

2017 BUDGET RECAP AND 2018 EXPECTATIONS

PRESS STATEMENT

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On the 10th of September 2017, the Ministry of Finance released the 2018-2020 “*Green Paper*” Medium Term Expenditure Framework (MTEF). The Green Paper focuses on sustaining economic growth and development through the continued implementation of the Economic Stabilization and Growth Program (ESGP). The Green Paper has been released a few weeks before the 2018 Budget Presentation and provides some insight as to what can be expected in the 2018 Budget.

The Green Paper highlights Zambia’s medium term socio-economic objectives that will lay the foundation in achieving the aspirations of the 7NDP.

These objectives are as follows;

- Achieve an average annual real GDP growth rate of at least 5 percent;
- Maintain single digit inflation in the range of 6-8 percent;
- Accelerate the diversification of the economy, particularly towards agriculture, manufacturing, tourism and energy, through among others, the enhanced use of Information Communication and Technology, in accordance with the Seventh National Development Plan;

- Increase international reserves to at least 4 months of import cover;
- Increase domestic revenue mobilization to not less than 18 percent of GDP by 2020;
- Reduce the fiscal deficit to no more than 3 percent of GDP by 2020;
- Prioritize the dismantling of arrears and curtail further accumulation;
- Decelerate the contraction of new debt to ensure debt sustainability.

In the medium term, Zambia's Economic and Social Sector Policies will focus on agriculture, manufacturing, tourism, energy, transport and information technology infrastructure, health, education and skills development, water supply and sanitation, climate change and debt management. The Green paper projects the **2018 Budget at K65 Billion Kwacha**, this is a marginal increase from the 2017 Budget which stood at K64.5 Billion.

This is consistent with PMRC's expectation of a marginal increase in Government's expenditure, as there is the need to reduce on the budget deficit and to meet the target of 2016-2018 Green Paper targets which caps the 2018 expenditure to 21% of GDP, this is a significant disparity from the 2017 Budget which stood at 27% of GDP. However, we note that this marginal increase may cause challenges in the successful implementation of the Seventh National Development Plan (7NDP) as resources to implement some key and new programmes in the national plan may be limited.

PMRC also expects significant amounts to be allocated towards the dismantling of Government arrears, a process that is already on going. This will help ease the challenges of both local and foreign contractors that have faced challenges in meeting their contractual obligations.

PMRC urges the Government to continue with the Zambia Economic Recovery Programme also called Zambia Plus. The measures in the recovery plan must be carried out side by side with the 2018 national budget so as to compliment both the budget and 7NDP implementation.

PMRC further expect the allocations towards Social Protection to increase to over K3.0 Billion. These efforts must also be accompanied by fully migrating of the social cash transfer system to an electronic platform so as to reduce administrative cost and improve overall efficiency. Further, we expect the Government to allocate close to K3 billion towards the payment of pending retirement packages. This will also contribute to widening the social security safety net.

PMRC expects the Government to significantly increase allocations towards Research and Development across a variety of sectors, this is important in moving the economy from a primary producer of goods to a secondary producer. This will also increase productivity within the economy and further Zambia's aspirations of becoming a manufacturing hub in the region.

Finally, PMRC urges Government to stick to the Pillar (cluster) influenced budget allocation in order to meet the aspirations of the 7th National Development Plan's Implementation Plan (7NDP volume II) and not revert to the institutional oriented allocation in the forthcoming budget.



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