: Economic Classification for the fourth quarters for 2021 and 2022

PROGRAMME	ANNUAL BUDGET		THIRD QUARTER BUDGET (PROFILES)		RELEASES % OF THE FOURTH QUARTER	
	2021	2022	2021	2022	2021	2022
Personal Emoluments	15,007,451.00	15,707,773.00	3,751,862.75	3,717,163.00	100	100
Use of Goods and Services	10,000,000.00	10,419,000.00	2,500,000.00	4,448,558.50	91.30	114.15
Supplementary or Declared Expenditure		612,000,000.00		4,554,973.27		88.5
Assets (Infrastructure)	785,969,289	1,316,977,471.00		100,000,000	210.1	0
Movable Assets	0	0	0	0	0	0
Liabilities	0	0	0	0	0	0
Transfers and Subsidies	91,838,630.00	105,614,425.00	22,959,657.50	25,923,704.00	100	100
Total	**902,815,370.00**	**2,060,718,669.00**	**29,211,520.25**	**138,644,398.77**		

Source: Ministry of Finance and National Planning

The Committee was informed that the Ministry had five programmes which included: Petroleum Development and Management; Electricity Development and Electrification Management; Renewable and Alternative Energy Development and Management; Energy Sector Standards and Regulations; and Management and Support Services. The performance of the Ministry with regard to these programmes was as outlined below.

4.2.1 Programme performance of the budget during the third and fourth quarters

(a) Petroleum Development and Management

The Committee was informed that the annual budget for the programme was K 4,371,043. The objective of the programme was to develop and manage the petroleum sub-sector to ensure the security of supply of petroleum products. It was explained that as at the end of the fourth quarter, 95.54 per cent of the total budget for the quarter was released and fully expended. It was further explained that although the inspection of the land in Kabwe which was meant for the construction of a fuel depot was done, the Ministry resolved not pay for the land as the costings were omitted.

(b) Electricity Development and Electrification

The annual budget for the programme was K 377, 352,720 and the objectives of the programme were to promote, facilitate, and regulate the production and distribution of electricity. The Committee was informed that 97 per cent of the budget for the third quarter, was consumed, while 49 per cent of the 100 per cent for the fourth quarter was expended. It was further explained that only six out of eighteen projects were completed as there was a delay in clearing the contracts by the Attorney General. The Committee was also informed that a number of feasibility study rights had been granted for hydropower projects, wind power projects and solar power projects, among others.

(c) Renewable and Alternative Energy

The annual budget for the programme was K 6,338,415 and the objectives were to facilitate and promote the use of renewable and alternative sources of energy and energy technologies. It was explained that as at the end of the third quarter, K 1,333,257 was expended above K 200,986, which was released. The Committee was informed that the survey had not been conducted in as much as a concept note had been developed for funding and collaboration with the Zambia Statistics Agency.

(d) Management and Support Services

The Committee was informed that the annual budget for the programme was K 9,529,029 and the objectives were to undertake in a cost-effective manner all tasks related to seamless management and coordination of core programmes under the Ministry for effective delivery of public services in the energy sector. The Committee was informed that out of the released amount of K 1,105, 133 for the third quarter, a total of K 1, 301,437 was expended. All the funds released for the fourth quarter were expended. It was further explained that the Ministry of Energy had submitted both the Petroleum Development Bill and the Rural Electrification Bill to the Ministry of Justice for drafting.

4.3 Ministry of Education: Head 80

The Committee was informed that in the year 2022, the Ministry of Education was profiled to receive K 4,571,761,120.00 in exclusion of PEs out of which K 3,897,584,714,57, representing 85 per cent was funded. It was further explained that the total budget allocated was K 18,073,367,991, which represented 10.4 per cent of the total budget. The budget performance during the third and fourth quarter was as outlined hereunder.

(a) Budget performance for the third quarter of 2022

Table 12: Economic Classification for the third quarters for 2021 and 2022

PROGRAMME	ANNUAL BUDGET		THIRD QUARTER BUDGET (PROFILES)		THIRD QUARTER RELEASES		RELEASES % OF THE THIRD QUARTER	
	2021	2022	2021	2022	2021	2022	2021	2022
Personal Emoluments	9,291,488,897.00	10,018,4619,507.00	2,322,872,224.25	2,504,617,376.75	2,117,166,412.00	1,976,930,713.63	91.1	78.9
Use of Goods and Services	24,656,872.00	84,793,527.00	6,164,218.00	21,198,381.75	0855,295.19	037,211,742.17	13.9	175.5
Assets (Infrastructure)	21,773,109.00	609,491,497.00	5,443,277.25		11,436,399	0	210.1	0
Movable Assets	0	0	0	0	0	0	0	0
Liabilities	0	0	0	0	0	0	0	0
Transfers and Subsidies	1,142,273,117.00	3,460,641,571,.00	285,568,279.25	865,160,392.75	92,752,547.00	831,836,895.63	32.5	96.1
Total	**10,480,191,995.00**	**14,173,396,102.00**	**2,620,047,998.75**	**3,390,976,151.25**	**2,222,210,571.19**	**2,845,979,351.43**	**84.8**	**81.2**

The Committee was informed that the 2022 third quarter budget under performed by 3.6 per cent, compared to 2021, which was at 84.8 per cent. The Committee was also informed that PEs releases were lower than the budgeted amount because the budgeted amount included PEs that were not funded until the fourth quarter by the Ministry of Finance and National Planning. Funding for grants was at 100 per cent and this enabled the Ministry to meet the set objectives with respect to disbursements of grants to schools and marking of General Certificate Examinations. It was further submitted that most of the releases in the third quarter were spent on PEs representing 20.20 per cent in 2021 and 13.95 per cent in 2022.

(b) Budget performance for the fourth quarter of 2022

Table 13: Economic Classification for the fourth quarters for 2021 and 2022

PROGRAMME	ANNUAL BUDGET		FOURTHQUARTER BUDGET (PROFILES)		FOURTH QUARTER RELEASES		RELEASES % OF THE FOURTH QUARTER	
	2021	2022	2021	2022	2021	2022	2021	2022
Personal Emoluments	9,291,488,897.00	10,018,4619,507.00	2,322,872,224.25	2,504,617,376.75	2,322,872,224.25	2,504,208,900.50	100.00	100.00
Use of Goods and Services	24,656,872.00	84,793,527.00	6,164,218.00	21,198,381.75	6,164,218.00	12,673,609.17	100.0	59.8
Assets (Infrastructure)	21,773,109.00	609,491,497.00	5,443,277.25	152,372,874.25	4,000,000.00	170,000,000	73.0	0111.6
Movable Assets	0	0	0	0	0	0	0	0
Liabilities	0	0	0	0	0	0	0	0
Transfers and Subsidies	1,142,273,117.00	3,460,641,571,.00	285,568,279.25	865,160,392.75	281,093,389.32	781,470,069.66	98.0	90.3

Total	**10,480,191,995.00**	**14,173,396,102.00**	**2,620,047,998.75**	**3,543,349,025.50**	**2,614,129,831.57**	**3,468,362,579.33**	**99.8**	**97.9**

The Committee was informed that the budget for PEs was fully funded as budgeted. With regard to use of goods and services, the funding during the fourth quarter was below the budget lines as the Ministry had exhausted most of the budget line. It was explained that funding for infrastructure was front loaded in the first and second quarter and was fully funded in the second quarter. That notwithstanding, the Ministry supplemented an additional K 170,000,000 towards infrastructure. The Committee was further informed that the 2022 fourth quarter budget seemingly performed better than the third quarter but not as well as the 2021 budget for the same period.

4.3.1 Programme performance of the budget during the third and fourth quarters

The Committee was informed that the Ministry had six programmes which included Early Childhood Education (ECE), Primary Education, Secondary Education, Youth and Adult Literacy Education, University Education and Management and Support Services. The performance of the Ministry with regard to these programmes was as outlined below.

(a) **Early Childhood Education**

The Committee was informed that the annual budget was K 102,615,365 and that 100 per cent was disbursed by the fourth quarter. The objectives were to secure quantitative and qualitative improvement in Early Childhood Education (ECE) and increase the proportion of three to six-year old children to have equitable access to ECE. The Committee was informed that most of the target outputs were achieved during the third quarter except the ministry failed to monitor all the centres annexed to primary schools for infrastructural adherence as the allocated funds were insufficient to cover all the ten provinces. The Committee was also informed that the Ministry only managed to feed 98,000 learners who were on the feeding programme as the cost of food doubled. Furthermore, the Ministry only managed to feed 1,302,000 out of 1,860,000 learners under the home-grown school meals programme as the cost of food doubled.

(b) **Primary Education**

The Committee was informed that the annual budget for the programme was K 7,2961,447,684.00 and the whole amount was disbursed by the end of the fourth quarter. The objectives were to provide free and compulsory education to all learners from grade one to seven, improve learning outcomes in the grade 5 national assessment survey, and to raise the grade seven completion rate to 100 per cent. It was explained that the Ministry planned to repair 442 school-roofs and produce 18,000 double seater desks, which had been fully achieved, while works on repair of blown off roofs was work-in progress.

(c) **Secondary Education**

The Committee was informed that the total budget for the programme was K 3,959,641,117 and that the amount was disbursed at 100 per cent by the end of the fourth quarter. The Committee was informed that the objectives were to improve the education standards by improving teacher contact hours and increasing the proportion of fully qualified teachers, gender equity and parity. Furthermore, the Ministry planned to implement the two-tier secondary education system and achieve transition rates to 90 per cent. It was explained that the Ministry had challenges with respect to monitoring of grade nine and twelve exams due to insufficient funds to cover the entire period as well as transport challenges. Furthermore, the Ministry failed to pay outstanding payments on certificates on thirty-two projects because contract periods had expired and renewal was in progress.

(d) **University Education**

The Committee was informed that the annual budget for the programme was K 1,184,493,081.00 and 100 per cent was disbursed by the end of the fourth quarter. The objectives were to increase equitable access to and participation in the provision of quality university education. The Committee learnt that most of the programmes were undertaken except monitoring and evaluation programmes.

4.4 Muchinga Province: Head 88

The Committee was informed that the total budget provision for Head 88 in the year 2021, was K 51,578,374.00 out of which K 39,792,325 was for PEs and K 11,786,049, was for Recurrent Departmental Charges (RDCs). This was as compared to the 2022 budget provision of K 67,836,987 out of which K 44,698,701 was for PEs, K1,474,230 was for moveable assets and K 21,664,056 was for RDCs. It was explained that the Province had five strategic programmes which included Community Development and Social Services, Natural Resource Management, Economic Development, Local Government Services, and Management and Support Service. The approved budgetary allocations in 2021 and 2022 and the releases in the third and fourth quarters of 2022 for the Province were as shown in the Tables below.

(a) Proportion of 2021 and 2022 Third Quarter Budget Estimates and Releases

Table 14: Economic Classification for the third quarters for 2021 and 2022

PROGRAMME	ANNUAL BUDGET		THIRD QUARTER BUDGET (PROFILES)		RELEASES % OF THE THIRD QUARTER	
	2021	2022	2021	2022	2021	2022
Personal Emoluments	39,792,303.67	44,698,701.00	9,399,788.31	13,143,628.95	100	100

Use of Goods and Services	11,442,512.00	21,664,056.00	1,471,943.00	7,021,226.66	100	100
Movable Assets	343,537	1,474,230.00	343,537.00	1,474,230.00	0	100
Grants Transfers and subsides						
Total	**51,578,352.00**	**67,836,987.00**	**11,215,262.31**	**21,638,975.62**	**100**	**100**

The Committee learnt that in the third quarter of 2021, the funding received was K11,215,268.31 out of which K 9,399,788.31 was for PEs; and K1,815,480.00 was for RDCs. For the same period in 2022, funding was at K 21,638,975.62 out of which K 13,143,628.95 was for PEs; K1,474,230.00 was for moveable assets; and K 7,021,116.67 was for RDCs. In terms of percentage release against the total annual budget over the same period, 21.74 per cent of the total 2021 budget was released in the third quarter whilst 31.90 per cent of the total budget in 2022 was also released in the third quarter

(b) Proportion of 2021 and 2022 Fourth Quarter Budget Estimates and Releases

Table 15: Economic Classification for the fourth quarters for 2021 and 2022

PROGRAMME	**ANNUAL BUDGET**		**FOURTH QUARTER BUDGET (PROFILES)**		**RELEASES % OF THE FOURTH QUARTER**	
	2021	**2022**	**2021**	**2022**	**2021**	**2022**
Personal Emoluments	39,792,303.67	44,698,701.00	18,818,319.93	9,729,141.41	100	100
Use of Goods and Services	11,442,512.00	21,664,056.00	171,569.00	3,566,305.34	100	100
Movable Assets	343,537	1,474,230.00			0	
Grants Transfers and subsides						
Total	**51,578,352.00**	**67,836,987.00**	**18,989,888.93**	**13,295,446.75**	**100**	**100**

The Committee was informed that in the fourth quarter of 2021, K 18,989,888.93 was released out of which K18,818,319.93 was for PEs; and K 171,569.00 was for RDCs), representing 36.82 per cent of the 2021 total Budget. In the fourth quarter of 2022, K 13,295,446.75 was released, out of which K 9,729,141.41 was for PEs; and K 3,566,305.34 was for RDCs, representing 19.60 per cent of the 2022 total budget. The performance of the programmes under Muchinga Province was as explained hereunder.

4.4.1 Programme performance of the budget during the third and fourth quarters

(a) Community Development and Social Services

The annual budget for the programme was K11,107,400 and the objective of the programme was to provide support to the communities, especially the vulnerable in society in order to meet their needs, as well as to uphold the social cultural values of the people for socioeconomic development. The Committee was informed that under Arts and Cultural services, the Province failed to complete the construction of an ablution block at the cultural village in Chinsali District due to inadequate funds as a result of low budgetary ceilings. It was also explained that under Child Affairs, only sixteen, out of forty street kids were identified and recommended for integration with their families due to low budgetary ceilings too. The other programmes were implemented at 100 per cent. Serve for the budgetary ceilings.

4.5 Ministry of Agriculture-Head 89

The Committee was informed that the approved annual budget allocation for the Ministry of Agriculture for 2022, was K 7,336,328,903 representing 2 per cent increase from the 2021 allocation of K 7,209,802,795. Out of the allocated amount, K5,372,670,459 had been allocated to FISP; K1,046,200,000 to the Food Reserve Agency for the purchase of national strategic food reserves; K465,375,185 to PEs; and K452,083,259 was allocated to various programmes and projects that were donor funded. The approved budgetary allocations in 2021 and 2022; and the releases in the third and fourth quarters of 2022 for the Ministry of Agriculture were as shown in the Tables below.

(a) Budget performance for the third quarter

Table 16: Economic Classification for the third quarters for 2021 and 2022

PROGRAMME	ANNUAL BUDGET		THIRD QUARTER BUDGET (PROFILES)		RELEASES % OF THE THIRD QUARTER	
	2021	2022	2021	2022	2021	2022
Personal Emoluments	455,075,262	465,375,185	194,156,323	115,985,205	42.7	25.1
Use of Goods and Services	6,670,120,436	6,759,475,560	2,022,870,179	4,57,238,937	30.3	6.7
Assets (Infrastructure)	0	15,100,000		9,853,852		65.3
Movable Assets and Liabilities	1,000,000	0	0	0	0	0
Transfers and Subsidies	83,607,094	96,378,158	25,085,698	25,173,013	30.0	26.1
Total	**7,209,802,795**	**7,336,328,903**	**2,242,112,200**	**608,251,007**		

The Committee was informed that the bulk of the releases in the third quarter of 2021 and 2022, were channelled to the FISP under the Economic Classification: Use of Goods and Services (RDCs).

(b) Budget performance for the fourth quarter

Table 17: Economic Classification for the fourth quarters for 2021 and 2022

PROGRAMME	ANNUAL BUDGET		THIRD QUARTER BUDGET (PROFILES)		RELEASES % OF THE FOURTH QUARTER	
	2021	2022	2021	2022	2021	2022
Personal Emoluments	455,075,262	465,375,185	198,404,267	91,753,517	43.6	19.7
Use of Goods and Services	6,670,120,436	6,759,475,560	773,735,388	5,925,874,047	11.6	87.6
Assets (Infrastructure)	0	15,100,000		3,178,260	10.3	21.0
Movable Assets and Liabilities	1,000,000	0	103,038	0	0	0
Transfers and Subsidies	83,607,094	96,378,158	23,814,272	14,366,666	28.4	14.9
Total	**7,209,802,795**	**7,336,328,903**	**996,054,965**	**6,035,172,517**		

With respect to the releases in the fourth quarter of 2022, K5,873,062,237, much of the released funds were channelled to the implementation of FISP. The releases to the FISP were used to facilitate the payment of contracted input suppliers**.**

The Committee was informed that the Ministry had five programmes which included Agriculture Development and Productivity, Agribusiness Development and Marketing, National Food Reserves Management, Agriculture Standards and Regulation, and Management and Support Services. The performance of the Ministry with regard to these programmes was as outlined below.

4.5.1 Programme performance of the budget during the third and fourth quarters

(a) Agriculture Development and Productivity

The Committee was informed that the annual approved budget for the programme was K 5,751,798,285 and the objectives were to enhance access to agriculture inputs and the development and utilisation of climate smart agriculture technologies and practices in order to improve production and productivity. It was explained that K 214,579,708 was profiled for the third quarter, while 258,913,309 was expended. It was explained that in the fourth quarter, K 3710,985,484 was profiled, while K5,965,611,893 was released. The Committee was informed that the purchase of 100 motor bikes was not completed.

(b) Agriculture Standards and Regulation

The Committee was informed that the annual budget for the programme was K 17,790,529 and the objective was to promote market access and exports through strengthening of sanitary and phytosanitary measures for managing plant health and plant products. The Committee was informed that during the third quarter, K 3,092,111 was profiled out of which K3,200, 451 was released while during the fourth quarter K 1,425,290 was profiled and K 1,913,846 was expended.

4.6 Northern Province : Head 93

The approved budget allocation for Northern Province under Head 93, increased to K84,584,534 in 2022, from K70,389,238.00 in 2021, representing a 20.17 per cent increase. The Budget allocation to PEs increased to K66,169,278 in 2022, from K58,603,191 in 2021, representing an increase of 12.91 per cent.

The Table below shows the details of the approved budgetary provisions and the increase according to economic classifications.

Table 18: 2021 and 2022 Approved Budgetary Allocations for Northern Province

Economic Classification	2021 Authorised	2022 Provision	Increase	Percentage Increase
Personnel Emoluments	**58,603,191**	**66,169,278**	**7,566,087**	**12.91%**
Non-Personnel Emoluments	**11,783,947**	**18,465,256**	**6,681,309**	**56.70%**
Total	**70,387,138**	**84,634,534**	**14,247,396**	**20.24%**

The approved budgetary allocations in 2021 and 2022 and the releases in the third and fourth quarters of 2022 for the province were as shown in the Tables below.

(a) Proportion of 2021 and 2022 Third Quarter Budget Estimates and Releases

Table 19: Economic Classification for the third quarters for 2021 and 2022

PROGRAMME	ANNUAL BUDGET		THIRD QUARTER BUDGET (PROFILES)		RELEASES % OF THE FOURTH QUARTER	
	2021	2022	2021	2022	2021	2022
Personal Emoluments	58,603,191	66,169,278.00	14,171,886.43	20,148,694.49	100	100
Use of Goods and Services	11,703,947.00	18,142,256.00	3,591,039.00	4,303,913.04	100	100
Movable Assets	82,100	323,000		19,998.00	0	100
Liabilities	0	0	0	0	0	0

Total	70,389,238.00	84,634,534.00	17,762,925.43	24,472,605.53		

(b) Proportion of 2021 and 2022 Fourth Quarter Budget Estimates and Releases

Table 20: Economic Classification for the fourth quarters for 2021 and 2022

PROGRAMME	ANNUAL BUDGET		THIRD QUARTER BUDGET (PROFILES)		RELEASES % OF THE FOURTH QUARTER	
	2021	2022	2021	2022	2021	2022
Personal Emoluments	58,603,191	66,169,278.00	27,243,409.78	11,802,927.89	100	100
Use of Goods and Services	11,703,947.00	18,092,256	82,124.00	3,393,974.45	100	100
Movable Assets	82,100	323,000		145,362.00	0	100
Liabilities	0	0	0	0	0	0
Total	**70,389,238.00**	**84,634,534.00**	**27,325,533.78**	**15,342,264.34**		

It was explained that out of the approved budget allocation of K84,584,534 in 2022, the Province had five programmes which included Community Development and Social Services, Natural Resource Management; Economic Development, Local Government Services, and Management and Support Service. The performance of the programme was as explained hereunder.

4.6.1 Programme performance of the budget during the third and fourth quarters

(a) Community Development and Social Services

It was explained that the annual budget for the programme was K 1,351,000 and the profiled funds were released at 100 per cent for third and fourth quarter respectively. The objectives of the programme were to: effectively and efficiently facilitate the provision of equitable social protection to communities; promote national values and principles; enhance child protection and advocacy; sports development among others. The Committee was informed that the Ministry had embarked on the construction of three youth skills centres in Mbala, Luwingu and Chilubi. However, the works were not completed due to change in prices of materials for Mbala and Chilubi.

(b) Natural Resource Management

The Committee was informed that the annual budget for the programme was K 3,313,395 and the objectives of the programme were to: enhance sustainable use of natural resources through effective management of forestry; meteorological services; and water resource development and water sanitation. It was explained that the profiled funds were released at 100 per cent for both third and fourth quarters respectively. It was further explained that most of the activities were implemented which included undertaking of blitz patrols to curb illegal forest activities. The Committee was informed that three boreholes, out of ten had not been constructed.

(c)Economic Development

The Committee was informed that the annual budget for the programme was K 3,405,193. The objectives for the programme were to provide efficient and effective land administration; resettlement; labour inspection and development; and management of public infrastructure. It was explained that the profiled funds were released at 100 per cent for both third and fourth quarters. The Committee was informed that the Provincial Office only issued thirty-six offer letters out of a target of 300. The low performance was attributed to lack of a title deeds Department in the province. Further, the province failed to meet its target of K2,000,000 non-tax revenue by Lands Department by K 66,429 due to lack of transport to expedite operations.

4.7 Eastern Province: -Head 95

The Committee was informed that the approved budget allocation for Eastern Province increased by K11,436,782, from K72,211,539 in 2021, to K83,648,321 in 2022, representing a 16 per cent increase. During the course of 2022, the Province received K2,000,000 supplementary funding, translating into an authorised annual budget of K85,648,321, representing 19 per cent increase, compared to the 2021 allocation. It was explained that the Province had five strategic programmes which included Community Development and Social Services, Natural Resource Management, Economic Development, Local Government Services, and Management and Support Service. The approved budgetary allocations in 2021 and 2022 and the releases in the third and fourth quarters of 2022 for the Province were as shown in the Tables below.

(a)Proportion of 2021 and 2022 Third Quarter Budget Estimates and Releases

Table 19: Economic Classification for the third quarters for 2021 and 2022

PROGRAMME	ANNUAL BUDGET		THIRD QUARTER BUDGET (PROFILES)		RELEASES AS % OF THE THIRD QUARTER BUDGET		RELEASES % OF THE FOURTH QUARTER	
	2021	2022	2021	2022	2021	2022	2021	2022
Personal Emoluments	60,043,491	64,905,062	17,422,937	19,246,591	17,422,857	19,246,591	100	100
Use of Goods and Services	12,028,8236	15,942,858	3,608,714	4,574,417	3,608,714	3,153,772	100	69
Assets (Infrastructure)	0	520,976						
Movable Assets and Liabilities	139,225	4,279,424	130,700	10,000	130,700	10,000	100	100
Transfers and								

Subsidies								
Total	**72,211,539**	**85,648,320**	**21,162,271**	**23,831,0 08**	**21,162, 271**	**22,4 10,2 63**	**100**	**100**

In the third quarter of 2022, a total of K22,410,363 was released, against the third quarter budget(profiles) of K23,831,008 representing 94 per cent. The variance was due to deferment of the release of the September 2022 funding profiles, which was released in the fourth quarter of 2022. On the other hand, in the third quarter, of 2021, the entire funding profile for the third quarter amounting to K21,162,271 was released in full, representing 100 per cent.

(b) Proportion of 2021 and 2022 Fourth Quarter Budget Estimates and Releases

Table 20: Economic Classification for the third quarters for 2021 and 2022

PROGRAMME	**ANNUAL BUDGET**		**FOURTH QUARTER BUDGET (PROFILES)**		**RELEASES AS % OF THE FOURTH QUARTER BUDGET**		**RELEASES % OF THE FOURTH QUARTER**	
	2021	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**
Personal Emoluments	60,043,491	64,905,062	18,991,302	19,758,38 8	23,225,2 91	19,75 8,388	122.3	100
Use of Goods and Services	12,028,8236	15,942,858	1,921,634	1,1150,49 9	1,921,63 4	2,571 ,144	100	223.5
Assets (Infrastructure)	0	520,976						
Movable Assets and Liabilities	139,225	4,279,424	130,700	10,000	130,700	10,00 0	100	100
Transfers and Subsidies								
Total	**72,211,539**	**85,648,320**	**21,162,271**	**23,831,0 08**	**21,162, 271**	**22,4 10,2 63**	**100**	**100**

The Committee was informed that the Budget allocation PEs increased by K4,861,572 from K60,043,491 in 2021 to K64,905,063 in 2022, representing a percentage increase of 8 per cent. The increase was due to the allocation for dismantling of personnel related arrears and budgeting for unfrozen staff positions.

Regarding Non- PEs, the allocation increased by K8,575,210, from K12,168,048 in 2021 to K20,743,258 in 2022, representing a percentage increase of 70 per cent. The performance of the programmes under Eastern Province was as explained hereunder.

4.7.1 Performance of the programmes under

The performance of the programmes under Eastern Province was as explained hereunder.

(a) Community Development and Social Services

The annual budget for the programme was K 15, 936,915. The objective of the programme was to effectively and efficiently facilitate the provision of equitable social protection to communities. It was explained that during the third quarter, 88 per cent of the profiled amount was released, while in the fourth quarter, 90 per cent of the profiled amount was released. It was explained that most of the activities were undertaken save for sports development which was partially implemented.

(b) Natural Resource Management

The annual budget for the programme was K 12,741,661. The objectives of the programme were to protect and manage forests and water sheds and ensure the supply of water to the communities, as well as provision of early warning. It was explained that during the third quarter, 98 per cent of the profiled funds were released, while in the fourth quarter, 95 per cent was released. It was explained that in as much as most of the funds were released, a number of activities were not achieved such as water and resource management, maintenance of weather instruments, drilling of boreholes, and protection of forests to curb illegal activities. The Committee was informed that the main challenge was delayed procurement processes.

(c) Economic Development

The annual budget for the programme was K 13,912,286. The objectives of the programme were to provide efficient and effective land administration; resettlement; labour inspections and development; and maintenance of public infrastructure in the Province. The Committee was informed that 91 per cent of the profiled funds were released in third quarter while 100 per cent of the funds were released during the fourth quarter. It was explained that a number of activities among them agriculture resettlement, survey services, and public infrastructure development and maintenance were partially implemented due to delayed procurement processes.

(d) Local Government Services

The annual budget for the programme was K 2,098,308. The objectives of the programme were to provide efficient and effective local government administration and spatial planning and services in the province. During the third quarter, 48 per cent of the profiled funds were released, while in the fourth quarter 80 per cent of the profiled funds were released. The Committee was informed that most of the activities were achieved except for the construction of feeder roads. The unimplemented activities were attributed to the lack of sufficient funds.

(e) Management and Support Services

The annual budget for the programme was K 40,959,150. The objective of the programme was to coordinate and provide support to the implementation of all government programmes in the province. The Committee was informed that during the third quarter, the profiled funds were released at 100 per cent, while in the fourth quarter, funds were released at 133 per cent. The Committee was informed that no audit was undertaken as the head of the unit was transferred. It was also explained that a number of procurement activities were not done as simplified bidding was used to handle procurements during the period.

PART IV

5.0. STAKEHOLDER CONCERNS

5.1 Disbursement of full funding during the fourth quarter

Stakeholders expressed concern that while the release of the funds during the third and fourth quarters of 2022 was done fully, most of the funds were released in the fourth quarter of the year. Stakeholders were of the view that this exerted undue pressure on the ministries and the spending agencies to expend the funds promptly.

5.2 Failure to implement projects under Rural Electrification Agency

Stakeholders expressed concern on the burn-rate by the Rural Electrification Agency. Stakeholders noted that only K 51,524,005 out of K 377,352,720 was spent and only six projects were implemented out of a target of eighteen. This was due to delay in the clearance of contracts by the Attorney General. Further, most of the projects were put in lots, which in turn affected the entire tender in an event that one lot had some deficiencies. Furthermore, stakeholders expressed concern that the Ministry of Energy received supplementary budget without having exhausted the funding for most programmes, except for funding for management and other services which was above 100 per cent.

5.3 Failure to narrow the fiscal deficit

Stakeholders expressed concern that the fiscal deficit on cash basis was K 23.9 billion representing 5.1 per cent of GDP and that this was higher than the planned fiscal deficit of K 15.1 billion. Stakeholders also expressed concern that the fiscal deficit for the year stood at 8 per cent of GDP, against the projected target of 6.7 per cent of GDP which was revised to 9.8 per cent. Stakeholders noted that in 2023, the fiscal target was 7.7 per cent, a rate which was higher and inconsistent with the 6.4 per cent target as proposed in the Eighth National Development Plan (8NDP).

5.4 Introduction of Education Levy

Stakeholders implored the Government to consider introducing an education levy following the recommendations of the National Education Conference, which was held in 2019. Stakeholders were of the view that in view of the prevailing debt obligations, which had a potential to affect budget allocations to critical sectors such as education, implementing an education levy would help ring-fence education financing and ultimately improve quality of education.

5.5 Poor management of Value Added Tax

Stakeholders submitted that VAT collections under-performed throughout 2022. VAT collections were below the target of 6.8 per cent and this was largely on account of low compliance by Withholding VAT agents as most of them were requesting for offsets against liabilities owed to them. Stakeholders were of the considered view that VAT refunds were a challenge in Zambia unlike in other countries.

5.6 Non-Amortisation of outstanding debt

Stakeholders noted that the debt restructuring programme under that the G20 Common Framework had taken too long to finalise. While acknowledging that the Government was paying interest rates and not the fully amortised loans, largely on account of the debt standstill, the prevailing strategy was not a solution but merely postponing a problem. Stakeholders further expressed concern at the fact that the Government did not have an alternative plan in an event that the restructuring of the debt under the G 20 Common Framework did not go as planned. Stakeholders also expressed concern on the low and slow engagement with China which had a major stake of sovereign loans.

5.7 Dismantling of arrears to local suppliers vis-a-vis finalisation of the audit

Stakeholders expressed concern that local suppliers were owed over K 76 billion, which affected most of the local businesses and availability of liquidity in the economy. Stakeholders further noted that the Government had engaged Client Focus Solution and Price Water House Coopers to undertake an audit of the domestic debt at a cost of K 16.8 million, but the results of the audit had not been shared with the public.

5.8 Plummeting performance of Non-Tax Revenue

Stakeholders noted that non-tax-revenue reduced from K 4.9 billion in the fourth quarter of 2021, to K 3.7 billion in the fourth quarter of 2022. The underperformance was alleged to arise from reduction in the collections of Mineral Royalty from K 2.8 billion in the fourth quarter of 2021, to K 1.8 billion in the fourth quarter of 2022, owing to reduced copper prices at the international market, as well as low copper production.

5.9 Prompt Implementation of the Comprehensive Agriculture Support System

Stakeholders expressed concern that in the 2022 budget, out of K7 billion allocated to the Ministry of Agriculture, 90 per cent was channelled to the Farmer Input Support Programme, thereby leaving a paltry 10 per cent for other programmes. Stakeholders also noted that there was less expenditure on utilisation of climate smart agriculture technologies in the wake of climate change.

5.10 Low allocation of funds to capital projects

Stakeholders noted that most of the ministries received their funding as per their budget profiles. Stakeholders were, however, incensed that the allocation to Personnel Emoluments continued to gobble the largest portion of the budget while economic programmes continued to receive minimal finding.

5.11 Over centralisation and delayed recruitment of staff in new districts

Stakeholders noted that most of the provinces failed to undertake a number of activities such as issuance of title deeds at provincial levels, which could have increased revenue collections by way of ground rent under the Land Titling Programme. However, this activity was not implemented. For instance, officers from Northern Province had to travel to Ndola to process the documents. This challenge was also exacerbated by lack of transport in most of the provincial centres.

5.12 Implementation of Budget Tracking systems at provincial centres

Stakeholders noted that while funds were disbursed timely to the Provincial centres, the budget for the Provincial Administration did not cater for capital projects which were under the various sectors, as this was done centrally from Lusaka. That not notwithstanding, the province was expected to undertake monitoring and evaluation of such projects which in some cases were duplicated among the various sector players based in the provinces.

PART V

6.0. COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

6.1 Enhance and implement efficient measures in collection of non-tax revenue

The Committee observes, with concern that non-tax revenue performed poorly in the third and fourth quarters of 2022, in comparison to the same period in 2021. The Committee further observes that although there are over 120 non-tax revenue bases from which more could be collected, their total collections were less than customs and excise duties..

In light of this, the Committee recommends that institutions charged with the responsibility to collect non-tax revenue must be impressed upon to appreciate their role in domestic resource mobilisation so that they can enhance their operations and implement efficient measures to effectively collect more revenues.

6.2 Streamline the tax system to create a stable and predictable environment

The Committee observes that non-tax revenue, with regard to Mineral Royalty, underperformed from K 2.8 billion in the fourth quarter of 2021 to K 1.8 billion in the fourth quarter of 2022, owing to reduced copper prices on the international market, as well as low copper production. The Committee also observes that the 8NDP proposes to enhance domestic revenue mobilisation which should be achieved by streamlining the tax system and creating a stable and predictable environment. The Committee observes, with concern, the frequent changes in the mining fiscal regime, which come with every change of Government. A case in point, is the subsisting change with respect to Mineral Royalty. The Committee is of the strong view that such frequent changes expose Governments to the possibility of state capture.

In view of the above, the Committee strongly recommends that for the Government to reap the correct and expected revenue from the mining sector which is a major contributor to domestic revenue but lags behind its potential, it should be magnanimous and formulate robust legislation specifically targeted at the mining sector. The law should provide for stability in the tax regime and promote investment. It should also guide the development of mines and mining activities; mining taxation; utilisation of mining tax revenue and investment of such revenues by the Government. The Committee further recommends that the proposed legislation, which should stand the test of time should be enacted after extensive consultations and consensus –building among all stakeholders.

6.3 Non-deductibility of Mineral -Royalty

The Committee observes with concern that Zambia has changed its mineral tax regime, ten times in sixteen years. The worst affected has been Mineral Royalty Tax (MRT)which is a payment to the government to compensate for the right to extract a non-renewable natural resource. The Committee notes that in 2021, the total tax contribution by the mining companies was higher as it included K6.4 billion mineral royalty which was non-deductible at the time. However, in 2022, Government reintroduced the deduction of MRT for corporate income tax assessment purposes as a way of attracting investment in the mining sector and to keep it in line with international best practices. Consequently, this has led to a significant reduction in MRT and in turn affected the amount of non-tax revenue collection, which performed below the set target.

The Committee, therefore, recommends that the Government should have targeted this incentive to deduct MRT as an expense, only to greenfield mines and not for the ones already in operation. While notng that the policy shift is meant to spur economic growthand not stfile investment in the mining sector, the Committee recommends that the Government should promptly review this policy shift. This is because, MRT has key administrative advantages to other taxes were there is rampant avoidance and that MRT there is more revenue stability and less volatility when compared to taxes on profit.

6.4 Failure to narrow the fiscal deficit

The Committee observes that the country has been facing challenges in meeting various targets, particularly the fiscal deficit, which stood at 2.2 per cent of GDP in 2012, rising to over 14 per cent in 2020. The deficit was at 8.1 per cent in 2022, after missing the target of 6.7 per cent. The Committee also observes that the fiscal target of 7.7 per cent in 2023, is already way too high and inconsistent with the 6.4 target for 2023, proposed in the 8NDP.

In this regard , the Committee recommends that the Government should put in place measures to ensure sustainable utilisation of resources to avert further debt accumulation.

6.5 Constrained Fiscal Space

The Committee observes that a paltry 12 per cent was spent on productive capital projects such as roads, rural electrification and water and sanitation. Conversely, 50 per cent of total expenditure accounted for the public service wage bill and debt payments, accounting for 71 per cent of the domestic revenue.

While noting the debts standstill, and the constrained fiscus, the Committee recommends that the Government should not neglect wholesale expenditure on capital formation and developmental activities which are key for economic growth.

6.6 Failure to implement projects under Rural Electrification Agency

The Committee observes that in as much as the Treasury had released funds to the Ministry of Energy, a number of projects were not implemented. These were the renewable and alternative energy pogrammes and the energy survey. The Committee also notes that Rural Electrification Agency equally failed to undertake a number of projects to the detriment of the sector.

In view of the foregoing, the Committee urges the Executive to ensure that the Ministry of Energy is proactive in the implementation of energy projects. Further, the Committee urges the Executive to implement holistic measures to eliminate delays in the implementation of programmes that arise due to winding procurement procedures.

6.7 Introduction of Education Levy and full implementation of programmes

The Committee observes that the National Education Conference, held in 2019, recommended for the introduction of an education levy in order to secure education financing. The Committee is of the considered view that, in view of the prevailing debt obligations which have the potential to affect budget allocations to critical sectors such as education, implementing an education levy would help ring-fence education financing and ultimately improve quality of education.

In light of this, the Committee recommends that the Government should consider introducing an education levy to ensure that programmes such as feeding programmes; monitoring of exams; and development of early education centres; are fully implemented.

6.8 Prompt Implementation of the Comprehensive Agriculture Support System

The Committee observes that the Government has not laid out a road map of how the Comprehensive Agriculture Support Programme (CASP)will be implemented. The Committee further observes that FISP has continued to gobble the larger portion of the budget for the Ministry of Agriculture.

The Committee, therefore, recommends that the Government should expedite the roll-out of CASP, and undertake research from other jurisdictions in the region in order to learn best practices.

6.9 Restructuring of Debt under the G20

The Committee observes that the Government has been making interest payments on public debt, without necessarily paying the full amortised loan due to the ongoing debt structuring discussions. While noting that this has helped to free some resources which have been used in other sectors such as education and health, the Committee observes with concern that the current arrangement is not a solution but postponement of a problem, particularly in an event that the restructuring of the debt does not succeed.

In light of the above, the Committee urges the Executive to formulate an alternative strategy or begin to negotiate for a longer time-frame in which to pay the loans as opposed to relying on a relief package from the creditors.

6.10 Challenges of transport at provincial centres and limited budget ceilings

The Committee observes that lack of transport is an overarching challenge for all the provincial offices. The Committee also observes that provincial centres failed to undertake certain activities such as forest patrols among others. The Committee observes that transport is essential for activities that help in revenue generation. The Committee further observes that limited budget ceiling is making it difficult to implement key developmental programmes.

In light of this, the Committee recommends that as a matter of urgency, the Executive should ensure that the issue of transport is resolved expeditiously. The Committee furher recommends that the Executive should consider revisiting the amounts allocated to provincial administration centres.

6.11 Enhance coordination of sector ministries with the provincial administration

The Committee observes that there is a lack of coordination between the sector ministries in the provinces and the provincial administration. As a result, there is duplication of activities and wastage of the meagre resources. The Committee also observes that the various sector ministries have pre-planned projects, which the provincial administrations are often not aware of and are not party to, from inception., but are expected to monitor and evaluate.

In light of this, the Committee recommends that the Executive should as a matter of urgency, implement budget tracking systems at provincial centres to enhance coordination. In addition, the Committee urges the Executive to consider channelling resources meant for capital projects under respective sectors operating in the province to the budget for provincial administrations, to enhance effective use of resources and avert duplication.

6.12 Delay in distribution of farmer inputs

While taking note that the Government is in the process of implementing CASP which will also incorporate FISP, the Committee observes with concern that despite the FISP programme being fully implemented over the aggregate period of 2022, releases in the first, second and third quarters were below the target by 14.2 per cent; 79.2 per cent; and 92.9 per cent respectively. The Committee further observes that the delayed procurement and distribution of inputs had the potential to affect national and household food security.

In view of the above, the Committee recommends that the Government should realign the FISP procurement calendar preferably to begin in the first quarter to allow for timely delivery of inputs.

PART VI

7.0 CONSIDERATION OF THE ACTION TAKEN REPORT

7.1 Action Taken Report on the Report of the Planning and Budgeting Committee on the Review of the First Quarter Performance of the 2022 Budget

i. Exposure to External Shocks on the Economy

The previous Committee had recommended that the Government should build sufficient buffers to insulate the economy from exposure to external shocks including building foreign reserves; diversifying the economy; and promoting domestic investment, among other things.

Executive's Response

The Executive responded that in order to insulate the economy from exposure to external shocks, the Government had taken the following measures:

(i) diversifying the economy;
(ii) promoting domestic investment;
(iii) improving the import cover; and
(iv) increasing non-traditional exports.

Committee's Observations and Recommendations

The Committee notes the response and resolves not to close the matter and will await an update on: diversification of the economy; promotion of domestic investment and increase of non-traditional exports. The Committee is of the view that these have not been fully actualised.

ii. Expedite Finalisation of the IMF Programme

The previous Committee had noted that debt restructuring with creditors under a Common Debt Framework, was largely premised on the outcome of the IMF programme. In this regard, the Committee strongly urged the Government to expedite talks with the IMF in order to pave the way for debt restructuring talks with Zambia's external creditors.

Executive's Response

The Executive responded that Zambia had received financing assurances from the official creditor committee. The "Financing Assurances" referred to the commitment from the official creditors to grant Zambia a debt treatment compatible with the macroeconomic framework and debt sustainability constraints underpinning the contemplated IMF Programme. Consequently, Zambia's Extended Credit Facility programme would be presented to the IMF Board and approval was expected at the beginning of September, 2022. This would culminate into negotiations with the official creditor committee, which was expected to result in the execution of a Memorandum of Understanding and the formation of an initial restructuring proposal.

Furthermore, the Executive reported that in parallel, Zambia would hold discussions with its commercial creditors to seek comparable relief with what would be agreed with the official creditors. However, the target was for the debt restructuring process to be completed by the end of 2022, or if negotiations were extended, within the first half of 2023.

Committee's Observations and Recommendations

In noting the significant strides recorded in concluding the IMF programme, the Committee is concerned that it has taken long for the Government to conclude discussions with both the Official Creditor Committee and the commercial creditors. The Committee urges the Government to expedite the processes and resolves to await a progress report on the matter.

iii. Enhance Collection of Non-Tax Revenue

The previous Committee expressed concern at the poor performance of non-tax revenue, which stood at standing at 13.5 per cent, below target in the first quarter of 2022. In light of this, the Committee, strongly, recommended that the Government should implement and enhance efficiency measures in collecting agencies in order to boost non-tax revenues and ultimately contribute its share to domestic resource mobilisation.

Executive's Response

The Executive reported that as part of the strategies to enhance non-tax revenue collection, the Government had introduced an online payment solution under an integrated system called the Government Service Bus and Payment Gateway. This ecosystem had enabled citizens to pay for Government services using debit or credit cards; mobile money; and mobile banking solutions.

As a result, 150 Government services could be accessed and paid for by the public from the comfort of their homes or businesses. This digital transformation had helped to enhance service delivery to the public and improved the efficiency of revenue collection. The Government remained committed to continuing with these developments so that more non-tax collecting agencies were modernised through digital technology which in turn would result in improved public service delivery and enhanced non-tax revenue collection.

Committee's Observations and Recommendations

In noting the implementation of the integrated system on the Government Service Bus were over 150 Government services can be accessed, the Committee is of the view that this is not sufficient to enhance collection of non-tax revenue. The Committee, therefore, resolves not to close the matter and will await a progress report on the other strategic plans that the Government has to enhance collection of non-tax revenue.

iv. Boost Revenue Generation from the Mining sector

The previous Committee recommended that the Government should put in place measures that would improve mining operations, ensure that mines operate at full capacity and stabilise the mining fiscal regime in order to boost revenue from the sector. The Committee further urged the Government not to lose sight of measures to curb illicit financial flows.

Executive's Response

The Executive reported in the Action-Taken Report ,that the Tax Base Erosion and profit shifting had become a global challenge on revenue mobilisation. In order to collaborate with other countries to address revenue leakages through Base Erosion and Profit Shifting (BEPS), Zambia was a member of the Organisation for Economic Co-operation and Development /Group of Twenty (G20) Inclusive Framework on BEPS. As such, Government would fully implement the BEPS minimum standards to curtail BEPS challenges. Further, the Government would augment transfer pricing audits following the revision of transfer pricing regulations and issuance of documentation rules in 2018. The Government was also committed to build capacity so as to safeguard the revenue base from undue tendencies of international capital flows.

Committee's Observations and Recommendations

The Committee takes note of the response and resolves to await a progress report on the outcome of the full implementation of the BEPS minimum standards, meant to curtail BEPS challenges.

v. Limit Government Borrowing from the Private Sector

The previous Committee strongly recommended that where possible, the Government should desist from borrowing from the local market in order to promote private sector expenditure and investment.

Executive's Response

The Executive reported that the concerns of the Committee were noted and Government would endeavour to follow the borrowing plan as approved by Cabinet.

Committee's Observations and Recommendations

The Committee notes the effort by the Government to desist from borrowing from the local market to an extent of crowding out the private sector. The

Committee notes Government' s commitment and resolves to await a progress report on the matter.

vi. Prioritise Rural Infrastructure

The previous Committee strongly recommended that Government should take greater interest in the implementation of programmes by local authorities so that rural development does not lag behind.

Executive's Response

The Executive reported in the Action-Taken Report that increased responsibilities from the Central Government to the local authorities would not increase inequalities between the rural and urban areas. To the contrary, it would bridge the gap between the two. This was because the increased resources to rural communities would enable them undertake projects that would help them develop their communities.

The increase in Constituency Development Fund allocation did not mean that the Government would no longer undertake projects at local level. CDF was meant for small projects, and big projects or those with high construction costs, would always be undertaken by the Central Government.

The Government had an interest in programmes undertaken in local authorities, and this was the more reason Government created the Ministry of Local Government and Rural Development to oversee the development of rural areas. Further, Government was committed to implementing the Decentralisation Policy.

Committee's Observations and Recommendations

While noting the Executives response, the Committee observes with concern , the inordinate time it has taken to fully implement the Decentralisation Policy. The Committee strongly urges the Executive to expedite the process and resolves to await a progress report on the full implementation of the policy.

vii. Fast-track Implementation of programmes under CDF

The previous Committee had expressed concern on the delays in the approval process by the Ministry of Local Government and Rural Development and the red tape around the CDF Guidelines. In light of this, the Committee strongly recommended that the Government should, as a matter of urgency, fast track implementation of projects in all constituencies if meaningful development was to be realised, especially rural infrastructure.

Executive's Response

The Executive reported that they had taken note of the Committee's concerns regarding the initial under performance of some programmes. However, efforts had been made to speed up programme implementation. With regard to CDF projects, in the interim, a committee of experts had been set up in the Ministry to review and recommend projects for approval. In the long term, the Ministry was undertaking a review and amendment of the Constituency Development Fund Act to take into account concerns from stakeholders. Additionally, the Ministry was implementing a ten day-turn-around policy which entailed that submissions were actioned within ten days of receipt in the Ministry. Unless where there were issues that required clarifications from the Local Authorities in which case there could be minor delays in the approval process. The Government had also taken not of the Committees recommendation, that unlike, having the Ministry to approve the CDF projects, the Government should allow Provincial Local Government Offices to approve CDF projects within a specified threshold in order to expedite project implementation.

Committee's Observations and Recommendations

While noting the response, the Committee notes, with concern that the there was no review of CDF guidelines and the no amendment of the *Constituency Development Fund Act No. 11 of 2018,* so as to resolve the encumbrances. The Committee resolves to await a progress report on the speedy implementation of CDF funded projects and the implementation of the means and modalities to fast track project implementation.

viii. Expedite Procurement Processes

The previous Committee had observed that other than delays in funding for some of the MPSAs in the first quarter of 2022, unspent funds were largely as a result of procurement challenges and processes, ranging from limitations from the procurement price index, managed by the Zambia Public Procurement Authority, due to inadequate procurement officers. The Committee strongly urged the Government to, as a matter of urgency, address gaps in staffing levels, especially for procurement officers in order to fast- track programme implementation.

Executive's Response

The Executive reported that it had noted the Committee's recommendation and would endeavour to address gaps in staffing levels.

Committee's Observations and Recommendations

The Committee resolves to await a progress report on the recruitment of staff to address the gaps in staffing levels and urges the Government to expedite the process.

ix. Maintain Fiscal Prudence to Avoid Fiscal Slippages

The previous Committee recommended that in order to keep the fiscal deficit within target, the Government should closely monitor spending to ensure that the country did not fall into even more debt levels. The Committee further recommended that the overspending on use of goods and services should critically be assessed if budget credibility was to be restored.

Executive's Response

The Executive responded that they had been implementing austerity measures aimed at reducing public spending to enhance fiscal discipline.

Committee's Observations and Recommendations

While noting the response, the Committee resolves to await a progress report on the implementation of austerity measures, as fiscal discipline in most MPSAs is still questionable. The Committee also requests for a progress report on the measures the Government has put in place to curtail increased debt levels and urges the Government not to acquire more debt.

x. Enhance Programme Implementation in the Education Sector

The previous Committee noted that following the removal of user fees and Parent Teachers Association funds, some schools were struggling to meet salary obligations and had resorted to utilising funds from the grants meant for programme implementation to pay salaries, outside the payroll system. The Committee urged the Government to investigate the matter and ensure that programme implementation in the Ministry of Education was not affected by the diversion of funds to payment of salaries.

Executive's Response

In response, the Executive responded that the Education For All Policy provided clear guidance in utilising school grants. Before schools opened in term one (1) of 2022, all school head teachers across the country were oriented on the School Guidelines for the application of school grants. Schools were further guided to employ ancillary staff within the thresholds provided for under their grants under the human resource budget line.

The Government would continue engaging all levels of the education system to ensure prudent utilisation of public funds and as per requirement and a comprehensive audit of the school grants would be done at the end of the year 2022.

Committee's Observations and Recommendations

The Committee resolves to await a progress report which will be anchored on the comprehensive audit of the school grant report.

7.2 Action Taken Report on the Report of the Budget Committee on the Review of the First Quarter Performance of the 2020 Budget

i. Review of the 2020 National Budget

The previous Committee took cognisance that the Economic Recovery Programme was launched and that the negotiations with the IMF had reached an advanced stage. In this regard, the Committee urged the Government to provide an update on the details of the negotiations and awaited a progress report on the matter.

Executive's Response

The Executive responded that the Government of the Republic of Zambia and the IMF had undertaken various negotiations since 2020 which culminated into a Staff Level Agreement in December 2021. The Agreement spelt out the agreed broad macroeconomic framework for the medium term between the Government and the Fund. Using this macroeconomic framework, the IMF and the World Bank then undertook a debt sustainability analysis to determine the level of debt relief that Government would require from its creditors in order to restore public debt sustainability. The outcome of this analysis was what was shared with the Official Creditor Committee and was the basis of the financing assurances that were provided by the official creditors in July, 2022.

Committee's Observations and Recommendations

While noting the response, the Committee observes, with concern, that in as much as there are financing assurances by the IMF, the issue of debt restructuring has not conclusively been resolved. The Committee, therefore, urges the Government to ensure debt structuring is expeditiously concluded. The Committee resolves to await a progress report on the matter.

ii. Impact of the COVID-19 Pandemic on the National Budget

The previous Committee urged the Government to continue engaging both local and international institutions and co-operating partners to supplement its efforts, so as to have more sustained funding for the planned activities and unforeseen circumstances in order to maintain budgetary releases to MPSAs for effective service delivery in the subsequent quarters. The Committee resolved to await a progress report on Governments engagement with co-operating partners in an effort to reduce the adverse effects of the pandemic on the fiscal situation.

Executive's Response

The Executive responded that the Government had received commitments for Debt Service Suspension Initiative support from twelve creditors including the China Export and Credit Insurance Corporation (SINOSURE) over the DSSI period which ran from May, 2020 to December, 2021. Only two of the twelve creditors were private creditors, while the other ten related to bilateral creditors. The two private creditors were China Development Bank and Intesa San Paolo Bank from Italy who provided partial debt deferral.

Committee's Observations and Recommendations

While noting the response, the Committee urges the Executive to provide a progress report on the actualisation of the commitment. The Committee resolves to await a progress report on the matter.

iii. The Debt problem and appointment of a foreign debt advisor

The previous Committee noted the response, from the Executive, regarding the need to restore budget credibility, as espoused in the Economic Stabilisation and Growth Programme by observing fiscal discipline and providing details on the pipeline loans that had been rescheduled and cancelled so as to foster transparency in debt management. However, the Committee expressed concern that the response did not address the specific recommendation regarding restoring budget credibility, observing fiscal discipline, providing details on the pipeline loans that had been rescheduled and cancelled so as to foster transparency in debt management.

In light of this, the Committee strongly urged the Government to address the recommendation of the previous Committee and provide an appropriate response.

Executive's Response

The Executive reported that the Governments initial plan was to undertake an independent debt restructuring exercise with the help of the financial and legal advisors. However, Government opted to change this strategy following the launch of the G20 and Paris Club Common Framework for debt treatment beyond what was agreed under the Debt Service Suspension Initiative. This meant that Governments debt restructuring exercise would be undertaken within the guidelines of the G20 Common Framework. Further, due to confidentiality requirements by some creditors, the team that could be included was restricted only to few Government officials drawn from the Ministry of Finance and National Planning; Bank of Zambia; Industrial Development Corporation; and ZESCO supported by the financial and legal advisors whose contracts required them to maintain confidentiality.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the finalisation of the debt restructuring exercise.

iv. Mining fiscal regime

The previous Committee recommended that the Executive should comprehensively review mining taxation in order to establish a sustainable taxation system for the benefit of both the Government and the mines. The Committee took cognisance of the successful implementation of the Mining Indaba in the year 2021 in a bid to review the mining taxation. However, the Committee reiterated the previous Committee's recommendation that the Government should undertake a comprehensive review of the mining sector in order to establish a sustainable taxation system for the benefit of both the Government and the mines.

Executive's Response

The Executive responded that the Ministry had taken note of the Committee's recommendation. Furthermore, the Ministry of Mines and Minerals Development in consultation with stakeholders, was in the process of reviewing the Mineral Resources Development policy of 2013 to ensure that policy objectives which included the mining tax regime were stable and consistent. In addition, the Ministry was undertaking the review of the *Mines and Minerals Development Act No. 11 of 2015* to provide for consistency and stability in the mining tax regime.

Committee's Observations and Recommendations

The Committee notes the response and urges the Government to expedite the review of the Mineral Resources Development policy of 2013 and the amendment of the *Mines and Minerals Development Act No. 11 of 2015.* The Committee will await a progress report.

7.3 Consideration of the Action Taken Report on the Report of the Budget Committee on the Review of the First Quarter Performance of the 2019 Budget for Selected Ministries and Provinces for the Fourth Session of the Twelfth National Assembly

i. Unstable foreign exchange rate

The previous Committee noted that the Executive had made strides in enhancing private sector participation in the procurement of petroleum products, as well as discontinue Government involvement. The Committee noted the response and highly appreciated Government's intention to discontinue its involvement in fuel procurement. In order to actualise the intention, the Committee strongly urged the Government to expedite the drafting process of the Bill, which was envisaged to enhance private sector participation in the procurement of petroleum products, as well as discontinue Government involvement. The Committee resolved to await a progress report.

Executive's Response

The Executive responded that the Petroleum Development and Management Bill was submitted to the Ministry of Justice for drafting. The Ministry of Justice sent the draft Bill to the Ministry of Energy for final verification and validation with stakeholders. In the process of validation, a need of transforming the petroleum sector into a private driven sector was envisioned. This consequently necessitated the need to develop a model for bulk petroleum supply that was more of private sector driven nature. The Petroleum Bulk Model was being developed and it was undergoing peer review and consultations with all stakeholders in the petroleum sub-sector. The development of the Petroleum Supply Model would mark the finalisation of the draft Bill. The Ministry of Justice awaited further instructions from the Ministry of Energy.

Committee's Observations and Recommendations

The Committee notes the strides made and resolves to await a progress report on the formulation of the Bill.

ii. Debt servicing

The previous Committee noted the revenue measures implemented by the Government aimed at stimulating growth through export, diversification and value addition in the economic sector. The Committee also noted that the Economic Recovery Programme (2020 – 2023) was aimed at restoring macroeconomic objectives. In this regard, the Committee resolved to await a progress report on how the Economic Recovery Programme was impacting stimulation of growth and economic diversification.

Executive's Response

The Executive reported in the Action-Taken Report, that the Economic Recovery Programme (2020 – 2023) aimed at restoring macroeconomic stability, was anchored on five strategic areas namely:

(i) restoring macroeconomic stability;
(ii) attaining fiscal and debt sustainability;
(iii) restoring growth and diversifying the economy;
(iv) dismantling of domestic arrears; and
(v) safeguarding social protection programmes.

The Programme implementation had yielded positive results. The positive results were reflected in the attainment of positive economic growth from a negative growth in 2021. In addition, the economic conditions had stabilised with increased investor confidence. Inflation had reduced to single digit from double digits, while the kwacha had made gains against the major currencies.

Committee's Observations and Recommendations

While noting the response, the Committee urges the Government to ensure that discussions with the creditors on debt restructuring is concluded timely as it has a direct influence on economic performance. The Committee will await a progress report.

iii. Comprehensive framework for paying off arrears

The previous Committee noted that the Government was working on consolidating an arrears dismantling strategy. The Committee however, awaited a progress report on the Medium-Term Payment of Arrears Strategy, with the Medium-Term Debt Strategy, whose finalisation was dependant on the Debt Sustainability Analysis.

Executive's Response

The Executive reported that the Government in July, 2022, published the Dismantling of Domestic Arrears Strategy. A multi – disciplinary team which included the Ministry of Finance and National Planning; Ministry of Justice; Drug Enforcement Commission; Bank of Zambia; and the Zambia Revenue Authority; had been put in place with specific roles to ensure that the objective of the strategy were achieved.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the dismantling of arrears, as per the Domestic Arrears Strategy.

7.4 Action Taken Report on the Report of the Planning and Budgeting Committee on the Review of the Second Quarter Performance of the 2022 Budget

i. Enhance Non-Tax Revenue Measures

The previous Committee observed, with concern, the underperformance of non-tax revenue, missing the revenue target by 13.4 percent and 4 percent in the first and second quarter of 2022, respectively. In light of this the Committee strongly urged the Government to enhance and implement measures which would enhance efficiency in non-tax collecting agencies.

Executive's Response

The Executive responded that as part of the strategies to enhance non-tax revenue collection, the Government had introduced an online payment solution under an integrated system called the Government Service Bus and Payment Gateway. This ecosystem had enabled citizens to pay for government services using debit or credit cards; mobile money; and mobile banking solutions. In addition, 150 Government services could be accessed and paid for by the public from the comfort of their homes or businesses. This digital transformation had helped to enhance service delivery to the public and improved the efficiency of revenue collection. The Government further reported that it remained committed to continuing with such developments so that more non-tax collecting agencies were modernised through digital technology which in turn would result in improved public service delivery and enhanced non-tax revenue collection.

Committee's Observations and Recommendations

While the Committee notes the strides realised, the Committee resolves to await a progress report on the performance and implementation of digital technology, which will result in improved collection of non-tax revenue.

ii. Fast Track Economic Diversification

The previous Committee recommended that to reduce economic exposure to further shocks; further decline in international reserves and potential weakening of the Kwacha, considering that the drop in the copper prices had far reaching repercussions on Zambia's macroeconomic and fiscal framework given the high dependency of the economy on the mining sector, the Government needed to robustly drive the diversification agenda in the 8NDP in the identified sectors namely, agriculture; tourism; manufacturing; and mining sectors.

Executive's Response

The Executive responded that the Government had embarked on economic diversification as a strategy to attain sustainable and positive economic growth and development that would transform the economy and make it resilient to external shocks. The Government further reported that the global developments such as the COVID-19 pandemic and the Russia-Ukraine Conflict, had echoed the need for Zambia to reduce dependence on copper. This was evident from the effects of the shocks in the prices of the commodity on the macroeconomic fundamentals such as the exchange rate.

The Government further reported that the Eighth National Development Plan would prioritise the diversification agenda not only away from copper but even within the various sectors of the economy. The Government had put in place measures to improve the macroeconomic environment and the ease of doing business. This was to support private driven and diversified economic growth in the various sectors. Specifically, measures and incentives had been put in place in the 8NDP according to the sectors such as the agriculture; tourism; manufacturing; and mining; which had been identified as key in the diversification agenda. The Plan also prioritised industrialisation that would provide a diversified export base. In the mining sector alone, there was a drive to promote other mineral value chains such as nickel, manganese and gemstones. Further, priority had also been placed on value addition in the sector as it reduced the impact of external shocks especially those associated with prices of raw commodities.

The Government also reported that in the agriculture sector, there was a deliberate drive to support crops other than maize, enabling farmers to reduce the risks associated with the crop and subsequently promote food security. Special focus would be paid during the 8NDP period to diversification among crop, livestock; fisheries; and forestry sub-sectors. Products from the agriculture sector were expected to feed into the manufacturing sector which had also been identified as a key uptake sector which would drive the diversification agenda.

Committee's Observations and Recommendations

The Committee notes the detailed response and resolves to await a progress report on the measures and incentives that have been put in place in the 8NDP according to the sectors such as the agriculture; tourism; manufacturing; and mining; which have been identified as key drivers in the diversification agenda.

iii. The Government should devise a framework for Paying off Arrears

The previous Committee noted the colossal sums of money owed to individuals and businesses that had supplied goods and services to the Government. While noting the domestic debt audit, which was underway, the Committee urged the Government to expedite the audit and most importantly devise and publish a medium-term arrears payment strategy that could be embedded in the Medium-Term Debt Management Strategy. Regrettably, the Medium Term Debt Management Strategy was silent on the issue of arrears.

Executive's Response

The Executive reported that following the previous submission that the Government was working on consolidating an arrears dismantling strategy, the Government in July 2022, published the Dismantling of Domestic Arrears Strategy. A multi – disciplinary, team which included the Ministry of Finance and National Planning; Ministry of Justice; Drug Enforcement Commission; Bank of Zambia; and the Zambia Revenue Authority, had been put in place with specific roles to ensure that the objective of the strategy were achieved.

Committee's Observations and Recommendations

While noting the response, the Committee notes, with concern the delay in settling domestic arrears which continues to affect local businesses and that the prolonged settlement will erode the buying power of the funds in question due to passage of time and considering the time value of money. The Committee strongly urges the Government to expedite the process and resolves to await a progress report on the matter.

iv. Increase Resource Allocation towards the Human Rights Commission

The previous Committee observed that the four provincial offices of the Human Rights Commission namely: Chinsali; Luapula; Solwezi; and Kabwe established in 2021, with support from cooperating partners, may not be operational after September, 2022 after the project had ended. The Committee strongly urged the Government to secure resources for continued operation of the four provincial offices to continue the provision of services related to promotion of human rights.

Executive's Response

The Executive reported that the Ministry of Finance and National Planning had taken note and would engage the Human Rights Commission on the resource requirements of operating the Chinsali; Luapula; Solwezi; and Kabwe offices, which were at the time being supported by cooperating partners. Notwithstanding the foregoing, the Government reported that it had prioritised Governance institutions in an effort to create a conducive environment for all citizens. Furthermore, in the past medium term, the Government contribution to the operational budget for the Human Rights Commission had more than doubled and was projected to increase in the medium term.

Committee's Observations and Recommendation

While noting the Government's commitment to supporting governance institutions so as to create a conducive environment for all citizens, the Committee resolves to await a progress report on the continued funding and operation of the four provincial offices.

v. Settle Arrears for serving officers in Ministries

While commending the Government for the releases towards Recurrent Departmental Charges, the previous Committee urged the Government to prioritise the welfare of staff and secure funding to settle outstanding emoluments arrears such as settling in allowances and leave pay for staff in the civil service.

Executive's Response

The Executive reported, in the Action-Taken Report that the dismantling of arrears, including personnel related arrears, remained one of the top priorities to spur economic growth by the Government. During the period under review, the Treasury had been making a provision for other emoluments in each line ministry to address the personnel related arrears to dismantle and also curb the accumulation of arrears. This was a complementary allocation to the centralised allocation for dismantling of arrears. The Executive further reported that the Arrears Dismantling Strategy that was published by the Ministry of Finance and National Planning in July, 2022 had spelled out the strategies that would be used to address this matter.

Committee's Observations and Recommendations

The Committee extols the Executive for putting up an Arrears Dismantling Strategy. Notwithstanding, the Committee resolves to await a progress report on the actual dismantling of arrears for staff in the civil service.

8.0 Conclusion

While interrogating the 2022 third quarter and fourth quarter Budget Performance,the Committee was were faced with a challenge of limited data in the fourth second quarter which adversely affected the effective review of budget performance especially regarding the macro-economic framework at end year. That notwithstanding the Committee commends the Government for being on track with the fiscal performance and expenditure in both the third and fourth quarters of 2022. The Committee encourages the Government to not lose sight of the diversification agenda as it implements the 8NDP, given the evidence of the adverse effects of increased economic dependency on the mining sector which recorded low production; low copper quality; and plummeting copper prices. The Committee remains optimistic that the recommendations contained in its Report will contribute to improving budget execution for the coming year.

The Committee wishes to thank you most sincerely Madam Speaker for the opportunity to scrutinise the third and fourth quarter performance for the 2022 Budget for selected MPSAs. The Committee also wishes to pay tribute to all stakeholders who appeared before it and tendered both oral and written submissions. It also wishes to appreciate the services rendered by the Office of the Clerk of the National Assembly throughout its deliberations.

Mr Fred C Chaatila, MP
CHAIRPERSON

March 2023
LUSAKA

APPENDIX I

List of Witnesses

Ministry of Finance and National Planning
Bank of Zambia
Zambia Revenue Authority
Ministry of Energy
Ministry of Education
Ministry of Health
Muchinga Province
Northern Province
Eastern Province
Zambia Institute for Policy Analysis and Research
Policy Monitoring and Research Centre

APPENDIX II - List of National Assembly Officials

Mr Charles Haambote, Principal Clerk of Committees (FC)
Mr Mishael Kateshi, Parliamentary Budget Office
Mrs Doreen N C Mukwanka, Deputy Principal Clerk of Committees (FC)
Mr Simeon Mtambo, Deputy Parliamentary Budget Office
Mr Charles Chishimba, Senior Committee Clerk (FC)
Mr Ferdinard Chikambwe, Acting Senior Revenue Analyst
Mr Aubrey Chilambwe, Acting Senior Budget Analyst
Mrs Edna K Zgambo, Acting Senior Budget Analyst (Economics)
Mr Philip Mwiinga, Acting Budget Analyst
Mr Elijah I C Chilimboyi, Committee Clerk
Ms Luyando Chilala, Administrative Assistant
Mr Danny Lupiya, Committee Assistant
Mr Muyembi Kantumoya, Parliamentary Messenger