REPORT

OF THE

BUDGET COMMITTEE

ON THE REVIEW OF THE FIRST QUARTER PERFORMANCE OF THE 2020 BUDGET FOR SELECTED MINISTRIES AND PROVINCES

FOR THE

FOURTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY

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REPORT OF THE BUDGET COMMITTEE ON THE REVIEW OF THE FIRST QUARTER PERFORMANCE OF THE 2020 BUDGET FOR SELECTED MINISTRIES AND PROVINCES FOR THE FOURTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY

1.0 Composition of the Committee

The Committee consisted of Mr M Simfukwe, MP (Chairperson); Ms M N Subulwa, MP (Vice Chairperson); Mr L A Lufuma, MP; Mr P Phiri, MP; Mr S K Kakubo, MP; Mr F C Chaatila, MP; Mr D Mumba, MP; Mr R M Nakacinda, MP; Mr J Siwale, MP; and Mrs S S Mulyata, MP.

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir

The Committee has the honour to present its report on the Review of the First Quarter Performance of the 2020 Budget for Selected Ministries and Provinces for the Fourth Session of the Twelfth National Assembly.

2.0 Functions of the Committee

The functions of the Committee are as follows:

i. examine the Estimates of Revenue and Expenditure, including the Supplementary Estimates of Expenditure and Excess Expenditure;
ii. report on economics, improvement in organisation, efficiency for administration reform, consistent with the policy underlying the Estimates, and examine whether the money is well laid out within the limits of the policy implied in the Estimates;
iii. study, inquire into and report on matters related to coordination, control and monitoring of the National Budget;
iv. conduct budget hearings;
v. review Estimates of Revenue and Expenditure and make recommendations to the House;
vi. examine the Medium Term Expenditure Framework and budget policy statements presented to the House;
vii. examine money Bills, including the Excess and Supplementary Appropriation Bills;
viii. examine tax rates and estimates, economic and budgetary policies and programmes with direct budget outlays;
ix. examine public debt before it is contracted; and
x. exercise powers conferred on it under Article 203 of the Constitution.

3.0 Meetings of the Committee

The Committee held five meetings to review the first quarter budget performance for 2020 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 V.

4.0 Procedure adopted by the Committee

In reviewing the budget performance of the selected institutions, the Committee requested detailed written memoranda from the ministries and provinces 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 the first quarter of 2020. The Committee also reviewed the budget performance of the following ministries and provinces:

1. Ministry of Commerce, Trade and Industry;
2. Ministry of National Development and Planning;
3. Ministry of Housing and Infrastructure Development;
4. Ministry of Community Development and Social Welfare;
5. Ministry of Water Development, Sanitation and Environmental Protection;
6. Ministry Local Government;
7. North Western Province; and
8. Central Province.

In order to also appreciate views from other key stakeholders on the performance of the 2020 Budget in the First Quarter of the year, the Committee also sought the input of the various stakeholders as listed below.

1. Ministry of Finance;
2. Bank of Zambia (BOZ);
3. Zambia Revenue Authority (ZRA);
4. Zambia Institute for Policy Analysis and Research (ZIPAR); and
5. Policy Monitoring and Research Centre (PMRC).

5.0 Arrangement of the Report

The Committee's Report is organised in five parts: Part I gives a review of the macroeconomic framework; Part II assesses the fiscal framework; Part III highlights a review of the first quarter performance of the 2020 budget for selected ministries and provinces; Part IV highlights the stakeholders' concerns and; Part V gives the Committee's observations and recommendations.

PART I

6.0. MACROECONOMIC FRAMEWORK

The Committee was informed that the macroeconomic framework for Zambia in 2020 was set to focus on stimulating the domestic economy by reducing the budget deficit. This was premised on the following macroeconomic objectives:

a. attain annual Gross Domestic Product (GDP) growth rate of at least 3 per cent;
b. sustain inflation within the range of 6 to 8 per cent;
c. raise international reserves to at least 2.5 months of import cover;
d. increase domestic revenue to not lower than 22 per cent of GDP;
e. reduce the fiscal deficit to 5.5 per cent of GDP;
f. rationalise debt contraction; and
g. dismantle domestic arrears while protecting social sector allocations.

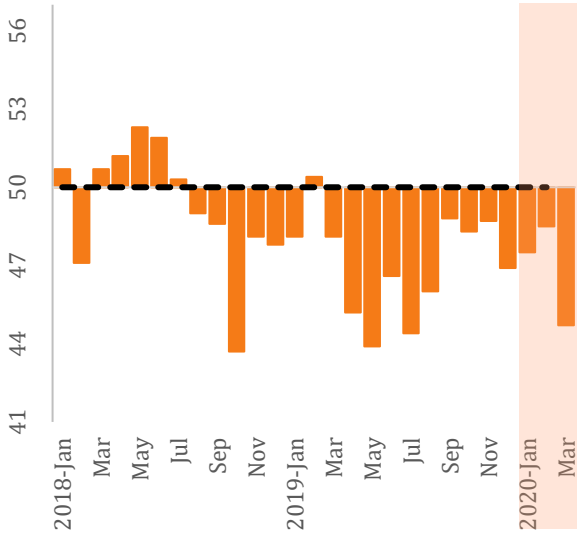
Some of the macroeconomic objectives highlighted above and other key economic indicators are discussed hereunder.

6.1. Economic growth

The Committee was informed that preliminary data showed that real GDP growth declined to 2.0% in 2019 from 4.0% in 2018. This mainly reflected the contraction in agriculture, mining output, and electricity generation. Agriculture suffered the worst output decline on the back of the adverse effect of the drought that affected the Southern and Western parts of Zambia during the 2018/2019 farming season. The decline in mining output largely reflected the fall in copper production due to the temporary reduction in smelting capacity. This was due to plant refurbishment and low mineral ore grades at some major mining companies. Further, electricity generation dropped on the back of reduced generation, mainly at the Kariba Power Stations, occasioned by significantly low volume of water due to the drought in the 2018/19 rain season.

It was explained that the economic activity worsened in the first quarter of 2020 with the Purchasing Managers' Index dropping to 44.7 in March, 2020 from 48.5 in February. The figure signalled a marked deterioration in business conditions in the Zambian private sector, and the sharpest since July, 2019. Businesses reported sharp declines in output and new orders, amid falling customer numbers and company shutdowns associated with COVID 19.

Chart 1: Purchasing Manager's Index for Zambia



Source: Stanbic Zambia

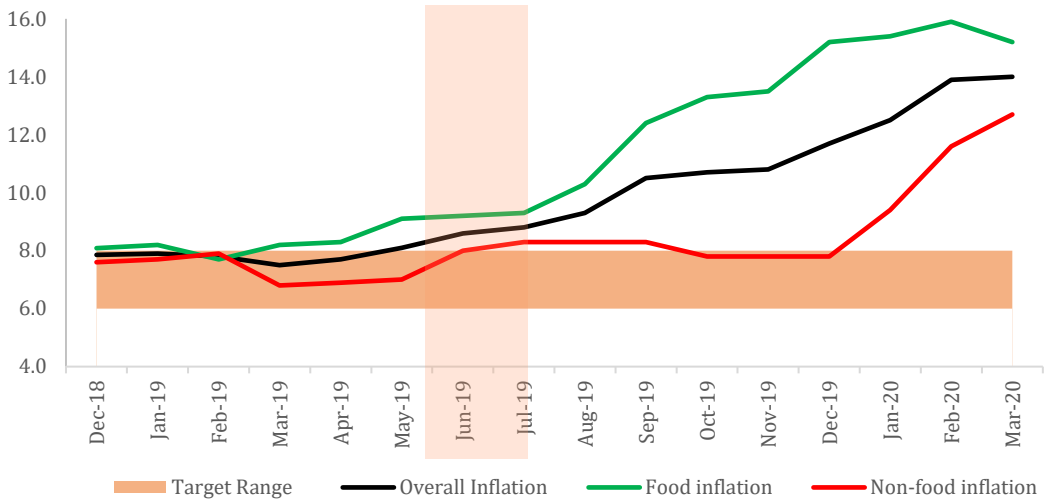
Further, it was revealed that preliminary results from the Bank of Zambia Survey of Business Opinions and Expectations for the first quarter of 2020 indicated worsening economic conditions, with all the monitored indicators having deteriorated, except for the volume of sales. Specifically, capacity utilisation in the service sector had been the worst adversely affected. A weaker Kwacha as well as the high cost of electricity and fuel were cited as the key drivers of poor business performance.

The Committee was also informed that in 2020, economic growth was likely to be lower than the 2.0% of 2019. Mining sector output was expected to contract on account of the significant drop in copper prices, and possible reduction in production depending on health measures instituted to combat COVID 19 which may restrict labour movements. Activity in the non-mining sector was also expected to be subdued despite a strong recovery in agricultural output, increased spending on the health sector to combat the disease, and further growth in the information and communications sector due to increased use of industry services as work-from-home and/or possible lockdown measures were instituted. Further, the projected fall in tourist arrivals, delayed execution of construction projects, as well as significant reduction in consumer and investment spending due to restrictions on movements of people and operating hours of some businesses, and closure of others were expected to weigh on economic activity.

6.2. Inflation

The Committee was informed that annual inflation rose to 14.0 per cent in March, 2020 from 11.7 per cent in December, largely reflecting the pass-through from the sharp depreciation of the Kwacha against the US dollar, partly associated with the initial effects of COVID 19. In addition, low supply of maize grain as a result of the drought in the 2018/19 farming season and the upward adjustment in fuel prices and electricity tariffs contributed to the rise in inflation.

Chart 2: Annual Inflation (Percent)



Source: Bank of Zambia, Zambia Statistics Agency

It was explained that inflation was projected to remain high and above the upper bound of the target range of 6-8 per cent for a longer period than earlier projected, largely reflecting the pass-through from the recent sharp depreciation of the Kwacha against the US dollar and lower copper prices associated with the impact of COVID 19. However, inflation could decline faster than expected should improvements in agricultural output during the 2019/2020 crop season materialise given the high weight of food in the consumer price index (CPI) basket.

6.3. International reserves

The Committee learnt that gross international reserves fell by US$146.5 million to US$1,360.9 million at end-February, 2020 (representing 1.9 months of import cover) from US$1,449.8 million at end-December, 2019(2.1 months) as reflected in the chart below. The decline was largely due to debt service and related payments amounting to US$234.1 million. The decline in reserves was moderated by the US$98.4 million BoZ net purchases, of which US$32.9 million were mineral royalty receipts.

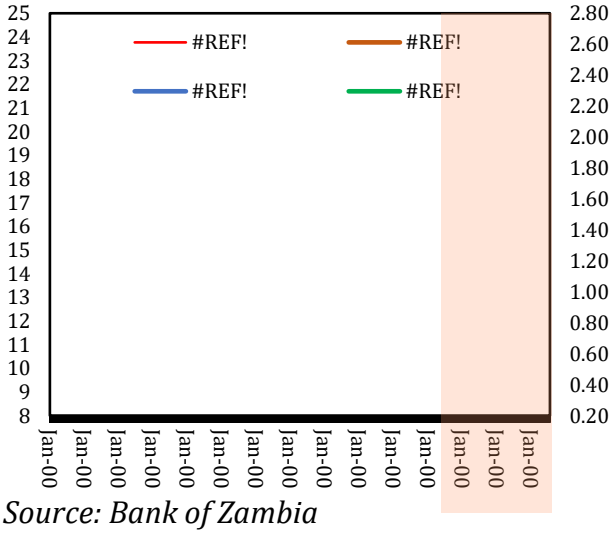
Chart 3: Gross International Reserves and Debt service

Source: Bank of Zambia

6.4. Exchange Rate

The Committee was informed that the depreciation pressures in the foreign exchange market considerably increased in the first quarter of 2020 partly reflecting the fallout from the ongoing COVID 19 pandemic. Given the vulnerability of the Kwacha arising from the weakening macroeconomic environment, particularly declining international reserves, the advent of the pandemic only accelerated the Kwacha's adverse trajectory against major currencies. On a year-to-date basis, the Kwacha depreciated by 28.9 per cent to reach K18.11/US dollar as at March 31. The Kwacha also weakened against the British Pound Sterling, the Euro, and the South African Rand by 8.7%, 8.9 per cent and 5.1 per cent to quarterly averages of K19.39, K16.71 and K0.99 respectively as indicated in the charts below.

Chart 4: Nominal Exchange Rates



Source: Bank of Zambia

Table 1: Quarterly Average Exchange Rate

	ZMW/USD	ZMW/GBP	ZMW/EUR	ZMW/ZAR
Q4-2019	13.85	17.84	15.34	0.94
Q1-2020	15.18	19.39	16.71	0.99
% change	9.6	8.7	8.9	5.1

Source: Bank of Zambia

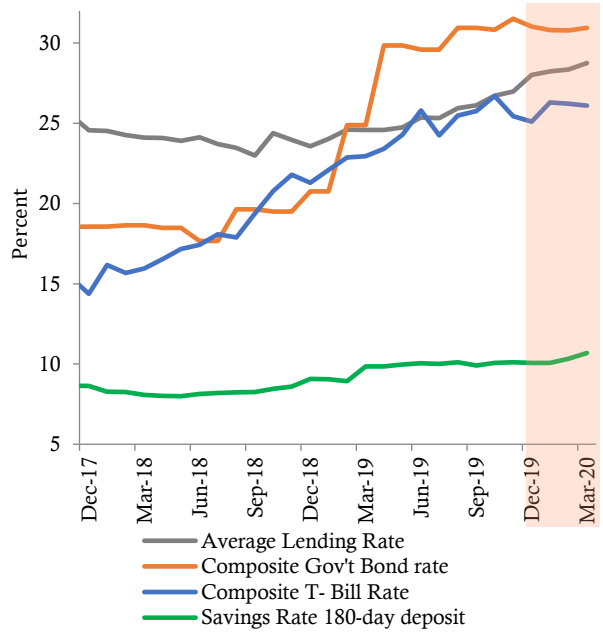
6.5 Government Securities Market

With regard to the Government securities market, the Committee was informed that investor demand remained subdued in the first quarter, thereby sustaining yield rates at high levels. Funding requirements through Government securities considerably increased as some of the Farmer Input Support Programme (FISP)-related securities fell due. With subscription rates remaining low at 68.0 per cent, the Government increasingly made use of non-auction methods of funding (private placements). Consequently, the nominal value of the outstanding Government securities rose by K6.7 billion to K86.9 billion at the end of the quarter.

6.6 Interest Rates

On interest rates, the Committee was informed that the rates had remained elevated on account of tight liquidity conditions, high cost of borrowing by the Government which has crowded out the private sector and high domestic financing requirements. The composite Treasury bill and bond yield rates edged up to respective averages of 25.19 per cent and 31.12 per cent in the first quarter of 2020 from 25.17 per cent and 30.49 per cent. Commercial banks' average nominal lending rate rose to 28.8 per cent in March, 2020 from 28.0 per cent in December 2019. Similarly, the 180-day deposit rate for amounts exceeding K20,000 edged up to 10.7 per cent from 10.1 per cent over the same period.

Chart 5: Commercial Banks Lending Rates and Yield Rates on Government Securities

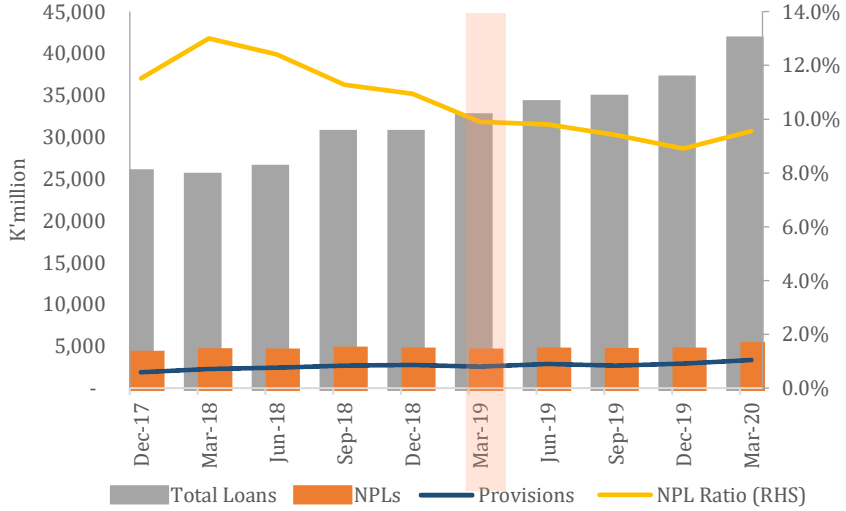


Source: Bank of Zambia

6.7 Banking Sector

The Committee was informed that the overall financial performance and condition of the banking sector remained satisfactory in the first quarter of 2020, mainly on account of aggregate capital adequacy position as well as earnings performance. However, the sector remained vulnerable to the weak macroeconomic environment, which continued to negatively impact profitability, liquidity conditions and asset quality. Asset quality of the banking sector deteriorated as reflected in the proportion of non-performing loans to total loans (NPL ratio), which increased to 9.6 per cent in March, 2020 from 8.9 per cent at end-December 2019 (Chart 9).

Chart 6: Trends in loan quality - Banks



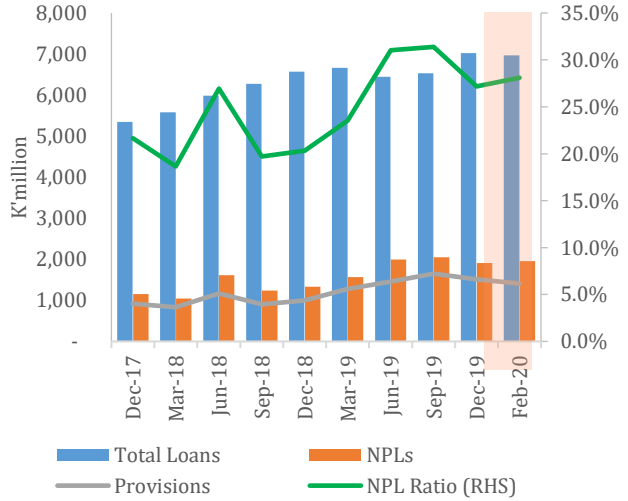
Source: Bank of Zambia

The sector continued to be impacted negatively by delays in remittance of loan repayments by the Government for civil servants' payroll based loans. At end-March, 2020, total exposure to Government stood at K10.2 billion or 25.8 per cent of the banking sector's total loan book, up from K8.4 billion (23.3 per cent of the total loan book) at end-February, 2020. The direct exposure to Government amounted to K6.9 billion and exposure to civil servants was K3.3 billion. Of the total exposure, K1.2 billion (11.8 per cent) was sixty days past due date. The situation may deteriorate if delays by Government to meet its obligations continued. In addition, the effects of the COVID 19 pandemic were likely to start manifesting in due course as business activity slowed down further. Due to potential imminent defaults, the sector may not be able to generate sufficient income to continue setting aside adequate loan loss reserves.

6.7.1 Non-Bank Sector

The overall financial performance and condition of the Non Bank Financial Institutions (NBFIs) sector was rated fair as of January, 2020.

Chart 7: Trends in loan quality –Non-Banks



Source: Bank of Zambia

The unsatisfactory sector asset quality continued to be a source of supervisory concern as it posed a risk of erosion of the regulatory capital if the trend was not reversed. The key factors underlying the rising trend in NPLs included sluggish economic growth and arrears created by Government's delay in remitting civil servants' loan repayments directly or indirectly through borrowers who were suppliers of goods and services to the Government. This had adversely affected the credit obligations to the NBFIs on account of the Government's inability to dismantle domestic arrears. The NBFI sector sourced funding from commercial banks. Due to this interconnectedness, delays by the Government in remitting loan deductions to NBFIs transmitted the liquidity and credit risk to the banking sector.

6.8 International Trade in the First Quarter of 2020

Merchandise Trade

The Committee was informed that preliminary data indicated deterioration in the trade balance to a deficit of US$50.1million in March, 2020 from a surplus of US$153.3 million in January. This was mainly on account of a reduction in export earnings, particularly for copper, following a decline in copper prices associated with COVID 19. Imports also declined in the first quarter relative to same period in 2019, largely reflecting subdued economic activity and the rise in the Kwacha exchange rate. The detailed table for the month-on-month earnings, realised prices and export volumes as well as imports are on Appendix I.

6.9 Bank of Zambia Measures to Mitigate the Impact of COVID 19

The Committee was informed that in order to address the expected adverse impact of COVID-19 on the economy, the Bank of Zambia had instituted a number of measures aimed at providing support to the financial sector and mitigating the impact on the economy. The key measures were as outlined below:

i. establishment of a 3-5 year Targeted Medium-Term Refinancing Facility to eligible Financial Service Providers;
ii. scaling-up of open market operations to provide short-term liquidity support on more flexible terms;
iii. revision of rules governing the operations of the interbank foreign exchange market to support its smooth functioning, strengthen market discipline and addressing heightened volatility;
iv. revision of loan classification and provisioning rules to better accommodate lending, refinancing, and restructuring of facilities to critical sectors;
v. stepping up sensitisation on the use of digital channels and contactless mobile payment mechanisms; and
vi. implementation of Business Continuity protocols to ensure systemically important payment systems and financial market infrastructures remained available.

PART II

7.0 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 here below.

7.1 Revenue performance in first quarter of 2020

The Committee learnt that during the first quarter of 2020, ZRA collected K16, 092.7 million in gross taxes while the refunds stood at K2, 977.1 million. The net tax take stood at K13, 115.6 million against a target of K13, 051.8 million thereby registering a surplus of K63.7 million or 0.5 per cent above target. This performance was largely as a result of favourable outturn in direct taxes.

With respect to domestic taxes, direct taxes as a group were above target by K1, 312.2 million or 18.7 per cent, while indirect taxes were K1, 426.8 million or 62.2 per cent below their respective first quarter targets of K7, 030.6 million and K2, 294.8 million. All tax types in the direct taxes group, except withholding taxes, recorded above target performance. On the other hand, the performance of most tax types under indirect taxes were below target.

Trade based taxes were K178.3 million or 4.8 per cent above the target of K3, 726.5 million. The positive performance of import VAT, customs duties, export duties, import fuel levy and carbon tax with surpluses of K80.7 million, K31.1 million, K35.8 million, K62.7 million and K0.7 million respectively, sustained the favourable performance of trade taxes. On the down side, import excise duties and motor vehicle fees were below their quarter targets by 5.5 per cent and 52.0 per cent respectively. The detailed table highlighting the actual revenue against revenue target for the period January to March is provided at Appendix II.

7.2 Comparative Analysis of Tax Performance in First Quarter 2020 to First Quarter 2019

In comparison with the same period in 2019, it was revealed that the total tax revenue during the year 2020 increased by 5.6 per cent in nominal terms. The performance of tax types in nominal terms during January to March, 2020 was stronger for most tax types when compared to the same period in 2019. Overall, for 2020, budget expectations were that, income tax (34 per cent), VAT (25 per cent) and combined non-tax revenues (15 per cent) would be the major contributors to revenue at 74 per cent of the total budget. The remainder was to come from trade taxes and grants. In the first quarter of 2020, domestic revenues and grants were anticipated to raise K15.3 billion to fund 23 per cent of the K106 billion 2020 budget. The revenue outturn was K15.3 billion and was right on target.

Table 2: Quarter 1 revenue performance, 2020 in K'000

	2020 Approved	Jan – Mar Projected	Jan – Mar Outturn	Jan -Mar Variance	Jan -Mar Variance (%)
TOTAL REVENUE AND GRANTS	75,034	15,315	15,320	5	0%
TOTAL REVENUE	65,177	14,538	15,048	510	4%
1. Tax Revenue	53,874	11,801	11,871	70	1%
a) Income Taxes	25,612	5,813	7,122	1,309	23%
Company Tax	7,903	1,451	2,251	799	55%
o/w Mining	3,685	639	1,270	630	99%
Non-Mining	4,218	812	980	168	21%
Pay As You Earn (PAYE)	12,493	3,034	3,660	626	21%
Withholding Tax	5,215	1,327	1,210	116	-9%
b) VAT	18,942	4,030	2,743	(1,286)	-32%
Domestic VAT	6,773	1,624	251	(1,373)	-85%
Import VAT	12,169	2,405	2,492	86	4%
c) Customs and Excise Duties	9,032	1,865	1,885	20	1%

d) Insurance Premium	106	38	30	(7)	-21%
e) Export duty	180	52	88	35	68%
2. Non-Tax Revenue	11,302	2,737	3,177,	439	16%
Mineral Royalty	4,819	1,170	1,169	1	0%
3. GRANTS	3,107	776	271	(504)	-65%

Source: Ministry Of Finance First Quarter Fiscal Tables

The Committee was informed that the low VAT collections were attributed to a general slowdown in economic activities, increased pay-out of VAT refunds and more offsets of claims against payments, a problematic transition to the new tax-online VAT module, and the onset of COVID–19. The combined effect of these factors saw negative collections of K123 million from domestic VAT in March 2020. It was also stated that the Government's estimation showed that revenue would fall short by K14.8 billion or 19.7 per cent of the projected 2020 figures.

7.3 Factors Attributed to Revenue Outturn

The Committee learnt that the factors that led to the performance of each tax type during the year-to-date period were varying. The full details of the drivers of revenue performance and underperformance for the period under review one as outlined in Appendix III.

7.4 Fiscal Deficit

The Committee was informed that the fiscal deficit on a cash basis was projected at 5.5 per cent of GDP in 2020. However, this target was overly optimistic, as the position did not critically consider the previous period. Despite revenues over performing in 2019, the fiscal deficit as at end-December, 2019 widened to K25.5 billion (9.1 per cent of GDP) from the target of K19.4 billion (6.5 per cent of GDP). This was largely attributed to higher than anticipated project financing coupled with interest payments and transfers and other payments.

Further, while the Government's spending pattern had not drastically changed, the first quarter of 2020 had been characterised by target revenues and lower than planned expenditures. Total revenue and grants were 1 per cent lower than projected, while expenditure (excluding amortisation) was also just 1 per cent lower than planned. This had led the Government to record a negative fiscal balance of K222 million at 0.07 per cent of GDP. But with revenues expected to decline due to the negative effects of the COVID-19 pandemic, the Government may still miss the 5.5 per cent fiscal deficit target.

7.5 Financing the Deficit

The Committee was informed that the Government borrowed both from domestic and external sources to finance the deficit in the first quarter of 2020. External financing was envisaged to be the main source of borrowing for the year but external funds did not materialise in the first quarter, mainly attributed to COVID-19 pandemic.

Table 3: Financing the Budget, 2019 and 2020, Zambia, In K'000

	2019				2020			
	Approved 2019	**Jan – Mar Projected**	**Jan – Mar Prelim**	**Deviation %**	**Approved 2020**	**Jan - Mar Proj**	**Jan - Mar Prel**	**Deviation %**
FINANCING	19,407	5,589	2,274	-59%	18,045	3,759	4,572	22%
Net Domestic Financing	3,503	1,791	(59)	-103%	3,115	2,300	2,120	-8%
Domestic Financing	4,164	1,957	1,375	-30%	3,456	2,316	2,786	20%
Amortisation	(662)	(165)	(1,434)	767%	(341)	(16)	(665)	4098%
Net External Financing	15,904	3,798	2,332	-39%	14,930	1,459	2,451	-173%
Programme	7,825	1,778	-	-100%	4.350	-	-	-
Project	16,808	4,202	4,202	0%	23,165	4,027	4,905	22%
Amortisation	(8,728)	(2,182)	(1,869)	-14%	12,585	(2,567)	(1,615)	-37%

Source: Ministry of Finance first Quarter Fiscal tables

It was explained that during the quarter, 68 per cent of approved domestic borrowing for 2020 was actualised on account of a substantial maturity refinancing bill scheduled for January, and domestic borrowing was not sufficient within the period. Net domestic financing underperformed by 8 per cent on account of increased amortisation as shown in Table 3. Further, a shortfall of K518 million on domestic maturities was not refinanced in the period and programmed external financing underperformed by 100 per cent, indicating that no external funds were received in the first quarter of 2020. This resulted in the disruption of all scheduled expenditures that were supposed to be met from these funds. Nonetheless, with China being Zambia's major lender for capital projects, it was anticipated that for the foreseeable future, this stream of external funding may wither a little with the negative effects of COVID-19 on China. What this meant for Zambia going forward, was that the external loan portfolio would shrink.

The Committee also heard that for a good number of external loans, Zambia was required to pay off principal amounts (amortisation). Within 2020, Zambia was scheduled to repay off debts worth K12.5 billion. In the first quarter K2.5 billion was scheduled to be paid off, but only K 1.6 billion was paid as depicted in Table 3, indicating that the country had not remitted some principle repayments and had started defaulting on some of the scheduled payments. Thus, amortisation underperformed by 37per cent, with only just over a tenth of the principal repayments for the year made in the first quarter.

7.6 Government's response to the impact of the COVID-19 pandemic on fiscal Performance

The Committee learnt that the outbreak of COVID 19 had adversely affected the fiscal performance through reduced tax revenue, mainly from trade (import VAT and customs duty) and corporate taxes. The Ministry of Finance had estimated at least K14.8 billion or 19.7 per cent shortfall in revenue of the approved 2020 Budget. Further, the sharp depreciation of the Kwacha against the US dollar would result in a substantial increase in external debt service payments in Kwacha terms. The expected contraction in economic activity on account of COVID 19 would further weigh on tax revenue, while spending to combat the unprecedented virus would inescapably rise.

Further, the Committee heard that the COVID 19 outbreak had also resulted in a health crisis, economic crisis, stress on the financial markets and the dampening of commodity prices. The outbreak had also led to disruptions in most supply chains, created uncertainties and significantly stifled near-term growth prospects. In this regard, in order to respond to the current challenges, Government had put in place measures to curb the pandemic and cushion its impact. These measures were as outlined below.

i. suspension of excise duty on ethanol for use in alcohol-based sanitisers and other medical related commodities;
ii. removal of provisions of Statutory Instrument 90 relating to claim of VAT on imported spare parts, lubricants and stationery to ease pressure on companies;
iii. suspension of export duties on the export of concentrates in the mining sector to ease pressure on the sector; and
iv. suspend export duty on precious metals and crocodile skin.

PART III

8.0. REVIEW OF FIRST QUARTER PERFORMANCE OF THE BUDGET FOR SELECTED MINISTRIES AND PROVINCES

The Committee reviewed the first quarter budget performance for the Ministry of Commerce, Trade and Industry; Ministry of National Development and Planning; Ministry of Housing and Infrastructure Development; Ministry of Community Development and Social Welfare; Ministry of Water Development, Sanitation and Environmental Protection; and Ministry of Local Government. It also reviewed the budget performance for North-Western and Central Provinces. For purposes of triangulation, the Committee interacted with the Ministry of Finance over the budgetary performance of these ministries and provinces after receiving submissions from the selected ministries and provinces.

8.1. GENERAL PERFORMANCE OF THE ECONOMY IN THE FIRST QUARTER OF 2020 COMPARED WITH THE FIRST QUARTER OF 2019

The Committee was informed that in the first quarter of 2020, the economy recorded a slowdown in economic activities due to the unprecedented outbreak of Corona Virus Disease, commonly known as COVID 19. The impact of the outbreak had been severe, resulting in the dampening of commodity prices, depreciation of the Kwacha and an increase in inflation on account of the pass-through effect of the exchange rate depreciation. Further, the outbreak has also led to the disruption of supply chains and creation of uncertainties.

8.2 APPROVED BUDGETARY PROVISION FOR EACH OF THE INSTITUTIONS AND PROVINCES FOR THE YEAR 2019 AND 2020 AS A PERCENTAGE OF THE TOTAL BUDGET

Table 4:2019 Approved budget provision per institution as proportion of annual budget

Institution	2019 Institutional Budget	2019 Annual Budget	Percentage of the Total 2019 Annual Budget
Ministry of Commerce, Trade and Industry	614,506,273.00	86,807,894,732.00	0.7%
Ministry of National Development and Planning	654,496,841.00	86,807,894,732.00	0.3%
Ministry of Housing and Infrastructure Development	271,853,198.00	86,807,894,732.00	0.3%
Ministry of Community Development and Social Welfare	923,083,129.00	86,807,894,732.00	1.1%
Ministry of Water Development, Sanitation and Environmental Protection	2,420,479,165.00	86,807,894,732.00	2.8%
Ministry Local Government	1,546,227,083.00	86,807,894,732.00	1.8%
North Western Province	84,805,757.00	86,807,894,732.00	0.1%
Central Province	89,219,993.00	86,807,894,732.00	0.1%

Table 5: 2020 Approved budget provision per institution as proportion of annual budget

Institution	2020 Institutional Budget	2020 Annual Budget	Percentage of the Total 2020 Annual Budget
Ministry of Commerce, Trade and Industry	808,048,030.00	106,007,612,236.00	0.8%
Ministry of National Development and Planning	529,333,471.00	106,007,612,236.00	0.5%
Ministry of Housing and Infrastructure Development	223,490.731.00	106,007,612,236.00	0.2%
Ministry of Community Development and Social Welfare	1,430,920,476.00	106,007,612,236.00	1.3%
Ministry of Water Development, Sanitation and Environmental Protection	3,057,038,767.00	106,007,612,236.00	2.9%
Ministry Local Government	1,504,582,674.00	106,007,612,236.00	1.4%
North Western Province	69,899,851.00	106,007,612,236.00	0.1%
Central Province	80,599,994.00	106,007,612,236.00	0.1%

8.3 PROPORTION OF THE 2020 BUDGET ESTIMATES THAT WAS RELEASED DURING THE FIRST QUARTER AND HOW THIS COMPARES WITH THE FIRST QUARTER BUDGET OF 2019

Table 6: Summary and comparison of releases for Q1 2020 and 2019

Institution	2020 Q1 Releases	2019 Annual Budget	Percentage of the 2019 Q1 Releases	2020 Q1 Releases	2020 Annual Budget	Percentage of the 2020 Q1 Releases
Ministry of Commerce, Trade and Industry	34,675,083.79	614,506,273.00	5.6%	31,995,061.06	808,048,030.00	0.8%
Ministry of National Development and Planning	80,777,961.25	654,496,841.00	12.3%	194,502,859.34	529,333,471.00	0.5%
Ministry of Housing and Infrastructure Development	12,277,509.83	271,853,198.00	4.5%	22,505,653.88	223,490.731.00	0.2%
Ministry of Community Development and Social Welfare	100,291,123.94	923,083,129.00	10.9%	96,160,936.32	1,430,920,476.00	1.3%
Ministry of Water Development, Sanitation and Environmental Protection	26,308,786.17	2,420,479,165.00	1.1%	36,224,768.56	3,057,038,767.00	2.9%
Ministry Local Government	200,195,034.91	1,546,227,083.00	12.5%	207,927,089.25	1,504,582,674.00	1.4%
North Western Province	14,334,153,60	84,805,757.00	16.9%	15,949,541.51	69,899,851.00	0.1%
Central Province	32,251,833.00	89,219,993.00	36.1%	33,955,930.39	80,599,994.00	0.1%
Total	501,111,486.00	660,467,144.10	7.7%	639,221,840.00	770,391,399.40	8.4%

The Committee heard that the total releases in the first quarter of 2020, including amortisation, amounted to K17.4 billion, representing 16 per cent of the approved budget of K106.0 billion. The proportion released was below the 25 per cent threshold and also lower than the 30 per cent released in 2019 during the same period. The observed higher releases in 2019 were driven by significant disbursements on foreign financed projects. A total of K10.3 billion of the first quarter releases in 2019 were for foreign financed projects, while only K305.0 million were for foreign financed projects in the first quarter of 2020.

The Committee was further informed that on account of the need to spend on the COVID 19 pandemic, huge outlays of money were expended on preparedness and the fight against the disease.

8.4 A DETAILED ANALYSIS OF THE ALLOCATIONS SUBMITTED BY EACH OF THE SELECTED SPENDING AGENCIES

8.4.1 Ministry of Commerce, Trade and Industry

Approved budgetary provision for the Ministry for the year 2019 and 2020 as a percentage of the total budget

The Committee was informed that the 2020 Ministerial approved Head Total Budget estimate was K808.0 million compared to K K614.5 million 2019 allocation, representing an increase of 31.5 per cent. The 2020 Head Total Budget showed that K31.0 million or 3.8 per cent of the Ministry's total budget was allocated to Personal Emoluments, K8.4 million or 1.0 per cent was allocated to ministerial programmes, while K768.6 million or 95.1 per cent had been allocated to Grants and Other Payments. Of this amount, K245.8 million was Government's subvention to Grant Aided Institutions and the remaining K522.8 million was donor funding towards foreign financed projects.

Table 7: 2020 Ministerial First Quarter Budget Estimate and Releases Comparative to 2019

	2019	**2020**
First Quarter Approved Budget Estimate	260,479,271.00	245,793,045.00
First Quarter Budget Releases	26,915,919.79	23,638,788.59
Proportion of First Quarter Approved Estimates against Releases	**10.3%**	**9.6%**

The Committee heard that the budget estimates released during the first quarter as a percentage for 2019 and 2020 was 10.3 per cent and 9.6 per cent, respectively. The variance was mainly attributed to the decreased and inconsistent and/or untimely funding.

8.4.2 Ministry of National Development and Planning

The Committee was informed that the approved budgetary provisions for the Ministry was as outlined in the table below.

Table 8: Approved Budgetary Provisions for the Year 2019 and 2020 as a Percentage of the Total Budget

2019APPROVED BUDGETPROVISION	2020APPROVED BUDGET PROVISION	TOTAL2019 NATIONALBUDGET	TOTAL2020 NATIONAL BUDGET	% of Provision to Total Budget	
				2019	2020
685,439,721	529,333,471	86,807,894,727	106,007,612,236	0.79	0.5

The Committee was informed that the approved budgetary provision for 2019, as a percentage of the total budget was 0.79 per cent compared to 0.5 per cent in 2020. This shows a reduction of 0.29 percentage points in the approved budgetary provision for 2020.

2020 First Quarter Budget Releases and compared with First Quarter for 2019

Table 9: 2020 First Quarter Budget Releases and how they compare with First Quarter 2019

NO.	DEPARTMENT	RELEASES 2019	RELEASES 2020	VARIANCE (ZMW)	VARIANCE PERCENTAGE
1.	Human Resources & Administration	554,138	384,000	-170,138	-0.26
2.	Development Planning	632,877	70,000	-562,877	-55
3.	Central Statistical Office	3,939,702	38,469,160	34,529,458	53.07
4.	Monitoring and Evaluation	100,000	70,000	-30,000	-0.05
5.	Public Investments Planning	70,000	24,000	-46,000	-0.07
6.	Development Cooperation	-	54,000	54,000	0.00
7.	Population and Development	550,000	24,000	-526,000	-0.81
8.	Finance	-	25,000	25,000	0.00
9.	National Advisory Council	314,737.00	667,527	352,790	112.09
10.	Zambia Institute of Policy Analysis and Research	1,283,365.00	1,090,860	-192,505	-55
11.	Policy Monitoring and Research Centre	2,703,465.00	2,297,946	-405,519	-15.00
12.	Pilot Programme for Climate Change Resilience	32,884,647.00	79,922,360.30	47,037,713	143.04
13.	National Planning Development Co-ordination	708,333.00	1,338,750	630,417	89.00
14.	Zambia Consensus GIS	262,500.00	2,000,000	1,737,500	661.90
15.	National Designated Authority	7,265,565.00	11,601,461	4,335,896	59.68
16.	Zambia Integrated Forest Landscape	10,291,666.00	20,000,000	9,708,334	94.33
17.	National Climate Change Fund	3,500,000.00	1,166,667.00	2,333,333	66.67
	GRAND TOTAL	**65,060,995**	**159,205,731**	**33,248,443**	**51.10**

It was explained that for the first quarter of 2020, the total releases amounted to K159,205,731 compared to K65,060,995 in the first quarter of 2019. The total release variance for the two periods under review was K33,248,443 (51 per cent) and was mainly due to significant releases towards the 2020 Census of Population and Housing, the Pilot Programme for Climate Resilience (PPCR), the Zambia Consensus GIS and the Zambia Integrated Forest Landscape (ZIFLP) project.

8.4.3 Ministry of Housing and Infrastructure Development

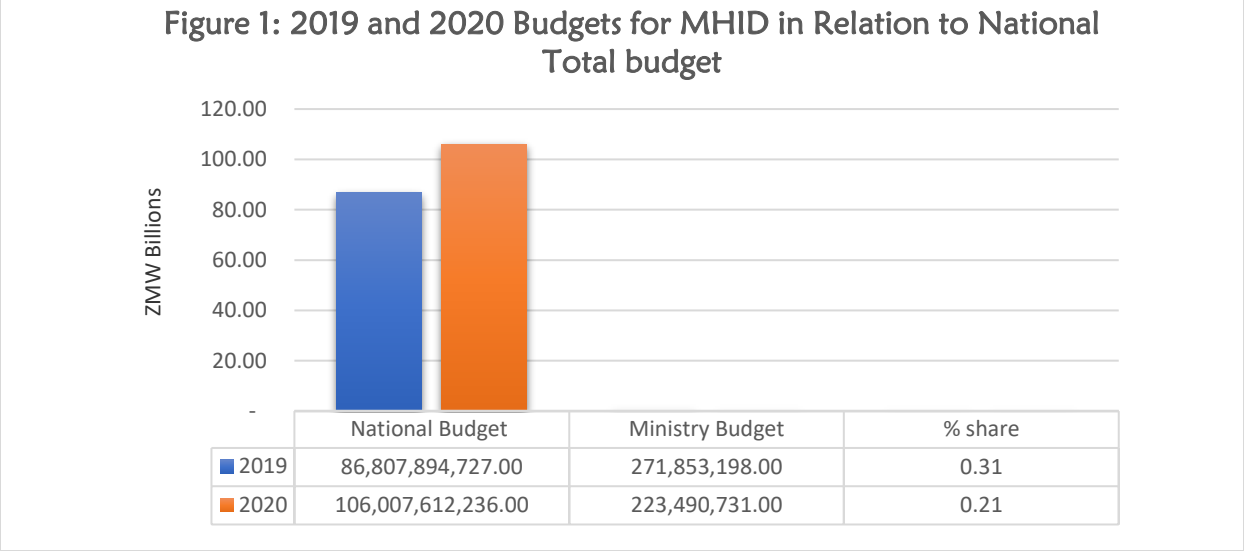
Approved budgetary provision for the ministry for the year 2019 and 2020 as a percentage of the total budget

The Committee heard that in the financial year 2019, the Ministry had an approved budget of K271.9 million out of the total national budget of K86.8 billion. This represented 0.3 per cent of the total national budget. In 2020, the Ministry was allocated K223.5 million out of

the total budget of K106 billion, representing 0.2 per cent of the national budget. Therefore, the variance between the 2019 and 2020 budget allocations was K48.4 million or 0.1 per cent.

Table 10: 2019 and 2020 Budget Allocations to MHID

Year	National Budget (ZMW)	MHID Budget (ZMW)	Percentage of Total Budget (%)	Variance (%)
2019	86, 807, 894, 727	271, 853, 198	0.3	**0.1**
2020	106, 007, 612, 236	223, 490, 731	0.2	



Comparison of 2019 and 2020 first Quarter Budgets, Releases and Variances

The Committee was informed that in 2020, Output Based Budgeting replaced the Activity Based Budgeting to facilitate allocation of resources towards result themes. In this regard, some of the programmes listed in 2019 were collapsed into broader programmes in 2020. Out of the first quarter budget allocation of K65.3 million in 2019,only K16.6 million was disbursed for programme implementation resulting in a variance of K48.7 million (75 per cent). In the year 2020 on the other hand, a total of K15.6 million was released out of the quarter budget of K53.5 million, giving a variance of K37.9 million (7 per cent 1%). In terms of releases versus quarter allocations for the two quarters, the 2019 performance stood at 25% while in 2020 it was 29 per cent.

Table 11: 2019 and 2020 First Quarter Releases

NO.	PROGRAMMES	2019 FIRST QUARTERRELEASES (ZMW)	2020 FIRST QUARTER RELEASES (ZMW)	VARIANCE (%)
01	General Administration	77,678.34	62,500.00	
02	Events	-	310,000.00	
03	Capacity Building	176,575.89	-	
04	Grants to Institutions	10,593,020.85	10,475,255.00	

05	Dismantling of Arrears	-	-	
06	Human resource Management	-	125,950.00	
07	Transport Management	1,254,678.26	-	
08	Procurement Management	-	1,950.00	
09	Infrastructure Development	-	4,600,000.00	
10	Rehabilitation of Canals	3,000,000.00	-	
11	Harbours and Canal Development	1,500,000.00	-	
12	Policy, Planning, Coordination and Data Management	-	-	
13	Monitoring and inspection of projects	-	-	
14	Financial Management and Accounting	-	100,000.00	
15	Financial Controls and Procedures	-	-	
	TOTAL	**16,601,953.34**	**15,675,655.00**	

The Committee learnt that for both 2019 and 2020 had bad performances and that 2020 had a relatively worse performance compared to 2019. It was also explained that the largest amount of releases in both quarters for 2019 and 2020 were under support to the grant aided institutions, infrastructure development and rehabilitation of canals. Further, a good number of programmes that were planned either in the first quarter of 2019 or 2020 were not funded and as such, they were not implemented as planned. This was also reflected in the performance of the budget releases highlighted above.

The Committee was also informed that the overall allocation to the Ministry as a fraction of the total budget appeared small due to the fact that mega projects were budgeted for under Head 21, Ministry of Finance (Loans and Investments) while the portfolio function for all infrastructure was under Head 54, Ministry of Housing and Infrastructure. It was explained that the ministry was only still responsible for the supervision of the projects.

8.4.5 Ministry of Community Development and Social Welfare

Approved budgetary provision for the Ministry for the year 2019 and 2020 as a percentage of the total budget

The Committee heard that in 2019, the Ministry had an approved budgetary allocation of K917, 914,121 million representing a 1.06 per cent of the total national budget to spend on attaining the planned outputs according to the Ministerial Mandate and Strategic Objectives. In 2020, the Ministry had been allocated a total budget of K1, 430,920,476 billion representing 1.35 per cent of the total national budget. The summary estimates by economic classification showed that out of the total K1.4 billion ministerial budget estimates, K1.07 billion (75 per cent) was allocated towards Grants and Other Payments. This allocation would mainly be used to pay grants to institutions as well as subsidies to vulnerable households and individuals. A further K55.3 million (3.9 per cent) was

earmarked for payment of personal emoluments to staff and K295.5 million (20.7 per cent) towards Use of Goods and Services while K463, 000 (0.03 per cent) would go toward assets.

Table 12: Ministry Total Approved Budget Comparative to Total National Budget 2019 and 2020

	2019Total Authorized	**2020Total Authorized**
Ministry Approved Head Total Budget	917,914,121.00	1,430,920,476.00
National Total Approved Budget	86,807,894,727.00	106,007,612,236.00
Percentage of Ministry Budget to the Total National Budget	**1.1%**	**1.4%**

Proportion of the 2020 budget estimates released during the first quarter Comparative to the first quarter budget of 2019

Table 13: 2020 Ministerial First Quarter Budget Estimates and Releases Comparative to 2019

Budget Estimates	**2019**	**2020**
First Quarter Approved Budget Estimates	350,701,391.25	377,609,543.95
First Quarter Budget Releases	110,480,529.85	41,287,630.54
Proportion of First Quarter Approved Estimates against Releases	**32%**	**11%**

The Committee was informed that 32 percent of the proportioned funds were released in 2019 and only 11 percent was released in the 2020 first quarter approved budget. The variance was mainly attributed to the untimely release of funding.

8.4.6 Ministry of Water Development, Sanitation and Environmental Protection

Approved budgetary provision for the ministry for the year 2019 and 2020 as a percentage of the total budget

The Committee was informed that a total budget provision of K3,057,038,767.00 was made under the Ministry of Water Development Sanitation and Environmental Protection for the year 2020 representing 3% of the total National Budget while in the year 2019, a total Provision of K2,420,479,167.00 was provided for under the Ministry, which also represented 3% of the 2019 approved National Budget. Overall, the 2020 budget provisions for the Ministry had not increased in relation to the total National Budget provision from the year 2019 as shown in the table below.

Table 14. Approved Provision for 2019 and 2020 as percentage of National Budget

	2019 (ZMW)	2020 (ZMW)	Variance (ZMW)
MWDSEP Budget Provision	2,420,479,167.00	3,057,038,767.00	636,559,600.00
Total National Budget	86,807,894,727.00	106,007,612,236.00	19,199,717,509.00
Percentage of Budget Provision	3%	3%	

Proportion of the 2020 and 2019 Budget Estimates Released during the First Quarter

The Committee was informed that during the first quarter of 2019, a total of K26,099,876.79.00 was released while in the same period in 2020 a total K25,616,811.00 was released, indicating a percentage reduction of 1.85 per cent as shown in the table below.

Table 15: Comparative Analysis of Funding for First Quarters of2019 and 2020

PROGRAM	**2019**		**2020**	
	(ZMW)	**%**	**(ZMW)**	**%**
RDC's	2,736,942.00	10.5%	8,900,000.00	34.7%
Grants	14,967,697.79	57.3%	12,285,631.00	47.9%
PROJECTS (*Note*)	8,395,240.00	32.2%	4,453,680.00	17.4%
Total Q1 releases	**26,099,876.79**	**100%**	**25,639,311.00**	**100%**

Further, the table also shows that the funding towards grants in 2020 and 2019stood at 48 per cent and 57 per cent, respectively. During the same period, the release of project funds stood at 17 per cent (2020) and32 per cent (2019), respectively.

8.4.7 Ministry of Local Government

Approved budgetary provision for the Ministry for the year 2019 and 2020 as a percentage of the total budget

The Committee was informed that in 2020, the Ministry was allocated K 1,504,582,674.00, representing 1.2 per cent of the national budget compared to K 1,799,457,083.00, representing approximately 2.1 per cent of the national budget allocated in 2019. This represented a reduction of 0.9 per cent from the 2019 budget allocation. The table below gives a summary of the allocations in relation to the national budget.

Table 16: 2019 and 2020 Budget Provisions

Year	National Budget	MLG Budget	%
2019	K86,807,894,727.00	K 1,799,457,083	2.1
2020	K126,000,000,000.00	K 1,504,582,674.00	1.2

Proportion of the 2020 And 2019 Budget Estimates Released during the First Quarter

Table 17: 2019 and 2020 Estimates against Expenditure

Description	2019	2020
Quarter 1 Releases	K287,288,096.66	K202,426,231.68
Proportion of Annual Approved Estimates Released in Quarter 1 (%)	16.1%	13.5%
Quarter 1 Expenditure	K209,429,283.28	K101,260,097.24
Proportion Expenditure (%) Against Releases	72.9%	50%

Note: the total amount for funds released and expenditure excludes Personal Emoluments.

It was explained that for the first quarter of 2020, the Ministry received K202, 426,231.68 of which K101, 260,097.24 was expended, representing 50 per cent expenditure. The releases in the first quarter of 2020 amounted to 13.5 per cent of the total approved estimate of K1, 504,582,674.00.

For the first quarter of 2019, the Ministry received K287,288,096.66 of which K209, 429,283.28 was expended representing 72.9 per cent expenditure. The releases in the first quarter of 2019 amounted to 16.1 per cent of the total approved estimate of K1, 799,457,083.00.

8.5 Performance of selected provinces

8.5.1. North-Western Province

Approved Budget Provision as a percentage of the National Budget

The Committee was informed that the budget provision for 2020 was K69.9 million, representing 0.06 per cent of the national budget. Of this provision, a total of K54.4 million was meant for personal emoluments, while K15.4 million was for non-personal emoluments. The budget provision for 2019 was K84.8 million representing 0.09 per cent of the national budget. Out of this provision, a total of K61.0 million was meant for personal emoluments, while K22.8 million was for non-personal emoluments. This meant that the budget provision for 2020 for Provincial Administration, North Western Province, was reduced by K14.9 million from the previous year, representing 17.6 per cent.

Proportion of the First Quarter 2020 Budget Estimates released compared to 2019

The Committee was informed that a total of K15.4 million was the budget provision for 2020. Of this amount, a total of K1.3 million was released as at the end of the quarter,

representing 8.2 per cent. The year 2019 had a budget provision of K28.2 million. A total of K968,286.60 was released as at the end of the first quarter, representing 3.4 per cent. The variance in budget estimates against releases for 2019 and 2020 first quarter were attributed to limited resources released by the Treasury.

8.5.3. Central Province

Approved Budget Provision as a percentage of the National Budget

The Committee was informed that the Province had a total budgetary allocation of K89,219,997.00, in 2019, against the national budget of K86, 807, 894, 727.00 representing 0.10 per cent of the national budget. This was broken down as follows; Personal Emoluments (PEs) of K66,892,587.00 and Non-PEs of K22,327,410.00. The non-PEs budget represented 0.025 percent of the national Budget.

In 2020 the Provincial budget allocation reduced to K80, 599, 982.00 against the national budget of K106, 007, 612, 236.00, representing 0.08 per cent of the national budget. The allocations were as follows; PEs K60, 143,893.00 and non-PEs K20,456,089.00. The non-PEs budget represented 0.019 per cent of the 2020 national budget.

Table 18: Approved Budget Provision as a percentage of the National Budget for 2019 and 2020

Year	National Budget (ZMW)	Provincial Budget	Provincial Budget Percentage
2019	86, 807, 894,727.00	89, 219, 997.00	0.10
2020	106, 007, 612,236.00	80, 599, 982.00	0.08

Proportion of the First Quarter 2020 Budget Estimates released compared to 2019

The Committee heard that in the first quarter of 2020, the Province received K1, 479, 664.33 for non-PEs, representing 7.2 per cent of the annual non-PEs budget. The Province also received K649,692.00 during the same period in 2019, representing 2.9 per cent of the annual non PEs budget for that year. Despite the reduced 2020 budgetary allocation, the province had an increase in releases in the first quarter of 2020 as compared to the same period in 2019.

The increase in funding in the first quarter of 2020 was attributed to new programmes such as COVID-19 preparedness, Financial Controls and Procedures, Financial Management and Accounting and Infrastructure Development, which were not funded in the first quarter of 2019. However, the improved funding situation could not significantly impact service delivery due to an increase in the general price level, the depreciation of Kwacha against major convertible currencies and the increase in the cost of fuel and energy.

Table 19: Proportion of the First Quarter 2020 Budget Estimates released compared to 2019

Year	Provincial Non PEs Budget	Budget Release	Percentage of Budget Released
2019	22,327,410.00	649,692.00	2.9%
2020	20,456,089.00	1,479,644.33	7.2%
Variance		**829, 952.33**	

PART IV

9.0. STAKEHOLDERS' CONCERNS

Stakeholders who appeared before the Committee raised concerns on the review of the first quarter budget performance for 2020 as set out below.

9.1 *Inconsistent and Poor release of funds to the MPSA's*

The Committee was informed that the perpetual trend of poor release of funds by the Treasury to MPSAs had continued, with the 2020 First Quarter being worst affected. This was mainly attributed to the COVID -19 pandemic which had resulted in releases to MPSAs during the reference period averaging 10 per cent. They contended that this was affecting service delivery as well as the implementation of the 7NDP.

9.2 *The Debt Problem*

Stakeholders expressed concern over the country's domestic and foreign debt, including domestic arrears, which still remained a huge burden. They submitted that at the end of the fourth quarter for 2019, Zambia's external debt stood at $11.2 billion while the domestic debt was at K 80.2 billion. Domestic arrears, excluding VAT refunds, stood at K26.2 billion. They urged the Government to implement measures that would address the matter especially that the country's debt had been described as unsustainable by key institutions. Further, debt stock took up 42.2 per cent of the collected domestic revenue, over 20 per cent points higher than the sustainable threshold of 20 per cent debt servicing to revenue ratios espoused by the World Bank during the first quarter of 2020. This left only 14.6 per cent to be used for Government operations. Furthermore, stakeholders reiterated their concern over the need for the Executive to restore budget credibility as espoused in the Economic Stabilisation and Growth Programme by observing fiscal discipline and avoiding breach of the deficit targets.

Additionally, and in view of declining growth trends globally, regionally and nationally, there was need for the Executive to suspend selected infrastructure projects and promote domestic resource mobilisation. The measures instituted in the 2020 national budget needed to be reviewed at mid-term to assess their performance.

9.3 *Mining fiscal regime*

Stakeholders noted that the frequent revision of mining taxation by the Executive for the past sixteen years had significantly contributed to the challenges facing the sector. It was explained that the mining sector remained Zambia's major contributor to export earnings and revenue. It was stated that as the Government explored a taxation regime that could

balance the interests of both the Government and the mines, turbulent times provided an opportunity to comprehensively review and investigate so as to establish a sustainable taxation system that benefitted both Government and mines.

9.4 Contain expenditure towards personal emoluments and non-essentials

Stakeholders revealed that in 2019, the Government managed to keep personal emolument expenditures below what was targeted by 9 per cent Keeping payments to constitutional posts and other emoluments to the minimum, the Government ensured that K3 billion was saved. However, the 2020 first quarter expenditure on personal emoluments showed a path leading in the opposite direction with K508 million above plan. The stakeholders submitted that as the Government considered expenditure cuts, personal emoluments should be reigned in going forward. Further, delayed expenditure should include infrastructure that would not be utilised now to aid COVID -19 such as the loan obtained for the FTJ University to train doctors in seven years.

9.5 *Pursue World Bank investment project financing*

Stakeholders expressed concern that considering that programmed foreign financing had been non-existent for the first quarter of 2020, there was high possibility that this trend would continue. With the country being highly vulnerable to external shocks such as the fall in the copper price, there was need to get support from a multilateral institution like the World Bank. Zambia had a US$ 600 million allocation of International Development Association (IDA) support which loaned funds at a 2 per cent concessional rate. These funds were mainly for investment project financing. The IDA had a well-established track record of supporting economic growth and investments that created jobs and boosted incomes.

9.5 *Non-alignment of Budget to the Cluster submissions*

Stakeholders noted that Cluster Advisory Groups (CAGs) were instructed to provide frameworks of budget prioritisation which would be used to implement the 2020 national budget. However, this was not being done and it may affect the implementation strategy of the 7NDP, which at midpoint level had lagged behind its implementation targets. Budget prioritisation needed to be systematic and predictable so as to enhance development outcomes.

9.6 *Post COVID-19 Economic Recovery Programme*

Stakeholders implored the Executive to immediately commence a Post COVID 19 Economic Recovery Programme. There was an opportunity to build from the Zambia Plus and other instruments such as the Medium Debt Strategy and develop mechanisms that would help the economy to recover. Further, effective and sustained implementation of fiscal adjustment measures remained critical to restoring macroeconomic stability as well as promoting robust and sustained growth.

PART V

10.0. COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

Following a detailed review of the first quarter budget performance for 2020, the Committee makes the observations and recommendations set out hereunder.

10.1. Review of the 2020 National Budget

The Committee observes with concern that the 2020 economic growth prospects for the country in the first quarter indicated worsening economic conditions, with all the monitored indicators having deteriorated. Key amongst these were the weak exchange rate against other major currencies during the period under review, as well as the high cost of electricity and fuel. These contributed to poor business performance. Further, the Committee noted that the 2020 economic growth was likely to be lower than the 2.0 per cent in 2019, thereby having an impact on the 2020 national budget as evidenced by the subdued revenue targets during the period under review, as well as the poor releases to MPSAs by the Treasury, mainly attributed to the COVID-19 pandemic.

The Committee, therefore, recommends that the Executive should, as a matter of urgency, review the 2020 national budget in order for it to respond to the emerging issues and have more realistic macro-economic targets, especially on the fiscal side where it has been projected that revenue would fall short by K14.8 billion or 19.7 per cent of the projected 2020 figures.

Further, the Committee implores the Executive to engage the IMF and finalise the economic recovery programme without delay, so as to quickly stimulate economic recovery. Alternatively, the Executive should also consider engaging multilateral institutions like the World Bank which can provides loans at a 2 per cent concessional rate in order to fund project expenditures and improve releases to MPSAs in the remaining quarters.

10.2. Impact of the COVID 19 pandemic on the National Budget

The Committee observes that whereas a number of stakeholders have attributed the poor releases to MPSAs during the first quarter of 2020 to the outbreak of the COVID-19 pandemic, however, the Committee contends that COVID 19 had no impact on the first quarter as the semi lockdown in the country was only implemented towards end of March, 2020 which is also the reference period for the first quarter review. It is the considered view of the Committee that the impact of COVID 19 can only be justified in the second quarter of the financial year.

The Committee further notes that whereas the approval of the Excess Expenditure Warrant, No. 1 of 2020 of amounts totalling K450 million by the Budget Committee will substantially mitigate the spread of COVID-19 within the planned period of three months, the epidemiological spread of the disease is uncertain, especially that the winter season has arrived. This may lead to the disease spiralling out of control, thereby increasing morbidity

and mortality and the concomitant cost of the response. In this regard, the Committee urges the Executive to undertake the following:

i) 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;
ii) vigorously pursue and actively seek all those bilateral debts on which they can negotiate a moratorium with the possibility of postponement of some external debt obligations in light of the economic implications of COVID 19, especially that Zambia has defaulted on some debt repayments, including the African Development Bank, and Italy's Intesa Sanpaolo, among others; and
iii) periodic review of the fiscal measures put in place to curb the pandemic and cushion the impacts given the disruptions in the near-term growth prospects.

10.3 The Debt problem and appointment of a foreign debt advisor

The Committee expresses dismay that despite its repeated recommendations, the country's domestic and foreign debt still remains a huge burden. It is inconceivable that during the period under review, the debt stock took up 42.2 per cent while PEs were allotted 43.2 per cent of the collected domestic revenue, leaving a paltry 14.6 per cent for Government operations. Further, while noting the justification for appointment of Lazard Freres as the debt advisor for the next three years, given the institution's connections with bondholders, the Committee contends that local experts have the ability to provide this service or work with the foreign advisor in undertaking this assignment.

In this vein, the Committee reiterates its recommendation on the need for the Executive 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 have been rescheduled and cancelled so as to foster transparency in debt management.

Additionally, the Executive should engage local experts, comprising officials from the Ministry of Finance and other key ministries as well as local independent consultants to form part of the team on debt re-structuring being undertaken by the foreign debt advisor. It is the expectation of the Committee that the capacity enhancement that will be attained by the local team will help the country going forward, especially that Zambia still has outstanding debt with other institutions.

10.4 Fiscal deficit and its impact on the Budget

The Committee expresses concern over the targeted fiscal deficit on a cash basis at 5.5 per cent of GDP in 2020. It contends that this target is overly optimistic as the position does not consider the 2019 period in which despite revenues over performing, the fiscal deficit as at end-December 2019 widened to K25.5 billion (9.1 per cent of GDP) from the target of K19.4 billion (6.5 per cent of GDP). Further, with revenues expected to decline due to the negative effects of the COVID 19 pandemic, the 5.5 per cent fiscal deficit target may not be achieved.

The Committee strongly urges the Executive to explore other external financing options in order to meet the projected fiscal deficit target, especially that China, which is Zambia's major lender for capital projects, may negatively be impacted by the effects of the second wave of COVID-19, resulting in the shrinking of the external loan portfolio. Further, the anticipated review of the 2020 budget should provide a more realistic fiscal deficit target taking into account the matters that have arisen in the first quarter of the year.

10.5 Re-orientation of the Growth and Stabilisation Programme and Austerity Measures

The Committee sadly observes that the performance of the Growth and Stabilisation Programme and austerity measures have not been satisfactory as evidenced by the limited fiscal space mainly attributed to debt obligations. Further, little has been done to monitor the progress of these austerity measures since the introduction of the Programme.

The Committee, therefore, recommends that the Executive should, as a matter of extreme urgency, develop and implement an emergency economic recovery strategy to address the current challenges. In addition, monitoring mechanisms and quarterly updates on austerity measures should be conducted without any delay.

10.6 Pursue other investment project financing amidst high debt obligations

The Committee expresses concern that programmed foreign financing has been non-existent for the first quarter of 2020, thereby pointing to the high possibility that this trend may continue. With the country being highly vulnerable to external shocks such as the fall in the copper price amidst high local and external debt obligations, the Committee urges the Executive to pursue investment project financing from a multilateral institution like the World Bank which provides loans at a 2 per cent concessional rate. This will undoubtedly improve the releases to MPSAs by the Treasury in the remaining quarters of the 2020 financial year.

10.7 Mining fiscal regime

The Committee is dismayed that in the past sixteen years, mining taxation has been revised over ten times. This may explain the perpetual challenges facing the sector. Further, the Committee notes that the mining sector remains the major contributor to Zambia's export earnings and revenue. It is the considered view of the Committee that as the Government explores a taxation regime that can balance the interests of both Government and mines, these turbulent times provide an opportune time to address the challenges posed by the unstable mining tax regime especially that gold deposits have also been discovered in a number of districts across the country.

In this regard, the Committee recommends that the Executive should comprehensively review mining taxation in order to establish a sustainable taxation system for the benefit of both Government and mines.

10.8 Non-alignment of Budget to the Cluster submissions

The Committee observes that despite the Cluster Advisory Groups (CAGs) being instructed to provide frameworks of budget prioritisation that would be used to implement the 2020 national budget, this is regrettably, not being done and may significantly affect the

implementation strategy for the 7NDP, which at midpoint review was behind its implementation targets.

The Committee, in this regard, urges the Executive to ensure that Cluster Advisory Groups should in the remaining quarters provide frameworks for budget prioritisation in order to foster the anticipated systematic and predictable development out comes.

10.9 Placement of key budgetary activities for Government ministries under provincial administration budgets

The Committee notes that despite its repeated concern over the need to implement fiscal decentralisation to aid service delivery, key ministries whose activities have a direct impact at the local level have continued to be budgeted for under parent ministries. This is despite the multi-sectoral approach in the implementation of the 7NDP.

The Committee urges the Executive to consider placing selected activities from key ministries, under the provincial administration budgets so as to not only foster service delivery at local level but also enable provinces and districts to conduct timely project tracking, monitoring, evaluation and reporting.

10.10 Irregular meetings by the National Development Coordinating Committee (NDCC)

The Committee observes that the irregular meetings by the National Development Coordinating Committee (NDCC) as the apex body for policy implementation has negatively affected the implementation of key activities by structures at provincial and district levels.

The Committee, therefore, urges the Executive to ensure that NDCC meetings are held on a regular basis in order to ensure that the resolutions made by the NDCC are implemented by provinces and districts, respectively. In addition, the Committee urges the Executive to expedite the operationalisation of the National Planning and Budgeting Bill, once enacted, upon which the NDCC functions are anchored in order to enhance service delivery to the general public.

10.11 Lack of 7NDP Provincial and District Indicators

The Committee notes with concern that despite the 7NDP having national indicators for monitoring programme targets, there are regrettably, no provincial and district indicators. This is a serious omission, especially that provinces and districts are the centre for programme implementation, monitoring and evaluation.

In this regard, the Committee is of the strong view that the Executive should ensure that provinces and districts develop and align national and sector level indicators to provincial and district levels for programme implementation, monitoring and evaluation.

10.12 Decentralisation by Devolution

The Committee is dismayed that despite Article 147 of the Republican Constitution providing for a devolved system of governance and the development of the revised Decentralisation Policy, the delay to fully implement this policy has not only resulted in

poor service delivery, but also exacerbated the blotted civil service as evidenced by huge allocations to PEs. The decision to maintain the centralised system of Government when the Constitution dictates otherwise is not only unjustifiable but also unconstitutional.

In this regard, the Committee urges the Government to roll out the decentralisation by devolution to the local level in order to enhance service delivery and streamline the civil service in line with the Decentralisation Policy. Fiscal decentralisation should also be implemented to avoid the wastage of the available limited resources.

10.13 Placement of mega infrastructure projects under Ministry of Finance and not Ministry of Housing and Infrastructure Development

The Committee wonders why mega projects are placed under Head 21, Ministry of Finance - Loans and Investments, when the portfolio function for all infrastructure is under Head 54, Ministry of Housing and Infrastructure, which is also responsible for the supervision of the projects. Further, the Committee finds the current management of the mega infrastructure projects by two controlling officers unjustifiable and problematic as it is not clear who was accountable for the projects. The Committee, therefore, recommends that this matter should be addressed in subsequent budgets by ensuring that all mega infrastructure projects are placed under the Head responsible for the infrastructure portfolio and be accounted for by the controlling officer in the relevant ministry.

10.14 Responses by the Executive in the Action Taken Report

The Committee notes with concern the responses by the Executive on the Committee's observations and recommendations in the Action Taken Report. Not only are the responses unsatisfactory, but they also do not address the core issues raised by the Committee. During the period under review, over 90 per cent of the matters remained outstanding due to the poor quality of the responses. The Committee urges the Executive to give the Committees observations and recommendations the attention and seriousness they deserve and provide all necessary details, as this is the basis upon which the Committee and the House assesses the effectiveness of its oversight function on the Executive.

11.0 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

COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

Paragraph 10.1. Reduced growth prospects

The Committee recommended that the Government should come up with appropriate measures to boost economic growth and domestic resource mobilisation so as to bridge the spending gaps, especially in the key social sectors of health and education. The Committee further recommended that the Government should continue on the path of fiscal consolidation through various austerity measures.

Executive's Response
It was reported in the Action Taken Report that Government had noted the concerns by the Committee and was implementing activities to boost economic growth and domestic resource mobilisation.

The following were some of the measures and activities being undertaken by Government to help boost economic growth and domestic resource mobilisation:

i. Reducing Liquidity Challenges: In an effort to boost economic activity by reducing liquidity challenges, Government had prioritised the dismantling of domestic arrears. Additionally, Cabinet had approved the halting of the accumulation of further domestic arrears. A total of K4.5 billion was paid to dismantle arrears in 2018. Government would continue to undertake the debt dismantling strategy over the medium term;
ii. Significant Policy Adjustments: Significant policy adjustments and operationalisation of Fiscal Consolidation had been escalated and extended to State Owned Enterprises (SOE's). This was meant to encourage the SOEs to become efficient and profitable, thus reducing fiscal risks;
iii. Diversified Energy Supply: The downward revision of economic growth was partly attributed to reduced energy supply in the country due to low water levels. Government, through the Industrial Development Corporation (IDC), was investing in alternative sources of energy with 500 megawatts of solar investments planned by the IDC. Of this amount, 74 Megawatts has been completed and was feeding into the national grid; and
iv. Adaptive Drought Resistant Agricultural Methods: Government was continuing with investment in irrigation schemes for farms to cushion the agricultural sector from being badly affected in seasons of poor rainfall.

Committee's Observations and Recommendations
The Committee notes the response but resolves to await a progress report on the full implementation of the highlighted measures and the corresponding GDP growth target, especially that domestic debt and arrears have increased in the reference period.
The Committee recommended that the government should make efforts to promote irrigation farming and diversification of power generation to various energy sources in addition to hydro-power generation. This will ensure sustainable agricultural production and industrial output.

Executive's Response:
It was reported in the Action Taken Report that Government had noted the concerns by the Committee and that the Ministry of Agriculture was currently implementing the following irrigation programmes in order to support year round crop production:

i. Irrigation Development Support Project (IDSP), which targeted to bring 8,480 hectares under irrigation. The project was being implemented in three sites namely Mwomboshi in Chisamba District, Lusitu in Chirundu District and Musakashi in Mufulira District. At Mwomboshi the construction of the dam for irrigation had been completed and the works of the associated irrigation scheme had started. At Lusitu, the construction of the irrigation scheme were estimated at 80 per cent complete. At

Musakashi South the construction of the irrigation scheme was estimated at 50 per cent complete;

ii. Up-Scaling Small-Holder Irrigation Project (USIP) which was targeting to bring 10,900 hectares of land under irrigation. USIP had completed feasibility studies for twenty seven sites being considered for development of irrigation schemes. The project would commence once financing arrangements were finalised;

iii. Agriculture productivity and Market Enhancement Programme (APMEP) had a target of 3,377 hectares of land to be brought under irrigation in Gwembe, Rufunsa and Sinazongwe; and

iv. Chiansi Irrigation Development scheme in Chanyanya area of Kafue District was targeting 3,800 hectares of land to be brought under irrigation. The Chiansi scheme construction was launched in August, 2019.

The government would continue to invest in irrigation infrastructure as well as sensitise the farmers on the need to invest in irrigation for their crop production.

Committee's Observations and Recommendations

The Committee notes the response but resolves to await a progress report on the completion of the highlighted projects.

The Committee further urges the Government to prioritise the release of funds to the provinces that were adversely affected by the droughts.

Executive's Response:

It was reported in the Action Taken Report that Government had noted the concerns by the Committee and that the treasury had taken note of the concerns raised by the affected Provinces as well as the Disaster Management and Mitigation Unit (DMMU). In this regard, the treasury would endeavour to ensure that funds were directed towards mitigating the impact of drought on the people in the affected areas.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report from DMMU and the treasury on how the allocated funds will help to mitigate the impact of drought on the livelihoods of the people affected.

Paragraph 10.2. Dwindling foreign reserves

The Committee recommended that the Government should take urgent, practical steps of promoting exports and foreign expenditure savings so as to progressively restore the foreign reserves to the three months of import cover as envisaged in the 2019 budget.

Executive's Response:

It was reported in the Action Taken Report that Government had noted the concerns by the Committee and wished to inform the Committee that copper accounted for 70 per cent of Zambia's export earnings and 60 per cent of the country's total exports. Other major exports included sugar, tobacco, gemstones, cotton and electricity. However, copper was exposed to international commodity price fluctuations. To mitigate the risks in over-dependence on copper, the 7NDP had prioritised economic diversification with a focus on

agriculture, manufacturing and agro-processing and tourism. In order to reduce expenditure on foreign and local trips, government had suspended travel for permanent secretaries and directors for ninty days. In addition, the Government had suspended out of pocket allowances on foreign trips for all employees starting from salary scale J.

The Committee was further informed that Government had been implementing measures to ensure that reserves do not fall of which among others, including payment of mineral royalty in US dollars and buying of foreign exchange from the market by the Bank of Zambia. Measures on gold purchases had also continued.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a report on the implementation of the measures devised by Government to promote exports and foreign expenditure savings, and meet the international reserve target.

Paragraph. 10.3. Unstable foreign exchange rate
The Committee recommended that in order to avoid the free fall in exchange rates, the Government should restrain itself from buying foreign exchange from the domestic market. Further, the Committee recommended that the Government should exercise transparency in the management of the economy, particularly with regard to debt levels, as this has been a source of poor market sentiments.

Executive's Response:
It was reported in the Action Taken Report that Government had noted the concerns by the Committee and with regards to exchange rate fluctuations, the Government was in the process of pulling out of the purchase of petroleum products so as to allow the private sector to procure them. This could help in dealing with exchange rate pressures on the kwacha as the procurement of fuel was lumpy in nature.

Regarding transparency, the committee also heard that the Government, through the Ministry of Finance, had been providing economic briefs and updates where the Minister of Finance presented the key highlights of the performance of the economy such as the fiscal performance and the country's debt position.

Committee's Observations and Recommendations
The Committee notes the response and commends the Government on providing economic briefs and updates on the fiscal performance and the country's debt position. However, the committee resolves to await a progress report on the full implementation of the Government's decision to discontinue its involvement in the procurement of petroleum products to allow the private sector to take over.

Paragraph. 10.4. Debt servicing
The Committee recommended that the Government should consider increasing the revenue base by coming up with policies aimed at stimulating growth such as export diversification and value-addition in economic sectors, including manufacturing, mining, agriculture and tourism.

Executive's Response:
It was reported in the Action Taken Report that with regard to coming up with policies to stimulate growth in economic sectors, Government was currently in consultation with various stakeholders on public revenue proposals in order come up with new policy guidelines which would broaden the revenue base and stimulate growth through export diversification and value addition in the economic sector through the 2020 -2022 Medium Term Expenditure Framework (MTEF).

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the full implementation of a new policy that will increase the revenue base and stimulate growth through export diversification and value addition in the economic sector.

Paragraph. 10.5. Releases of funding on recurrent programmes
The Committee recommended that the Government should ensure that budget allocations appropriated by Parliament to various programmes were adhered to in order to ensure effective service delivery. Further, the Committee recommended that releases to ministries and provinces should be timely so as to make planning easy for controlling officers.

Executive's Response
It was reported in the Action Taken Report that Government had noted the concerns by the Committee and stated that the Treasury was running a cash budget. This meant that funding was only made after revenues were collected. In this regard, work was underway to reform the warrant system. Further work to improve revenue projections to ensure that budget allocations appropriated by parliament to various programmes could be adhered to so as to foster effective service delivery.

The committee also heard that the budget was made on a set of assumptions which included growth forecasts, exchange rate and copper price. In this regard, any adverse movements in the above macros had an impact on the projected revenues, which in turn affected the smooth execution of the budget.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the matter.

Paragraph. 10.7. Restore Budget Credibility
The Committee recommended that the Government should restore budget credibility as espoused in the Economic Stabilisation and Growth Programme by observing fiscal discipline and avoid breaching the deficit targets.

Executive's Response
It was reported in the Action Taken Report that the Ministry was in full support of the recommendation given by the Committee. To this effect, measures to cancel, postpone and slow down project loans, swift enactment of the new public procurement law and issuance of guidelines with regard to accumulation of arrears were issued and were being followed through.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a report on the swift implementation and tabling of amendments to the public procurement legislation, and the issuance of guidelines with regard to accumulation of arrears.

Paragraph. 10.8. Comprehensive framework for paying off arrears
The Committee recommended that the Government should devise and publish a medium term arrears payment strategy which could be embedded in the Medium-Term Debt Strategy.

Executive's Response
It was recorded in the Action Taken Report that the Executive was in full support of the recommendations of the Committee to devise and publish a medium term arrears payment strategy which could be embedded in the Medium-Term Debt Strategy. To this effect, the Treasury had taken a number of measures of to ensure that there was a reduction in the accumulation of arrears. Some of the efforts being made included the austerity measures announced during the special Cabinet meeting held on the 27th of May, 2019.

The Committee was further informed that these measures included, among others, cancellation, postponement and slowing down of project loans, swift enactment of the new public procurement law and issuance of guidelines with regard to accumulation of arrears by ministries and provinces.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the full implementation of the measures.

Consideration of the action taken report on the report of the budget committee on the review of the first quarter performance of the 2018 budget for selected ministries and provinces for the Third Session of the Twelfth National Assembly

11.1 Resource Allocation in the Budget
In its previous Report, the Committee recommended that the Government should speed up the implementation of fiscal decentralisation, which required devolution of functions from the central government to local authorities to allow for effective and efficient deployment of resources at the local government level.

Executive's Response
In the Action Taken Report, the Executive responded that it had made significant progress towards operationalising fiscal decentralisation to allow for effective and efficient deployment of resources at the local Government level. Following this, the expected benefits that would come with fiscal decentralisation would help in reducing developmental inequalities.

As part of the initial steps leading to full devolution, the Government in 2018 transferred the resources to de-concentrated functions under the Ministry of Fisheries and Livestock and Ministry of Agriculture to the Provincial Administrations. There were plans to further

roll out the de-concentration of resources for all devolving functions to districts in readiness for full devolution. In support of fiscal decentralisation, the Government had included the Intergovernmental Fiscal Relations Unit in the Ministry of Finance which would be responsible for providing support to the administration of local governance.

Committee's Observations and Recommendations

The Committee resolves to await a progress report on the full implementation of fiscal decentralisation in the country.

Executive's Response:

It was reported in the Action Taken Report that the focus on Fiscal Decentralisation related to the establishment and operationalisation of a comprehensive local government financing system and enhancing the capacity of councils to effectively mobilise and apply the required resources for effective service delivery. As part of the Fiscal Decentralisation Component, the Local Government Equalisation Fund (LGEF), actualised through the Local Government (Amendment) Act, No 12 of 2014 and enshrined in Article 163 of the Republican Constitution had been operational since 2015. The LGEF provided for the appropriation by Parliament of not less than 5 per cent of the total amount projected to be collected as income taxes for the Republic for that financial year to support Local Governments and service delivery at the local level. In 2018, the Treasury increased the budgetary allocation for the LGEF from K1, 078,428,000 in 2018 to K1, 164,567,612 in 2019. This was in addition to the allocation of K249, 600,000 for the Constituency Development Fund (CDF) and K23, 187,800 for the Grants in Lieu of Rates.

In addition, in the 2018 Budget, Government made progress towards de-concentrating financial resources from central government to the districts through Provincial Administration. During the 2019 budget formulation, however, the arrangement was reviewed following a number of consultations with implementing MPSAs, therefore, it was decided that the de-concentration of financial resources to the districts was done through the line ministries rather than provincial administration. This was in order to harmonise the Appropriation Act with the Government Gazette for ease of accountability on both the performance of functions by responsible MPSAs and accounting for funds budgeted for those functions. The de-concentrating of resources to districts meant that funds were now being disbursed directly from the Treasury to the districts, within the sector ministries, thereby facilitating timely implementation of Government programmes.

Additionally, the implementation of fiscal decentralisation was still experiencing some challenges which have had an impact on the speedy implementation. These challenges related partly to the Republican Constitution (Amendment) Act No. 2 of 2016 which prescribed devolution as a form of decentralisation for the country. Accordingly, devolution demanded that selected functions be devolved from central government to the local authorities with matching resources and in line with the principle of "Finance Follows Function". Whereas expenditure assignment responsibilities had been identified for each level of Government, there has been a delay in the formal transfer of responsibilities to the local authorities. To cure this problem, there was need to expedite review of the Republican Constitution so as to inform the devolution of functions with matching resources to the local authorities. In particular, Article 147 (2) which provided for the schedule of functions

between the two tiers of Government; and as part of the policy and legislative undertaking, there was need to review Cabinet Circular No. 10 of 2014. Accordingly measures should be taken to compel devolving ministries to finalise development/review of the sector devolution plans to inform the devolution process;

Regarding, the provisions of the Government Gazette which prescribed mandates, has compounded the slow pace of fiscal decentralisation implementation. Sector ministries, in accordance with the provisions of the Government Gazette still had authority over mandates identified for devolution and any attempt to support these mandates within the local authorities may be in contempt. It was, therefore, expected that the Government Gazette should be revised to reflect the realignment of functions as fiscal decentralisation was premised on the principal of "Finance Follows Function". This principal implied that resources could only be allocated to institutions that were mandated to execute the assigned functions of Government.

Committee's Observations and Recommendations
The committee notes the response and resolves to await a progress report on the matter.

11.2 Inadequate, Untimely and Unpredictable Release of Budgeted Funds
In its previous Report, the Committee recommended that the Government should ensure adequate, timely and predictable release of funds for effective project implementation. It further recommended that the Government should show more commitment to ensuring releases in view of concise linkages between the 7NDP, Vision 2030 and other national priorities and the annual budget cycles.

Executive's Response
In the Action Taken report, the Executive took note of the guidance from the Committee that adequate, timely and predictable release of funds be made to ensure effective project implementation. The Government had continued implementing revenue mobilisation measures that would in due course lead to predictable and stable funding to MPSAs.

Committee's Observations and Recommendations
The Committee is of the view that the response is inadequate and requests an update on what is being done to ensure adequate, timely and predictable release of funds for effective project implementation. The Committee resolves to await a progress report on the matter.

Executive's Response
It was reported in the Action Taken Report that Government had acknowledged the Committee's observation and recommendation on the releases of budgeted funds. However, the Treasury was facing tight fiscal challenges which were as a result of high debt payments, exchange rate depreciation, among others, which had highly affected the timely and predictable releases of budgeted funds for effective project implementation.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await an updated report on the measures that the Executive is taking to address the highlighted matters.

11.2.1 Failure to Fully Implement Output Based Budgeting

In its previous Report, the Committee recommended that Output Based Budgeting (OBB) should, as matter of urgency, be implemented in all ministries, at provincial and district level in order to ensure accountability, effective monitoring of resource utilisation and ensure that the implementation of programmes and projects by MPSAs contributed to the attainment of the country's long term goals.

Executive's Response

In the Action Taken Report, the Executive responded that it was piloting the Output Based Budgeting (OBB) in the Ministries of General Education, Higher Education and Community Development and Social Services. This pilot had demonstrated a more strategic and performance focused budgeting approach with a prior and clear understanding of the expected outputs in these pilot ministries. The pilot OBB Programme had been successfully implemented in the three pilot ministries, and had not been rolled out to all MPSAs. In this regard, work had already commenced to roll out the OBB to additional MPSAs in 2019.

The Executive further responded that following the pronouncement of the 2018 national budget speech which outlined the OBB implementation roadmap, the Ministry of National Development Planning developed the Implementation Plan (Volume II) of the 7NDP. The Implementation Plan (IP) outlined the specific interventions to be undertaken including the outputs to be generated in order to achieve socio-economic development. Specifically, the IP identified indicators (outcome and output indicators) and set targets for the entire period of the 7NDP, broken down by year.

It was, therefore, anticipated that the outcome and output indicators in the 7NDP IP would form the basis for developing the OBB, and in so doing, provide a framework for monitoring of resource utilisation and ensure that the implementation of programmes and projects by MPSAs contribute to the attainment of the country's long-term goals.

Committee's Observations and Recommendations

The Committee will await a progress report on the rolling out of OBB to all MPSAs.

Executive's Response:

It was reported in the Action Taken Report that seven institutions were currently on the OBB system. Additionally, in April and June, 2019 the Ministry of Finance undertook a second training to prepare twenty-three more MPSAs' for rolling out in the 2020 budget. However, due to the time constraints and the development of the OBB software which required more time as requested by the developers, it would not be feasible to roll out OBB to all MPSAS in the 2020 budget with an exception of the additional twenty-three

Committee's Observations and Recommendations

The Committee notes the response and commends the Government for the progress made with the rolling out of the OBB system to seven institutions. However, the committee resolves to await on a progress report on the rolling out of OBB to all MPSAs.

11.3 Fiscal Consolidation

i. In its previous Report, the Committee recommended that the Government should step up fiscal consolidation efforts by avoiding unsustainable spending; enhancing domestic resource mobilisation; and rationalising borrowing for capital projects.

Executive's Response:

In the Action Take Report, the Executive took note of the recommendation and explained that it was implementing austerity measures, and these included:

i. ensuring that there was strict adherence to the programmed domestic financing in the 2018 and 2019 budgets;
ii. implementing the telecommunication transactions monitoring system for mobile service providers;
iii. reviewing the laws that related to land administration that would allow increased coverage and effectiveness of revenue collection through the land titling programme;
iv. only funding projects that were at least 80 per cent complete;
v. in order to control the high expenditure on personal emoluments, recruitment would strictly be limited to the provisions of the 2018 budget;
vi. the management of the payroll would be moved to the Ministry of Finance to ensure separation of duties so as to enhance the authenticity of entries on the payroll, address payment of wrong allowances and ghost workers;
vii. indefinitely postpone the contraction of all pipeline debt until the debt was brought back to moderate risk of distress; and
viii. Cease the issuance of letters of credit and guarantees to state owned enterprises that were technically insolvent until their balance sheet challenges were resolved.

Committee's Observations and Recommendations

ii. The Committee requests an update on which of the austerity measures have been implemented, and whether fiscal consolidation measures have begun yielding any positive results.

Executive's Response:

The Executive in the Action Taken Report responded that, the rationale for the austerity measures was that Government acknowledged that the economic environment had been challenging and it demanded that adjustments be made in order to stabilise the economy. This was mainly due to the rapid increase in expenditure that were higher than the increase revenues. To do this, the Government announced a number of austerity measures in order to address the fiscal challenges.

Furthermore, it was reported that the monitoring of the austerity measures was a multi-sectoral issue and would need time to provide more information on what was being done for each measure. In this regard, a Committee on Austerity Measures had been constituted and institutions had been asked to nominate officers to this committee. It was expected that the nominated officers would bring with them issues related to their institutions.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a report from the Committee on Austerity Measures, on how far the implemented measures are contributing to the fiscal consolidation process.

11.4 Debt Accumulation

i. In its previous Report, the Committee recommended that the Government should strengthen public financial management by, among other things, speeding up the presentation of the *Loans and Guarantees (Authorisation) Act* for amendment to ensure transparency and accountability in debt contraction. The Committee also recommended that borrowing should be restricted to projects with high economic returns and not for recurrent expenditure.

Executive's Response:
In the Action Taken Report, the Executive responded that with regard to the Committee's recommendation that borrowing should be restricted to projects with high economic returns and not for recurrent expenditure, the Government through the Ministry of National Development Planning was developing the public investment management system to facilitate effective implementation of development programmes. The main purpose of this system was to operationalise Government policy to have major projects undergo appraisal by providing a systematic and standardised approach to the appraisal by public investment projects in order to determine the technical, financial, economic and social viability of the projects.

The appraisal of public investment projects would, therefore, ascertain the financial, economic and social returns or impact of projects. The information from the appraisals would, among other things, assist the Government in determining the appropriate financing modality for each project, that is, whether the project should be implemented using the general revenues of the Government, grants, borrowing or indeed present the project for private sector financing through public private partnerships.

The resources mobilised through borrowing would be directed to projects with high economic returns that could contribute to growth of the economy and would able to generate revenue streams that enhance domestic revenue mobilisation. This way, the projects utilising borrowed funds would contribute to repayment of these funds.

Committee's Observations and Recommendations

ii. The Committee reiterates its recommendation on the need to speed up the presentation of the *Loans and Guarantees (Authorisation) Act* for amendment to ensure transparency and accountability in debt contraction. It further requests an update on the development of the Public Investment Management System to facilitate effective implementation of development programmes.

Executive's Response
It was reported in the Action Taken Report, that the *Loans and Guarantees Act* had not yet been revised due to a clash between the draft legislation and the Constitution. The process

would therefore, only be completed after amendment of the constitution. The bill had, however gone through the various stages of Parliament.

With regard to ensuring that borrowing was restricted to projects with high economic returns, the Government had:

1. Developed the Public Investment Management System to enhance transparency, accountability and effectiveness in the utilisation of public resources by ensuring that projects are appraised before being considered for implementation.
2. Established the Public Investment Board to strengthen coordination and ensure that projects being developed were in line with national strategic objectives and priorities, technically feasible, realistically costed and could generate positive socio-economic returns.

The key deliverables made included:

i. The Public Investment Management Guidelines and manuals had been developed and delivered. The Public Investment Management Guidelines were awaiting issuance to the various Ministries, Provinces and other Spending Agencies (MPSAs) by way of an administrative circular through Cabinet Office. The guidelines essentially provided for the tools, methodologies and institutional arrangements that would govern the Public Investment Management System. The manuals were aimed at assisting public officials in the formulation and appraisal of public investment projects that could have high economic returns and, therefore, deliver on the objectives of the country's national development plans, with the current plan being the 7NDP. The manuals would also be disseminated to all MPSAs.
ii. A total of twenty-five officers from the Ministry of National Development Planning and other ministries were successfully trained in project appraisal. The training covered project financial and economic analysis as well as risk and stakeholder analysis. The Ministry, however, noted that more needed to be done in this area in order for the Public Investment Management System to operate effectively.
iii. Support was provided to the Ministry of National Development Planning in applying the principles covered in the training to the review and appraisal of an actual project case in Zambia; and

The technical specifications for the development of an ICT system were developed. However, the development of the ICT system would be done once resources became available.

Committee's Observations and Recommendations

The Committee notes the measures put in place to ensure that borrowing is restricted to projects with high economic returns. However, the Committee resolves to await a progress report on the full implementation of the measures.

12.0 CONCLUSION

The Committee expresses concern that the macro-economic targets set in the 2020 budget have not been achieved, thereby affecting the overall performance of the budget for the

first quarter of 2020. While the poor releases of funds from the Treasury during the period under review have been mainly attributed to the COVID 19 pandemic, the Committee contends that the situation has been prevalent even before the outbreak of the pandemic and that the effects were only experienced after the first quarter of 2020. It is the expectation of the Committee that the situation can improve in the subsequent quarters of the year so that the development aspirations of the country as espoused in the Seventh National Development Plan (7NDP) can be realised.

The Committee is optimistic that its observations and recommendations will be taken into consideration as the Executive implements the budget in the remaining quarters for the 2020 financial year.

The Committee also wishes to pay tribute to all stakeholders who appeared before it and tendered both oral and written submissions. It also appreciates the services rendered by the Office of the Clerk of the National Assembly throughout its deliberations.

M Simfukwe, MP
CHAIRPERSON

June, 2020
LUSAKA

APPENDIX I: EARNINGS MONTH-ON-MONTH (US $ MILLIONS)

	Jan-19	Feb-19	Mar-19	Jan-20	Feb-20	Mar-20*
Trade Balance	**75**	**-32**	**45**	**153**	**3.8**	**-50**
Total Exports	**698**	**580**	**629**	**572**	**546**	**497**
Copper	**552**	**417**	**462**	**417**	**383**	**337**
Cobalt	**1.9**	**1.5**	**0**	**0**	**1**	**0**
Gold	**15**	**14.2**	**14.2**	**19**	**16.6**	**18.4**
NTEs	**130**	**147**	**153**	**136**	**146**	**142**
Gemstones	2.9	2.4	12.3	18.3	15.8	15
Sulphuric acid	16	16	17	7	8.1	8.5
Industrial Boilers and Equipment	11	23.9	13.4	4.3	6.8	5.4
Cane Sugar	10	9.6	9.6	6.1	7.3	7.1
Gasoil/Petroleum Oils	0.7	0.7	0.4	0.7	2.5	1.9
Cement & Lime	9.6	9.4	12.1	15.1	15	15.1
Electricity	6.5	7.1	7.4	7.1	0	0.3
Burley Tobacco	1.4	0.9	1.2	11.5	19.3	19.1
Copper Wire	6.6	6.4	5.2	1.8	3.3	3
Maize & Maize Seed	1.7	1.1	3.6	1.7	0.7	1
Electrical Cables	1.5	2.2	2.6	0.5	1.1	1.1
Soap, Active Agents, Washing Preps etc	2.6	3.1	4.2	3.1	4.6	4.5
Other	59	64.6	63.6	58.9	61.1	60.2

Source: Bank of Zambia and Zambia Statistics Agency
****Projection***

REALISED PRICES AND EXPORT VOLUMES

	Jan-19	Feb-19	Mar-19	Jan-20	Feb-20	Mar-20*
Realised Prices						
Copper (US$/mt	5,915	5,993	6,296	5,637	4,948	4,487
Cobalt (US $/mt)	56,371	44,065	n/a	n/a	31,661	n/a
Gold (US $/ounce)	1,412	1,309	1,328	1,653	1,542	1,581
Export Volumes						
Copper (mt)	93,353	69,644	73,438	73,914	77,298	75,012
Cobalt (mt)	33	33	0	0	33	0
Gold (ounces)	10,494	10,819	10,668	11,475	10,757	11,619.3

Source: Bank of Zambia and Zambia Statistics Agency
****Projection***

IMPORTS (US $ MILLIONS)

	Jan-19	Feb-19	Mar-19	Jan-20	Feb-20	Mar-20*
Total Imports	**623**	**612**	**585**	**418.6**	**541.8**	**547.2**
Food Items	31.7	37.6	46	37.7	39.96	41.9
Petroleum Products	113	121	101	61.7	99.35	96.4
Fertiliser	16.3	13.9	17.8	36.9	21.27	19.0
Chemicals	78.6	65.1	69.4	48.6	55.0	52.2
Plastic and Rubber Products	37.2	35.2	34.7	39.2	37.38	38.0
Paper and Paper Products	10	8.72	8.32	8.0	6.32	6.8
Iron & Steel and Items Thereof	43	54	37	26.2	33.13	32.3
Industrial Boilers and Equipment	114.4	97.3	99.9	57.1	83.75	81.7
Electrical Machinery &Equipment	43.44	58.9	28.9	17.8	43.14	40.0
Vehicles	44.4	44.4	60.6	31.4	32.64	32.3
Ores, Slag and Ash	0.77	0.00	0.20	3.0	2.54	2.9
Other Imports	90.2	76.1	81.3	51.2	87.3	103.7

Source: Bank of Zambia and Zambia Statistics Agency
****Projection***

APPENDIX II: ACTUAL REVENUE COLLECTION AGAINST REVENUE TARGET JANUARY - MARCH 2020 (K' MILLION)

	Gross	Refund	Actual	Target	Variance	% Var
1. Direct Taxes Division	**8,379.9**	**37.0**	**8,342.8**	**7,030.6**	**1,312.2**	**18.7%**
1. Company tax; o/w	2,251.1	-	2,251.1	1,451.9	799.2	55.0%
Non Mining Company Tax	980.8	-	980.8	812.6	168.2	20.7%
Mining Company Tax	1,270.3	-	1,270.3	639.4	630.9	98.7%
2. PAYE	3,553.2	-	3,553.2	3,018.0	535.2	17.7%
3. Withholding tax & others	1,247.7	37.0	1,210.7	1,343.2	(132.5)	-9.9%
4. Mineral royalty tax	1,276.6	-	1,276.6	1,170.5	106.0	9.1%
5. Skills Development Levy	46.6	-	46.6	44.7	1.9	4.3%
6. Tourism Levy	4.6	-	4.6	2.2	2.4	109.2%
2. Indirect Taxes Division	**3,753.9**	**2,886.0**	**868.0**	**2,294.8**	**(1,426.8)**	**62.2%**
1. Local Excise Duties	447.1	-	447.1	485.7	(38.6)	-7.9%
2. Local Excise-Cement	16.4	-	16.4	25.9	(9.5)	-36.7%
3. Rural Electrification Levy	41.6	-	41.6	45.7	(4.1)	-9.0%
4. Local Fuel Levy	80.7	-	80.7	73.8	6.9	9.4%
5. Insurance Premium	30.8	-	30.8	38.7	(8.0)	-20.6%
6.VAT on domestic goods	3,137.3	2,886.0	251.4	1,624.9	(1,373.5)	-84.5%
3. Customs Services Division	**3,958.9**	**54.1**	**3,904.8**	**3,726.5**	**178.3**	**4.8%**
1. VAT on imports	2,492.5	-	2,492.5	2,411.8	80.7	3.3%
2. Customs duty (Import tariffs)	937.7	54.1	883.5	852.4	31.1	3.7%
3. Export duties; o/w	88.8	-	88.8	53.0	35.8	67.6%
Export Duty on Maize	-	-	-	-	-	0.0%
Export Duty on Timber	-	-	-	-	-	0.0%
Export Duty on Concentrates	88.8	-	88.8	53.0	35.8	67.6%
4. Import Excise Duties	228.7	-	228.7	241.9	(13.2)	-5.5%
5. Import Fuel Levy	175.1	-	175.1	112.4	62.7	55.8%
6. Carbon Tax	18.1	-	18.1	17.4	0.7	3.9%
7.Motor Vehicle Fees	18.0	-	18.0	37.6	(19.5)	-52.0%
Total Revenue; o/w	**16,092.7**	**2,977.1**	**13,115.6**	**13,051.8**	**63.7**	**0.5%**
Tax Revenue	***16,023.4***	***2,977.1***	***13,046.2***	***12,967.4***	***78.9***	***0.6%***
Non-Tax Revenue	***69.3***	***-***	***69.3***	***84.5***	***(15.2)***	***-17.9%***

Source: ZRA 2020

APPENDIX III: DRIVERS OF REVENUE PERFORMANCE IN THE PERIOD JANUARY TO MARCH 2020

A. OVERPERFORMANCE		
Tax type	**Reason**	**Total Variance from Target (K'Million)**
1) Company Tax Mining	The strong performance was due to increased payments from mining companies, top among them, was CNMC Luanshya Copper mines, Kansanshi Mining PLC and First Quantum Minerals Kansanshi Mining and Kalumbila which recorded K228.4 million, K136.6 million, K131.8 million and K70.1 million more payments in 2020 than in 2019. Further, there were increased follow ups and monitoring of taxpayers' payments towards declared liabilities and assessments which resulted in higher payment compliance from the taxpayers.	630.9
2) PAYE	The positive performance of the tax type for the quarter was due to increased payments as a result of increased monitoring of taxpayer payments. Notable among the payments received in the quarter were payments of K345 million in January 2020 from GRZ. In March 2020, the Authority received PAYE arrears for January and February from GRZ, ZESCO and Zambia Army amounting to K267 million, K98.4 million and K32.4 million respectively.	535.2
3) Company Tax Non-Mining	The performance of this tax type in the first quarter was sustained by the positive performance recorded in January 2020. Increased payments were recorded in January 2020 leading to a positive variance of K189.3 million against the for the month's target. Even though the cumulative performance of the tax type in February and March was below target by K21.1 million , the January outturn sustained the overall performance in first quarter. Top companies which recorded increased payments in the quarter were: Stanbic Bank, IHS Zambia and ZESCO.	168.2
4) Mineral Royalty	Copper prices in the quarter declined from an average of $6, 219 per tonne recorded in the first quarter in 2019 to $4, 880 per tonne in the first quarter of 2020 translating into a 21.5 percent drop. However, mineral royalty payments	106.0

	increased mainly due to increased quantities sold coupled with the depreciation of the Kwacha. The net effect of these adjustments resulted in increased mineral royalty collections.	
5) Import VAT	The positive performance in this tax type is mainly attributed to the increase in the value of standard rated imports by 17.2 percent from K 18, 814.6 million in Jan-Mar 2019 to K22, 051.3 million in the same period in 2020. Further, additional revenue in form of debt amounting to K34.1 million was collected under this tax type within the first quarter.	80.7
6) Import fuel levy	This tax type posted a surplus of K62.7 million or 55.8 percent against the quarter target of K112.4 million.The positive performance is attributed to the high volumes of uplifts of fuel that was imported in its finished form and importations by Total Zambia Limited, Puma Energy Zambia Plc and Mount Meru Petroleum Zambia Limited.	62.7
7) Export duties	The payment of debt amounting to K14.0 million by Grizzly Mining company and enhanced debt enforcement collection of K26.1 million at Kenneth Kaunda International Airport mainly accounted for the positive performance.	35.8
8) Customs Duty	The positive performance in this tax type is mainly attributed to the increase in the value of imports by 26.9 percent in the period under review though the business volumes by number of entries increased marginally by 0.1 percent. The value of goods in Zambian Kwacha benefited from the depreciation of the Kwacha against the United States dollar by 26.3 percent from an average of K11.9 per dollar in Jan-Mar 2019 to K15.4 per dollar the period Jan-Mar 2020. In addition, there was a collection of customs duty debt amounting to K27.6 million.	31.1
9) Tourism Levy	This tax type has continued to record positive performance due to active engagements by Taxpayer Services and Enforcement Units by monitoring business transactions in this industry.	2.4
10) Skills Development Levy	The performance of this tax type is attributed to the positive performance of PAYE	1.9
11) Other tax types	Miscellaneous reasons	0.7
Sub-Total for Over performance		**1,655.7**

B. UNDERPERFORMANCE		
Tax type	**Reason**	**Total Variance from Target (K'Million)**
12) Domestic VAT	The deficit in domestic VAT is largely attributed to the challenges faced by taxpayers in filing their returns on the new TaxOnline as well as the high refund payments made which increased by 86.5 percent compared to the same period in 2019. Some mining companies complained of slow business due to COVID19 and applied for offsets in the quarter. It is worth noting that of the K2,886.0 million of VAT refunds paid in first quarter 2020, K2,037.03 were offsets. For the offsets, K1, 134.4 million (55%) were receipted to VAT and the rest to other tax types. The 45% of offsets receipted in other tax types also dampened the performance of VAT and improved collections of other tax types.	(1,373.5)
13) Withholding tax & Others	The underperformance was mainly on account of a reduction in collections of withholding tax on dividends, royalties and non-resident contractors with declined payments of KK97.5 million, K7.5 million and K6.6 million respectively. The taxpayers that registered the largest decline include Bank of Zambia, Kalumbila Minerals, Ngonye power company, Mopani with respective differences in payments of K74.1 million, K38.6 million, K32.8 million and K29.1 million between 2019 and 2020.	(132.5)
14) Local Excise Duties	The local excise duty underperformed largely on account of the following factors; 1. Non-payment of K4.86 million Excise liability for the Feb excise return due in March 2020 by Zamtel. 2. Reduced fuel pump overs from INDENI to TAZAMA thereby reducing local excise duty collections. This is because of SI 87 of 2019, which granted waiver to OMCs to import finished petroleum products. 3. Non-payment by PUMA as they have	(45.3)

	applied for offset of their excise liabilities against approved refunds. Accumulated liability stands at K36.7 million 4. Reduced contribution by opaque brewers due to increased shortage of maize due to poor rainy season last farming season. Maize is the main input in production of opaque beer. 5. There has been a general downturn in the economic activity in the country over the last few months resulting in lower consumption of goods and services that in turn exerts downward pressure on consumption-based taxes. 6. Delay in implementation of projects that could have enhanced collections which were virtually factored in the profile. Projects are Digital Tax Stamp (DTS) and Telecommunication Traffic Monitoring System (TTMS).	
15) Motor vehicle fees	The negative performance in collections from motor vehicle fees is partly due to a reduction in imported motor vehicles due to factors such as continued depreciation of the Kwacha against major currencies.	(19.5)
16) Import excise duties	The poor performance can be attributed mainly to waiver of excise duty under various concessions totalling K30.8 million with the major concession of K22.7 million on suspension of excise duty on importation of tobacco cut rags. The amount of concessions increased by 167 percent compared to the same period in 2019.	(13.2)
17) Insurance Premium Levy	The poor performance of insurance levy is attributed to low consumption of motor vehicle insurance which is usually high in the first and last month of a quarter.	(8.0)
Sub-Total for Under Performance		**(1,592.0)**
Total Impact		**63.7**

Source: ZRA 2020

APPENDIX IV

List of Witnesses

Ministry of Finance
Ministry of Commerce, Trade and Industry
Ministry of National Development and Planning
Ministry of Local Government
Ministry of Housing and Infrastructure Development
Ministry of Community Development and Social Welfare
Ministry of Water Development, Sanitation and Environmental Protection
Bank of Zambia
Zambia Revenue Authority
Office of the President, Provincial Administration - Central Province
Office of the President, Provincial Administration –North Western Province
Office of the President, Provincial Administration - Northern Province
Zambia Institute for Policy Analysis and Research (ZIPAR)
Policy Monitoring and Research Centre (PMRC)

APPENDIX V - List of National Assembly Officials

Ms C Musonda, Principal Clerk of Committees
Mr F Kateshi, Principal Clerk - Parliamentary Budget Office
Mr H Mulenga, Deputy Principal Clerk of Committees (FC)
Mr S Mtambo, Deputy Principal Clerk – Parliamentary Budget Office
Mrs C K Mumba, Senior Committee Clerk (FC)
Mr S C Samuwika, Committee Clerk
Mr F Chikambwe, Budget Analyst
Ms L Chilala, Typist
Mr D Lupiya, Committee Assistant