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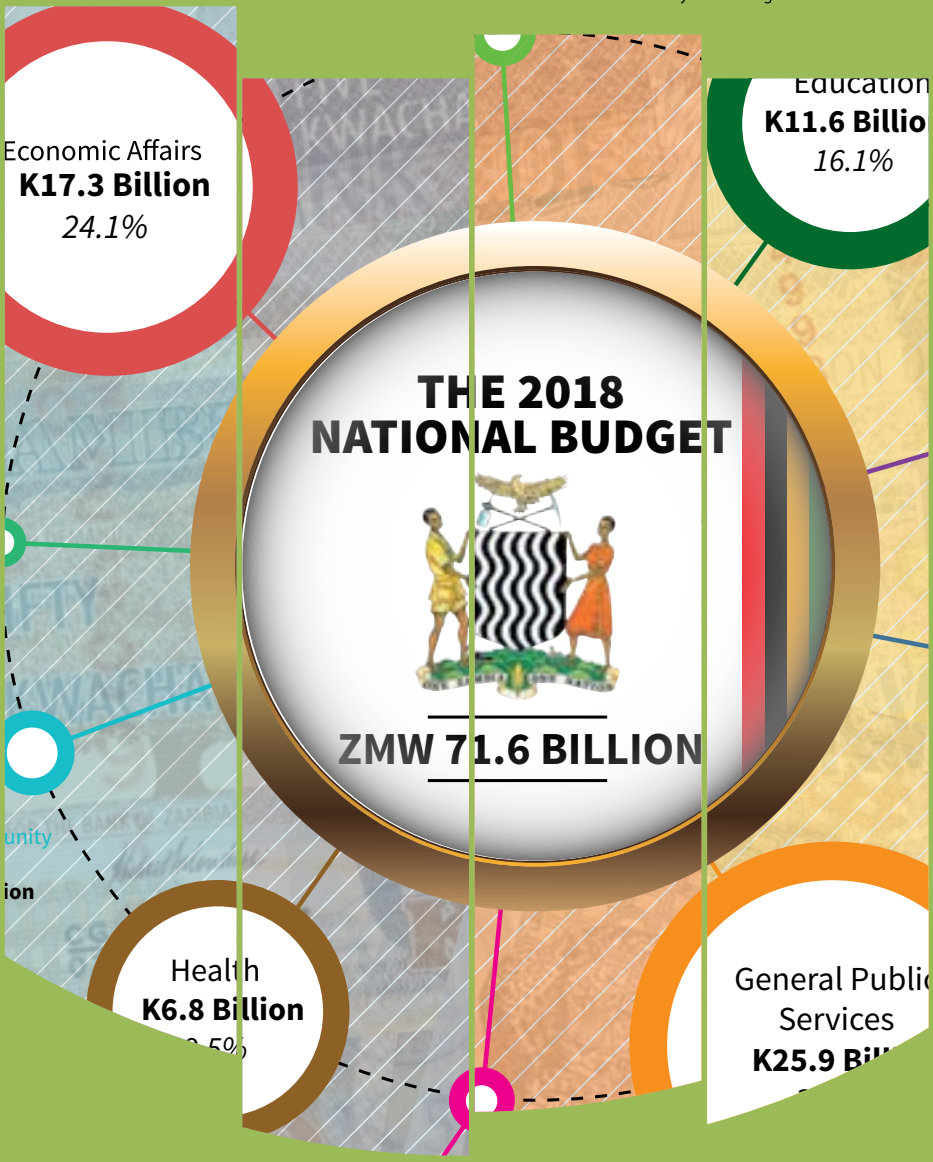


2018 NATIONAL BUDGET ANALYSIS

"ACCELERATING FISCAL FITNESS FOR SUSTAINED INCLUSIVE GROWTH WITHOUT LEAVING ANYONE BEHIND"

Prepared by: Akabondo Kabechani (Head of Monitoring & Evaluation) with the support of Bernadette Deka (Executive Director) and Brian Sambo Mwila (Communication Specialist).

PMRC 2018 NATIONAL BUDGET ANALYSIS

"ACCELERATING FISCAL FITNESS FOR SUSTAINED INCLUSIVE GROWTH WITHOUT LEAVING ANYONE BEHIND"

TABLE OF CONTENT

ABBREVIATIONS

AfDB	African Development Bank
BOZ	Bank of Zambia
FISP	Farmers Input Support Program
GDP	Gross Domestic Product
HON	Honorable
ICT	Information and Communications Technology
IDC	Industrial Development Corporation
IFMIS	Integrated Financial Management Information System
LPG	Liquefied Petroleum Gas (LPG)
MNDP	Ministry of National Development and Planning
MOF	Ministry of Finance
MP	Member of Parliament
PAYE	Pay As You Earn
PMRC	Policy Monitoring and Research Centre
PPP's	Public Private Partnerships
SMEs	Small and Media Entrepreneurs
SOEs	State Owned Enterprise
TAZAMA	Tanzania Zambia Mafuta
US$	United States Dollar
VAT	Value Added Tax
ZAMTEL	Zamtel Zambia Telecommunications
ZEC	Zambia Electricity Supply Cooperation
ZMW	Zambian Kwacha

INTRODUCTION

On 29th on September 2017, the Minister of Finance, Hon. Felix Chipota Mutati MP, delivered the 2018 Budget Address to parliament and the Zambian Nation themed *"Accelerating Fiscal Fitness for Sustained Inclusive Growth, Without Leaving Anyone Behind".*

The budget is focused on consolidating gains made in the past year of promoting fiscal fitness and anchoring the five strategic pillars outlined in the Seventh National Development Plan (2017-2021) namely; economic diversification and job creation, poverty and vulnerability reduction, reduction of developmental inequalities, enhancing human development and creating conducive governance environment for a diversified and inclusive economy.

Zambia has made significant strides in harnessing development planning as a vital process towards uplifting the livelihoods of its people since the reintroduction of development planning in 2002. The country has learned lessons from the implementation of the fifth, sixth and the revised sixth national development plans. These lessons have spanned from the failure to effectively coordinate development initiatives implemented by various sectors and have largely contributed to the slow implementation of programmes and projects.

In Zambia's quest to overcome these challenges, the implementation of programmes and projects in the Seventh National Development Plan is anchored on an integrated development approach which emphasizes tackling developmental challenges through a multi-sectoral approach. The approach, therefore, strives to deliver sustainable development by adopting a holistic, multi-sectoral approach to fully exploit existing or potential synergies between the different sectors by means of horizontal integration.

Government proposes to spend a total **ZMW 71.66 billion or 25.9% of GDP in 2018** compared to **ZMW 64.5 billion or 27.7% of GDP in the 2017 budget.** In terms of financing the budget, K49.09 billion will be through domestic revenues, K2.4 billion through grants from cooperating partners and ZMW 20.14 billion through domestic and external borrowing.

THE 2012 TO 2017 NATIONAL BUDGET COMPARISONS BY ALLOCATION(BILLION KWACHA)

	2012	2013	2014	2015	2016	2017	2018
	%	%	%	%	%	%	%
Economic Affairs	29.3	27.6	28.0	25.8	24.9	31.1	24.1
General Public Services	30.0	26.2	25.1	20.2	36.1	27.9	36.1
Education	17.5	17.5	20.2	9.6	17.2	16.5	16.1
Health	9.3	11.3	9.9	7.0	8.3	8.9	9.5
Defence	6.0	6.3	6.4	4.7	5.9	5	4.9
Public Order and Safety	3.7	4.2	5.0	2.7	3.5	3.6	3.0
Social Protection	2.7	2.3	2.7	1.7	2.4	4.2	3.2
Housing and Community Amenities	1.3	3.1	1.5	0.7	0.9	1.3	1.1
Recreation, Culture, Religion	0.5	0.8	0.7	0.4	0.5	0.5	0.6
Environmental Protection	0.1	0.2	0.4	174.9	0.3	1.0	1.3

Source: Ministry of Finance National Budgets

"GAINING MOMENTUM"

Global economic activity is gaining momentum with a long-awaited cyclical recovery in investment, manufacturing, and trade. World growth is expected to increase from 3.1 percent in 2016 to 3.5 percent in 2017 and 3.6 percent in 2018. Robust activity, expectations of stronger global demand, reduced deflationary pressures, and optimistic financial markets are all upside developments. Structural hindrances to a stronger recovery and a balance of risks remain as important challenges, especially over the medium term. These pose challenges to global economic integration and the cooperative global economic order that has served the world economy well, especially in emerging markets and developing economies. Against this backdrop, economic policies have an important role to play in staving off downside risks and securing the recovery, and a renewed multilateral effort is also needed to tackle common challenges in an integrated global economy.

BUDGET BY FUNCTION 2017 AND 2018

"AN ECONOMY MAKING POSITIVE STRIDES"

Zambia's economy in 2017 continued to bounce back from the storm of 2015-2016 supported by stable and reliable energy supply on account of good rainfall and measures to adjust electricity tariffs upwards to reflect the cost of production. This has been supported by copper prices that are on the ascent, thanks in part to the latest Chinese trade data and genuine excitement among investors over worldwide growth and capacity cuts.

FUNCTION	2017 BUDGET		2018 BUDGET	
	AMOUNT ZMW	SHARE OF BUDGET	AMOUNT ZMW	SHARE OF BUDGET
General Public Services	**17,970,340,000**	**27.9%**	**25,898,031,580**	**36.1%**
Domestic Debt Payment	4,969,310,000		6,972,268,260	
External Debt Payment	6,497,230,000		7,268,795,020	
Public Affairs and Summit	100,000,000		235,305,460	
Constituency Development Fund	218,400,000		218,400,000	
Local Government Equalisation Fund	887,850,000		1,078,428,000	
Compensation and Awards	100,000,000		303,363,990	
Zambia Revenue Authority			848,664,000	

TABLE CONTINUES ON PAGE 6

Defence	**3,204,450,000**	**5.0%**	**3,498,217,240**	**4.9%**
Public Order and Safety	**2,342,970,000**	**3.6%**	**2,144,570,440**	**3.0%**
Economic Affairs	**20,132,600,00**	**31.1%**	**17,258,329,480**	**24.1%**
Farmer Input Support Programme	2,856,400,000		1,785,000,000	
Strategic Food Reserve	942,500,000		1,051,200,000	
Rural Electrification Fund	114,520,000		251,331,670	
Roads Infrastructure	8,644,500,000		8,660,314,000	
Dismantling of Arrears	3,269,510,000			
o/w Fuel Imports	500,000,000			
Electricity Imports	661,800,000			
o/w Agriculture & Industrial Credit	219,030,000			
Guarantee Fund	20,000,000			
Environmental Protection	**616,470,000**	**1.0%**	**951,352,080**	**1.3%**
Climate Change Resilience	347,990,000		457,574,620	
Housing and Community Amenities	**822,810,000**	**1.3%**	**816,262,640**	**1,1%**
Water Supply and Sanitation	391,700,00		564,508,860	
Health	**5,762,030,000**	**8.9%**	**6,781,558,820**	**9.5%**
Drugs and Medical Supplies	769,090,000		1,200,227,400	
Medical Infrastructure and Equipment	267,510,000		326,142,010	
Recreation, Culture and Religion	**323,500,000**	**0.5%**	**451,160,740**	**0.6%**
Education	**10,641,930,000**	**16.5%**	**11,561,643,204**	**16.1**
Schools Infrastructure	638,040,000		740,060,456	
University and College Infrastructure	368,580,000			
Student Loan Scheme	314,850,000			
School Feeding Programme	35,550,000			
Skills Development Fund	233,500,000		176,698,000	
Social Protection	**2,693,210,000**	**4.2%**	**2,301,259,752**	**3.2%**
Public Service Pension Fund	1,655,000,000		1,060,550,000	
Social Cash Transfer	552,000,000		721,180,000	
o/w GRZ Contribution	500,000,000			
Food Security Pack			140,000,000	
Grand Total	**64,510,300,000**	**100.0%**	**71,662,385,976**	**100.0%**

Source: Ministry of Finance National Budgets

PILLAR ONE: *Economic Diversification and Job Creation*

Diversification away from mining in Zambia remains key to economic emancipation of citizens and weaning the country from reliance on the mining sector which has exposed the country's economy to volatility from external shocks. Measures to address this challenge in the 2018 budget include the shift in focus to labour intensive sectors such as agriculture and tourism specifically through the introduction and development of **farm blocks models** on the Copperbelt, Northern and Muchinga provinces. The model is based on core venture concept with value addition through agro processing facilities and technological transfer but ultimately aims at job creation and social development. These measures will be supported by the facilitation of a **US$ 100 million** public private sector investment into a **tractor and agricultural equipment plant** in the Lusaka South Multi-Facility Economic Zone envisaged to be fully operational by end of 2018. The Government has also obtained **US$ 40 million** financing for agriculture mechanisation from the EXIM Bank of India. PMRC proposes for further details on how all these measures will be implemented.

The full migration to the e-voucher system and subsequent removal of ghost farmers is long overdue and provides opportunities for crop diversification and efficient administration of the 2017/18 farming season. The national budget clearly reveals that this measure will result in a saving of ZMW 1 billion.

There is need however to speed up ongoing construction works of **dip tanks and artificial insemination centres** in the livestock sector and the development of aquaculture projects. Fisheries and livestock demand in Zambia cannot be met by local production and hence the need to shift focus to key drivers of growth in the two sectors. These include Research and Development, Livestock Production, Extension Services, Disease Management, Irrigation and Infrastructure Development for Rural Agriculture.

The Government has set up the **Agricultural and Industrial Credit Guarantee Scheme** to facilitate access to affordable credit to Small and Medium-Sized Enterprises as pronounced in the 2017 budget and more detail on how this will work is welcome.

Government in 2018 further plans to present the **Energy Regulation Bill** and the **Electricity Bill for enactment**. It is envisaged that the Energy Regulation Bill will allow for enhanced supervision and regulation of the energy sector, while the Electricity Bill will allow for participation of other players in the industry. **The government needs to develop a long term sustainable roadmap for the energy that will guide reforms in the energy sector and get input from all stakeholders to increase opportunities for success.**

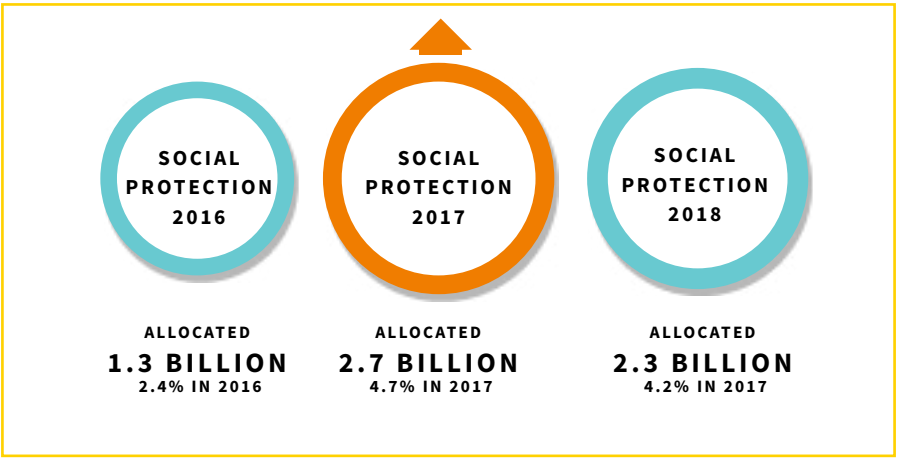
Government in 2018 plans to continue ongoing road infrastructure projects, including the Link Zambia 8,000, the Lusaka 400 and the Copperbelt 400 projects. To reduce congestion in Lusaka, the US$240 million Lusaka City Traffic Decongestion Project financed by cooperating partners is expected to commence in 2018. In this regard, government has maintained approximately

the same allocation to road infrastructure in 2018 at ZMW 8.6 billion as was the case in the 2017 budget. **Given the widening fiscal deficit it would be prudent to cap road infrastructure spending in 2018 and explore smarter financing options that will focus on economic roads.** Government has indicated that part of the financing measures will be from Public Private Partnerships, Private Sector, Pension Fund Participation and Sale of Assets. The 2017 Budget address directed Industrial Development Corporation (IDC) to assess the viability of State-Owned Enterprises with a view to hive off non-performing ones. To date there has been no information on which assets government intends to sell or revamp. To this effect, the IDC must develop and publicise a comprehensive strategy specific for SOE's in view of the directive in the 2017 national budget.

Aimed at creating a supportive environment to stimulate economic diversification and job creation as enshrined in the Seventh National Development Plan and its funding derived from allocations to Economic Affairs. Economic affairs by function covers mining, energy, agriculture, manufacturing, construction transport, communications, forestry and other industries. Given the desire by government to diversify the economy and support objectives of the 7NDP, the reduction in spending here from **ZMW 20,132,600,00 in 2017 to ZMW 17,258,329,480 i**s likely to hinder diversification and job creation.

PILLAR TWO: *Reducing Poverty and Vulnerability*

Government efforts in reducing poverty and vulnerability among its citizens must be commended in the area of Social Protection over the last two years. The government had ***increased the allocation to social protection*** by 87% from 2.4% in 2016 to 4.2% of the total 2017 budget. It is worth noting that the increase in pension benefits from **ZMW 805 million in 2016 to ZMW1.7 billion in 2017** was significant and commendable.



The government further increased the allocation and coverage to social cash transfer from **ZMW 302 million to ZMW 552 million in 2017**. There is a nominal reduction of 15% from ZMW **2,693,210,000 in 2017 to ZMW 2,301,259,752 in 2018**. Despite this reduction the allocation to Social Cash Transfer has increased by 31% with the number of **Social Cash Transfer beneficiaries increasing to 700,000 from 590,000 in 2017.** This will be further supported by Government's full migration to an electronic social cash transfer system that will assist in planning, policy formulation, achieving efficiency and eliminating duplications within the programme. We however note that this requires strong and reliable Information Technology infrastructure to avoid disruptions and delays in disbursement of funds. Lessons must be learnt from the pilot of the evoucher in some districts that was interrupted due to lack of adequate ICTs in some districts.

The number of household beneficiaries on the Food Security Pack will in 2018/2019 farming season be increased to **80,000 from 40,000** in the 2017/2018 farming season to support vulnerable but viable farmers.

40,000
HOUSEHOLD BENEFICIARIES
2017

80,000
HOUSEHOLD BENEFICIARIES
2018

To increase **school attendance and stem malnutrition** the government announced plans in the 2018 budget to increase the number of beneficiaries on the school feeding programme from **1.2 million projected at end of 2017 to 1.5 million in 2018.**

These measures are very important given some consequences of Zambia's Economic Recovery Programme. The Government has signalled strong solidarity with the poor and vulnerable by making huge increments towards Social Protection in 2017 and increasing coverage in 2018. Social protection not only minimises the negative impacts of an economic crisis by providing a buffer for the most vulnerable but can also provide a stimulus for growth through increased demand.

In the long-term, social pensions, healthcare systems and extensive provision of education provide the basis for successful economies. Relatively small investments in social protection can have huge impacts on poverty levels, nutrition, school attendance and can encourage entrepreneurship. A social protection floor should not be seen as a by-product of development but as an essential step of the development process.

PILLAR THREE: *Reducing Development Inequalities*

Feeder roads infrastructure is very important in developing and supporting agriculture in rural areas and Government plans to enhance rural connectivity. Government has stated its intention to prioritise the increased access to social services and completion of on-going education, health and water and sanitation infrastructure in rural areas. However, the budget allocations towards Housing and Community Amenities shows 42% of this budget going towards Lusaka Sanitation Project. In order to rebalance the allocations in this sector, the Government must allocate more resources towards rural sanitation to achieve objectives set out in Reducing Development Inequalities under Pillar Three.

The Decentralisation Policy, 2013 was founded on the vision of having a "decentralised system of Government within the unitary State of Zambia." This Vision is in line with various national plans and the overall long-term national agenda set by the Vision 2030. The goal of decentralising Zambia's administrative systems originates from the need for community participation in fostering effective implementation of significant development programs. It was determined that citizens must have a certain degree of authority to contribute meaningfully to development programs and activities through active decision making. The policy is a guide to transference of authority, functions and responsibilities to lower levels of governance. The decentralization policy is expected to promote people's participation in democratic governance at the local level. The policy is also expected to promote participation of chiefs and other traditional leaders in governance and preservation of culture and heritage, whilst respecting cultural diversity. It is important to note however that: Not all functions would be transferred to the councils, but that Central Government shall retain some core functions over essential national matters. PMRC welcomes Government decision to ensure that finances required to provide front-line public services and infrastructure projects at provincial and district level are deconcentrated to provincial administration. **Policymakers should take the following observations into account:**

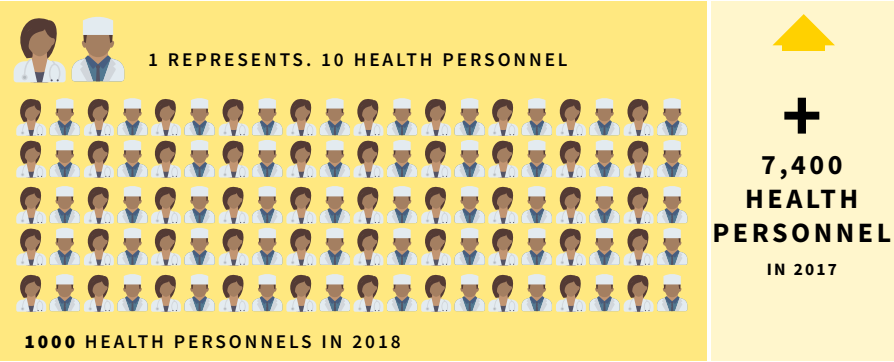
- Financial decentralisation should not be used as a means for national governments to shift the burden of financing services to sub-national governments and private providers.

- Pro-poor budgeting creates incentives for macroeconomic risk-taking by increasing government vulnerability to financial deficit and over-expanding the size of the public sector.
- The transfer of responsibilities to sub-national governments could slow down the delivery of services unless accompanied by adequate capacity-building and civil society participation. Political commitment of local elites is required.
- Fiscal decentralisation requires citizen participation since resource allocations should reflect local preferences. The challenge is to overcome the technical complexity of the process and find appropriate ways to institutionalize participation.

PILLAR FOUR: *Enhancing Human Development*

The Seventh National Development Plan identifies three key components of human development namely health, education and skills development and improved access to water supply and sanitation. It must be noted however that the 2018 budget makes no explicit provision for human capital development and appears to take the sectoral funding format while leaning and recognising the multi-sectoral approach of the 7NDP. The 2018 budget fails to provide adequate direction on how objectives of the 7NDP will be realised because of lack of multi-sectoral programming.

The **recruitment of 1,000 health personnel to add to the 7,400 recruited in 2017** will support human resources for health which currently has a deficit of approximately 30% of the total establishment. The 2018 allocation to health has increased from 8.9% in 2017 to 9.5%. However, this increase is not sufficient to address the challenges and emerging issues in our health sector. (e.g. projected increase of demand on ART services due to routine testing policy pronouncement). **How much should our country spend on health, given our current epidemiological profile relative to our desired level of health status, considering the effectiveness of health inputs that would be purchased at existing prices, and taking account of the relative value and cost of other demands on social resources?** This is what needs to be answered. Our allocation to health in the 2018 budget falls short of the Abuja declaration of 15% which Zambia is a signatory and party to and hence the need to continue to advocate for increased budgetary support to the health sector.



PILLAR FIVE:

Creating a Conducive Governance Environment for a Diversified and Inclusive Economy.

Government began measures to restore fiscal fitness in 2017 under the Economic Stabilisation and Growth Programme. In the 2018 Budget the Government must be commended for building on the progress achieved in 2017 aimed at restoring budget credibility, transparency and policy consistency while scaling- up social protection. It must however be noted that some the measures announced in the 2018 Budget were made in the 2017 Budget and were not achieved.

These include;

i. **Revisions to the Public Finance Act to make it more punitive to cases such as abuse of and misapplication of funds;**

ii. **Revisions to the Public Procurement Act to ensure value for money and introduce benchmarking of prices and requirements for project appraisal prior to granting of tender approvals;**

iii. **Enactment of the Planning and Budgeting Bill that will anchor budget and plan preparation in law and enhance participation by citizens including by Members of Parliament.**

Achieving these regulatory, policy and structural reforms will restore budget credibility, widen the tax base, get value for money for Government and set the framework for successful reform in the Public Sector.

To control expenditure and refocus it to priority areas Government plans to

i. Concentrate resources in areas that facilitate economic diversification, including on- going projects so as to realize value for money;

ii. Prioritise the dismantling of arrears;

iii. Control the growth in the wage bill by limiting recruitments to critical sectors and undertaking a clean-up of the payroll;

iv. Limit the fiscal deficit in order to ensure sustainability of debt; and

v. Pursue project financing through Public Private Partnerships.

TAMING THE "GREAT BEAR"

Zambia's debt management policy was fired up by the publication of the Medium-Term Debt Management Strategy that seeks to return the debt to low risk of debt distress. The strategy outlines measures to drastically reduce the rate of debt accumulation, attain a cheaper and longer debt maturity profile, ensure future borrowing is undertaken strictly within sustainable levels and utilise public private partnerships to reduce the burden on the treasury. .Specifically

the MTDS will ensure;

- Maximizing concessional and semi-concessional external borrowing;
- Restricting non-concessional external borrowing to projects with high economic return;
- Lengthening maturities in the domestic markets and ensuring redemptions are evenly spread over time;
- Fully utilizing medium to longer tenor securities in the domestic markets.
- Manage risks associated with Zambia's public debt portfolio by; reducing the foreign currency denominated debt and gradually increasing domestic debt in proportional terms over the medium term in order to manage the exchange rate risk, while ensuring no crowding out of the private sector;
- Diversifying the GRZ securities investor base to make the securities market more competitive and mitigate auction failures;

Zambia's public debt stands at a staggering **47% of GDP as at August 2017** accounting for 29% and 18% of GDP in external and domestic debt respectively.

Yields on Zambia's **$1 billion of Eurobonds due 2022, 2024 and 2027** have fallen 1.83 percentage points this year as prices for copper, which accounts for three quarters of the country's export revenue, rebounded and with optimism Government will strike a deal with the

IMF. Zambia's fiscal deficit has been largely as a result of infrastructure spending, subsidies in the energy and agriculture sectors, rising public sector wage bill and interest payments on debt.

The government plans to borrow 11.2 billion kwacha ($1.2 billion) from the domestic market in 2018, more than triple the amount in the 2017 Budget. This is in part motivated by the need to mitigate the exchange risk associated with cost parameters of foreign denominated instruments of borrowing. This however raises the prospect of crowding out private sector investment and choking the diversification and job creation drive.

FADING SUBSIDIES

Government in 2017 implemented reforms to remove subsidies in the electricity and agriculture sectors by raising electricity tariffs by 75%, reforming the Farmer Input Support Programme by migration to E-Voucher system and reforming spending to the Food Reserve Agency. These measures are largely welcome because Energy subsidies are regressive ***(with the biggest benefit accruing to the rich in the economy)***, costly to a national budget and crowd out other spending, including on much needed infrastructure and social services. There is urgent need to ensure that these measures are accompanied by improvements in governance and efficiency in the energy and agriculture sectors.

REVENUE MEASURES

- Proportion of VAT as share of GDP is likely to increase in 2018 by 0.4% from 2017 largely due to measures set out in 2017 budget and will include penalties in VAT Act for non-compliant tax payers.

- Revenue measures in 2018 will be boosted by the increase in copper prices and mineral royalties are expected to increase to 6.8% of GDP in 2018 compared to 4.2% in 2017. The country needs to develop a dynamic system for reform in the mining sector to cope with new challenges. The Mineral Value Chain Monitoring Mechanism must be supported and enhanced to include monitoring of financial activity of mines. This will enhance revenue collection in the sector.

- The discontinuation of the 5-year tax holiday through the Zambia Development Agency remains to be tested. And government must have a counter strategy in place in case this does not yield intended results.

- Increased customs duty of electric geysers and stoves from 25% to 40% to help reduce load on the electricity grid and increase revenue. This measure needs to be accompanied by a comprehensive communications strategy to achieve the objective of reducing load on the electricity grid. This strategy must focus on safety issues when using gas for cooking, the efficiency of solar geysers and cost of biomass usage (e.g charcoal usage and the destruction to the environment).

- The removal of customs duty on Point of Sale Machines, electronic fiscal devices and sim cards. This will help enhance electronic payments and increase revenue collection.

- The introduction of a charge of K2 per 50kg bag of cement will support the Infrastructure Development fund but will hurt the construction industry by increasing their costs on cement.

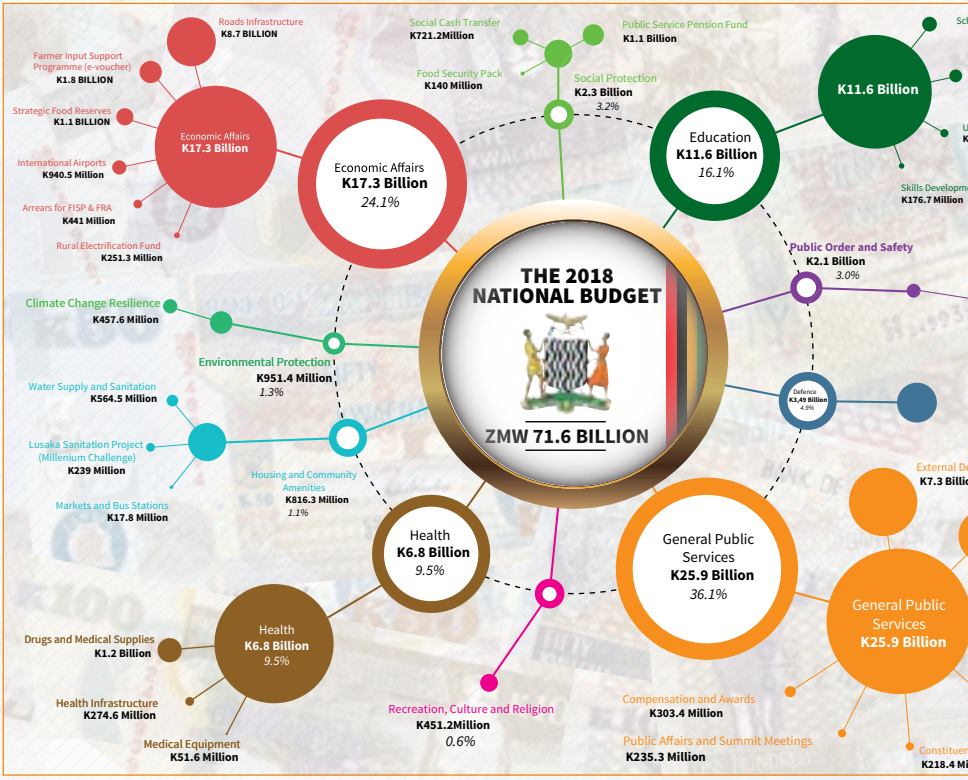
RECOMMENDATIONS

- Government must make revisions to the Public Finance Act of 2004 to strengthen laws and regulations and make them more punitive to abusers of public funds.
- Planning and Budgeting Bill must be enacted to ensure adherence to planned programmes and enhance budget credibility. This was announced in the 2017 Budget but to date has not made any progress.
- Government must ensure the full roll out of Integrated Financial Management Information System(IFMIS) so that no Ministry, Province or Spending Agency shall be allowed to spend outside the system. This will curb the accumulation of arrears.
- Government must ensure that major revenue collection processes are fully automated to minimise revenue leakages associated with the manual process. This measure needs to be supported by strong IT infrastructure to minimise disruptions and ensure efficiency.
- The Zambia Public Procurement Authority was in 2017 Budget directed to finalise and implement a price benchmarking framework. The framework provides a guide on the optimal pricing for goods, works and services. In addition, government was piloting an Electronic Government Procurement System to enhance efficiency and effectiveness in the procurement of goods, works and services. This has not been achieved and we look forward to its implementation so that we achieve government's desire to gain value for money and improvements in governance in procurement sector.
- The IDC was directed to conduct a situational analysis of all SOEs under its portfolio with a view to recapitalise those that have a good business case and hiving those that are not viable. In 2017, SOEs to be reviewed included Zesco, Zamtel, Zambia National Building Society, Indeni, TAZAMA Pipeline, Zambia Railways and Zambia State Insurance Corporation. The efficient, effective and equitable delivery of public goods and services requires well-functioning public institutions. This pronouncement has disappeared and requires urgent attention.
- The government must consider capping the costs of road construction projects. This spending component contributed largely to the fiscal deficit in the 2016 Budget and increased allocations in the 2017 Budget. Road infrastructure had increased from K6.6 billion in the 2016 Budget to K8.6 billion in the 2017 Budget and has remained the same in the 2018 Budget.
- Government needs to align spending in the agriculture sector to support key drivers of growth in the sector that include extension services, research and development, livestock management and production, disease control and irrigation. These measures have the potential to grow the agriculture sector.
- Priority must be given to the reforms listed in the MTEF that have be made to ensure smooth implementation of the National Budget and the 7NDP. Further, there will be need for communication tools to be developed and distributed across all ministries and spending agencies across the country to ensure that the multi-sectoral approach of development as outlined in the 7NDP is realised.

THE 2018 NATIONAL BUDG

"ACCELERATING FISCAL FITNESS FOR SUSTAINED INCLUSIVE GR

EXPENDITURE ESTIMATES 2018 BUDGET



KEY INTEGRATED MULTI-SECTORA

PILLAR ONE:
ECONOMIC DIVERSIFICATION AND JOB CREATION

- Development of **farm blocks** in Copperbelt, Muchinga and Northern provinces.
- US$100 million public private sector investment into a **tractor and agricultural equipment assembly plants** in the Lusaka South Multi-Facility Economic Zone.
- Implementation of the US$50 million **Zambia Aquaculture Enterprise Development Project** in 2018.
- Recruitment of **750 extension service workers** for agriculture, fisheries and livestock.
- Set up of the **Kafue Iron and Steel, Kalumbila and Chembe** Multi-Facility Economic Zones is underway.
- Establishment and operationalization of a Single Licensing System.
- Setting up an **Infrastructure Development Fund** to further diversify sources of financing for infrastructure development.

PILLAR TWO:
REDUCING POVERTY AND VULNERABILITY

- Increase the number of **Social Cash Transfer** beneficiaries to 700,000 in 2018.
- Full migration to an **Electronic Social Cash Transfer** platform.
- Increase beneficiaries under the **Public Welfare Assistance Scheme** to 200,000 from 134,000.
- Increase the number of household beneficiaries under the **Food Security Pack programme** to 80,000 from 40,000.
- Increase the number of learners on **Home Grown School Feeding Programme** to 1.5 million from 1.2 million projected at the end of 2017.
- 30,000 women will be empowered under the **Womens' Development Programme** with productive grants and micro credit countrywide in 2018.
- Provision of educational support to **16,000 girls** from extremely poor households in 16 districts and a further **75,000 women** with grants in 51 districts.

PILLAR THREE:
REDUCING DEVELOPMENT IN

- **US$200 million** secured fr **Roads** under the rural conne
- Ensure that finances requir **services** and infrastructure p level are de-concentrated to
- Repealing and replacing of councils gain revenue buoya rates.
- This will go a long way in est for local authorities.

GET INFOGRAPHIC

ROWTH WITHOUT LEAVING ANYONE BEHIND"

ADAPTED BY OCTOBER 2017
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hool Infrastructure
K740.1 Million

Student Loans and Scholarships
K557 Million

niversity and College Infrastructure
321.9 Million

ent Fund

National Identity Documents
K37.3 Million

Defence
K3.5 Billion
4.9%

ebt Payment
on

Domestic Debt Payment
K6.97 Billion

Local Government Equalization Fund
K1.1 Billion

Zambia Revenue Authority
K848.66 Million

cy Development Fund
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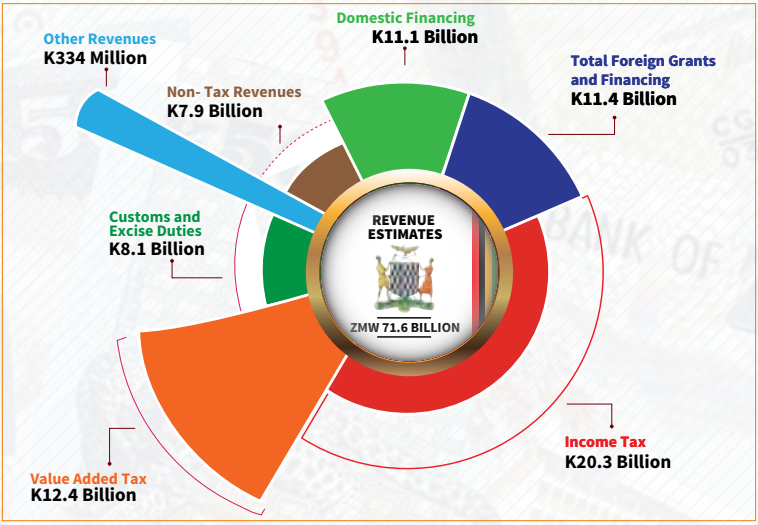
REVENUE ESTIMATES 2018 BUDGET



HIGHLIGHTS: REVENUE MEASURES

- Discontinuation of the 5-year income tax holidays that is facilitated through the Zambia Development Agency.
- Introduction of an excise duty of K2 per 50 Kg of cement to assist mobilization of funds for the Infrastructure Development Fund.
- Upward adjustment of the base tax rate from K150 to K365 per year.
- Upward adjustments of customs duty on unprocessed tobacco and tobacco refuse to 25 percent from 15 percent.
- Removal of customs duty on various inputs that are used in the manufacture of stock feed and fish feed.
- VAT Exemption on unprocessed and semi-processed tobacco ACT.
- Introduction of penalties in the VAT Act, Customs Act and Excise Act for taxpayers that fail to furnish records upon request and similarly for those who fail to issue tax invoices.
- Introduction of a surtax on selected imported products that are locally produced in order to support the growth of the domestic industry.

AL POLICIES AND INTERVENTIONS

EQUALITIES

om the World Bank for **Feeder** ectivity project.

ed to provide **front-line public** projects at provincial and district provincial administration.

the **Rating Act** to ensure that ncy and adequacy from property

tablishing a sound financial base

PILLAR FOUR: ENHANCING HUMAN DEVELOPMENT

- **Construction and upgrading** of health facilities across the country as well as procure **modern equipment.**
- Introduction of **e-services** in health institutions starting with the **University Teaching Hospital**.
- Increase access to, and improve quality of **primary education** through completion of schools under **construction and rehabilitation of classrooms.**
- With regard to **secondary education**, focus will be on the implementation of the **two-tier** system which offers learners with the opportunity to follow an **academic or vocational career** path way.
- Focus will also be on **unbundling the arrears** owed to the contractors and suppliers, in order to complete the ongoing water supply and sanitation projects.

PILLAR FIVE: CREATING A CONDUCIVE GOVERNANCE ENVIRONMENT FOR A DIVERSIFIED AND INCLUSIVE ECONOMY

- Revisions to the **Public Finance Act** to make it more punitive to cases such as abuse of and misapplication of funds.
- Revisions to the **Public Procurement Act** to ensure value for money and introduce benchmarking of prices and requirements for project appraisal .
- Enactment of the **Planning and Budgeting Bill** to anchor the budget and planning preparations and enhance participation.
- Roll out the national land titling pilot programme with the aim of issuing title for at least **300,000 pieces** of land.
- Repeal the **Loans and Guarantees** (Authorisation) Act with a bill that will provide for **enhanced oversight** by National Assembly over the **borrowing activities.**

2018 NATIONAL BUDGET ANALYSIS

"ACCELERATING FISCAL FITNESS FOR SUSTAINED INCLUSIVE GROWTH WITHOUT LEAVING ANYONE BEHIND"

Unlocking Zambia's Potential
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