Unlocking Zambia's Potential
Correspondence on this Analysis can be sent to:
info@pmrczambia.net
Policy Monitoring and Research Centre (PMRC)
Corner of Nationalist & John Mbita Roads,
Opposite Ridgeway Campus gate
10101 Lusaka, Zambia.
Private Bag KL 10
Tel: +260 211 269 717 | +260 979 015 660
www.pmrczambia.com

PMRC®
Policy Monitoring and Research Centre

PMRC 2022 BUDGET

EXPANDED PLANNING AND BUDGETING COMMITTEE: ESTIMATES OF REVENUE AND EXPENDITURE FOR THE FINANCIAL YEAR ENDING 31ST DECEMBER 2022.

ABOUT PMRC

The Policy Monitoring Research Centre (PMRC) is a public policy research Think-Tank, whose vision is unlocking Zambia's potential through evidence-based policy research, analysis and reform proposals to complement Governments efforts across sectors.

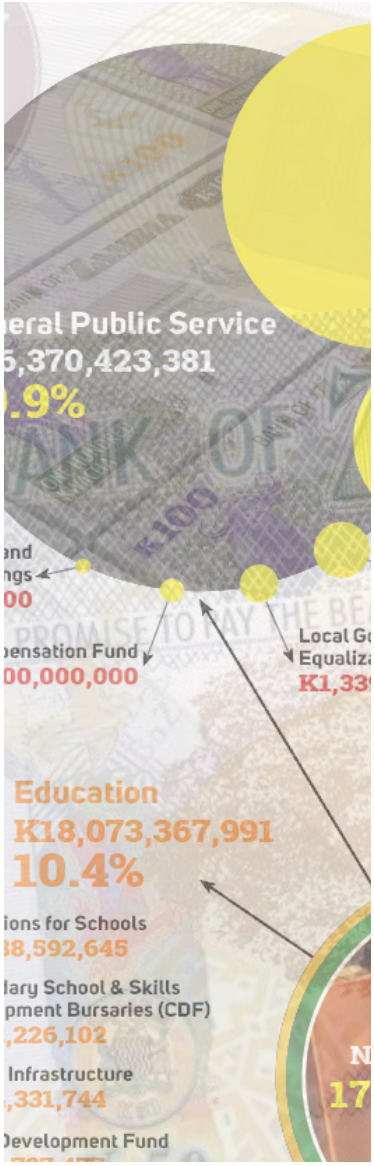
Within its core analytical work areas, PMRC's stated aims are to:

- Promote public understanding through research and education
- Encourage debate on social and economic policy issues critical to national development
- Disseminate research based reform proposals; and
- Support government machinery in recommending policy and procedure to ensure effective delivery of the national development agenda.

PMRC was established to complement the Government of the Republic of Zambia in evidence-based social economic research across sector ministries and monitor coherence and implementation through collaborations with Government ministries, Government Agencies, Non Governmental Organisations (NGOs), Civil Society Organisations (CSOs). ***www.pmrczambia.com***

PMRC'S ROLE IN THE BUDGET PROCESS

- Pre Budget submissions to the Ministry of Finance.
- Working with the Ministry of Finance on the Citizens Budget.
- Producing infographics for easy understanding of the Budget.
- Simplified analysis of the Budget for the public.
- Public lectures.
- Appearance before the Budget Committee.



BUDGET OVERVIEW

- The Minister of Finance unveiled a **K172.9 Billion or 37.1 percent share of of GDP in 2022 compared to K 119.6 billion or 32.6 percent share of GDP** in 2021 on Friday, 29th October, 2021.
- The theme of the budget is ***"Growth Jobs and Taking Development Closer to the People."***
- The 2022 budget was delivered in an environment characterised with anxieties, high expectations as it was a budget that would set in motion the plans and aspiration of the new Government to lift the economy from the **pandemic induced slump, fiscal deficit and the debt burden**.

RESOURCE ENVELOPE FOR THE 2022 BUDGET

	Amount	Share of Budget	Share of GDP
Government Expenditure	172,987,077,535	100%	37.1%
Domestic Revenue	98,859,157,828	57%	21.2%
Domestic Financing	24,458,940,993	14%	-
Foreign Financing and Grants	49,668,978,774	29%	10.7%

EXPENDITURE ESTIMATES BY FUNCTION

Function	2022		2021		2020	
	Amount	Percentage of Budget	Amount	Percentage of Budget	Amount	
General Public Service	86.4 Billion	49.9%	57.8 Billion	48.35%	44 Billion	41.6%
Defence	7.6 Billion	4.4%	5.6 Billion	4.7%	6.5 Billion	6.2%
Public Order and Safety	3.5 Billion	2%	3.1 Billion	2.6%	3.4 Billion	3.8%
Economic Affairs	33.7	19.5%	21.5 Billion	18%	21.8 Billion	20.6%
Environmental Protection	971.9 Million	0.6%	955.5 Million	0.8%	611.7 Million	0.6%
Housing and Community Amenities	2.4 Billion	1.4%	2.2 Billion	1.9%	3.4 Billion	3.3%
Health	13.9 Billion	8%	9.7 Billion	8.1%	9.4 Billion	8.8%
Recreation, Culture and Religion	156.4 Million	0.1%	151.4	2.6%	3.4 Billion	3.8%
Education	18.1 Billion	10.45	13.8 Billion	11.5%	13.1 Billion	12.4%
Social Protection	6.3 Billion	3.6%	4.8 Billion	4%	2.6 Billion	2.4%
Total	172.9 Billion		119.6 Billion		106 Billion	

TAX MEASURES

- Government has proposed to increase the exempt threshold for Pay-As-You-Earn (PAYE) to K4,500 from K4,000 per month and to adjust the income tax bands accordingly. **PMRC believes that the adjustment in PAYE will result in increased disposable income, particularly for low wage earners. This is especially timely in view of the rise in the cost of living**.

- PMRC commends the proposal to re-introduce the deductibility of mineral royalty for corporate income tax assessment purposes. We believe that this measure will lower mining companies effective tax rate. This would serve as an incentive for further mining investment and would contribute to the desired increase in copper production to over 3 million metric tonnes per annum in the next 10 years.

- Government proposes to reduce the standard corporate income tax rate to 30% from 35%. However, the top marginal tax rate for telecommunication companies will be maintained at 40%. PMRC commends Government for the reduction in corporate income tax by 5%. As envisioned, this measure will help companies retain funds for reinvestment and serve to attract foreign direct investment.

- Government proposes to maintain the **15% corporate income tax rate on income earned by hotels and lodges on accommodation and food services until 31st December 2022**. The tourism sector has been particularly hard hit by the COVID-19 pandemic. Travel restrictions and border closures have resulted in less tourists arriving in Zambia. PMRC welcomes the move to extend the 15% corporate income tax rate until December 2022 because it will protect players in the tourism sector from further economic harm.

- Government further proposes to remove the 10% export duty on maize effective 1st November 2021. **It has long been suggested that Zambia is well positioned to become a bread basket for the region**. PMRC commends this move as it will stimulate private sector involvement in the sector, enhance trade in agricultural commodities and offer an alternative market for farmers and traders. In order to complement the proposal, agro-processing should be aggressively pursued (through the development of milling plants) both by Government and the private sector. This will lead to growth in the manufacturing sector as well as enhance job creation.

FISCAL FRAMEWORK

- Fiscal consolidation is a process where Government's fiscal health is getting improved and is indicated by reduced fiscal deficit. Improved tax revenue realization and better-aligned expenditure are the components of fiscal consolidation as the fiscal deficit reaches a manageable level.

- The link between fiscal discipline, economic growth on one hand and poverty/inequality reduction, on the other, needs strengthening.

- The Debt status of the country remains a concern and thus this budget theme is timely but the reality will be in the actions that Government takes towards realisation of this theme.

- The reality of this debt is further depicted by the fact that debt repayments amount to 27.2% which is above the combined allocations to 3 key social sectors of health, education and

social protection.

- The 2022 **fiscal policy agenda aims to progressively reduce fiscal deficits to sustainable levels while supporting growth that generates jobs and reduces poverty**. To achieve this Government will employ a combination of revenue mobilization, administrative reforms and expenditure measures.

- Government will in the medium- term increase domestic revenue to at least 21.0 percent of GDP. To achieve this, Government will streamline the tax system and place a high priority on fair and equitable taxation as well as establish a stable and predictable tax policy environment. **Government will further rationalise the mining tax system to attract investment which will in turn increase production**.

- To rationalize expenditure, Government will reduce areas of wastage of resources in the Budget and channel them to other needy areas that will improve the livelihoods of our people.

- Government will strictly enforce the provisions of Public Procurement Act No.8 of 2020. **Government will ensure that the procurement of public goods, works and services are done at the right price in accordance with the quarterly market price index published by the Zambia Public Procurement Authority**.

- In the 2022 Budget Address, Government has outlined its desire to expand the coverage of the Financial Management System to the district level and develop a standardised **Local Authorities Financial Management Information System framework. PMRC commends this action because it will strengthen the financial governance of the Constituency Development Fund (CDF). This will serve to allay fears about abuse of the CDF**.

- Regarding public procurement, the Honourable Minister outlined Government's commitment to procurements at "the right price, of the right quality and delivered on time". To this end, Government will endeavor to strictly adhere to the provisions of the **Public Procurement Act No.8 of 2020** and ensure that all public investment projects are appraised. PMRC believes that gaps still remain in Zambia's procurement legal frameworks, procedures and practices. This has previously resulted in abuses and led to significant losses in Government finances. Significant reforms must be undertaken in the procurement process in order to match Government's commitment to undertake better procurement.

MONETARY POLICY

- Government is committed to lowering the cost of living for people by reducing the current high level of inflation. In this regard, the Bank of Zambia will take necessary action to bring inflation down to the target band of 6-8 percent by mid-2023

- Further, implementation of monetary policy will continue to rely on the forward-looking framework anchored on the Monetary Policy Rate. This will take into account subdued economic activity and existing vulnerabilities in the financial system.

DEBT MANAGEMENT

- Zambia's total **debt as at September 2021 stood at US$26.96 billion, up 32% from December 2020**, which is unsustainable.
- Government will spend K51.3 billion on servicing external debt and K27.3 billion on domestic debt, or K78.7 billion altogether. This represents 45.5% of 2022 budget
- Government will not contract further external non-concessional loans except for refinancing existing debt, while domestic borrowing will be restricted to scheduled auctions in preference to private placements.
- Concessional debt with a longer repayment period and lower interest will also be explored.
- The current Loans and Guarantees Act would be repealed and replaced with a new Loans, Grants and Guarantees (Authorisation) Bill. **The new bill aims to enhance transparency in public debt management, including loan contraction**.
- A support programme from the IMF and the signing of the Debt Service Suspension Initiative (DSSI) with the Paris Club and G20 creditor countries and Intesa Sanpaolo will help alleviate the pressure.
- There is need for an update on the status of the sinking fund and the 2022 budget lacks budget allocations towards the sinking fund.

AGRICULTURE

- The agriculture share of budget has for many years failed to meet the Maputo declaration where African states are to allocate a minimum of 10% of the national budget to help achieve the 6% annual growth rate.
- This year the allocation to FISP and strategic food reserves in the 2022 budget are **K5.4 billion** and **K960 million** compared to **K5.7 billio**n and **K517 million** allocated in the 2021 budget respectively. The allocation to FISP is down by **K3 million** in 2022 compared to the 2021 budget while there is a notable increase in the allocation to strategic food reserves (FRA) by **K443million**.
- Another notable feature is the suspension of E-voucher system in preference to Direct Input Supply (DIS). Previous studies has shown that if well implemented E-FISP has the ability to enable Government reduce the stress on the treasury as this removes corruption, racketeering, administrative costs and transportation costs.
- Operating the DIS system will require improving monitoring systems and enhancing transparency to ensure quality inputs with improved targeting of eligible beneficiaries.
- The **2022 budget emphasizes on the need to address the problems of low production and productivity, limited agricultural market, under developed value chains and the over reliance on rain-fed agriculture taking into account the effects of climate change and variability**.
- The budget commits to increasing production and productivity by development of **farm**

blocks, irrigation infrastructure and agricultural mechanization. These measures are capable of supporting crop diversification and increase output in the sector.

- Another notable aspect of the budget is Government's commitment to recruit more livestock extension officers to enhance the provision of services to livestock farmers.
- The budget also targets to empower youths and female headed households through livestock stocking and re-stocking as well as support for livestock infrastructure.

Tax incentives in the agriculture sector

- Zero-rating of VAT on selected agricultural equipment and accessories.
- Remove the 5% customs duty on importation of cattle breeding stock.
- Suspension of 5% customs duty on day old chicks.
- Removal of 10% export duty on maize effective 1 November 2021.
- These tax incentives will provide an enabling environment to increase the participation of players in the agricultural industry across the different value chains.

MINING

- The budget emphasises on the need to increase output through production capacity and entry of new mining companies in the sector
- Mining has been the main driver of the Zambian economy contributing about 12 % towards the Gross Domestic Product (GDP), and generating most of the foreign earnings, foreign direct investments as well as considerable amount of the Government revenue through mining royalties and VAT.
- Notably the mining sector remains critical to the Zambian economy as it is the main contributor to foreign exchange earnings and is poised to grow even further due to industry demand for electric cars.
- Increasing copper outputs from the current 800,000 to 3million metric tonnes in a decade is paramount and this entails producing more by existing mines and establishment of new mining companies.
- To attract more investments Government will promote diversification and value addition not limited to copper but germstones, manganese and high value minerals like gold.
- Government will promote the growth of small- scale mining to address illegal mining, by formalizing operations of artisanal miners through formation of cooperatives especially for the youth and women. The cooperatives will be equipped with skills and knowledge to enhance their productivity, as well as training in safe mining practices.
- These interventions will not only address illegal mining practices but also create employment. In addition, Government will undertake comprehensive audits of the mining licences issued that will be help develop and implement reforms to enable Zambians participate in their own right or in partnership with foreign investors.

	Amount spent (ZMW) per year		
	2020	2021	2022
Health infrastructure	1,500,000,000	1,731,846,564	1,615,563,414
Education infrastructure	1,000,000,000	1,216,937,500	694,331,744
Road infrastructure	10,700,000,000	6,214,145,268	4,929,279,060
Airport infrastructure	1,800,000,000	567,334,377	1,036,500,000
Road infrastructure	10,700,000,000	6,214,145,268	4,929,279,060
Rural electrification fund	166,300,000	307,199,557	362,208,689
Total	**15,166,300,000**	**10,037,463,266**	**8,637,882,907**

MANUFACTURING SECTOR

- Government has paid special attention to Multi-Facility Economic Zones and Industrial Parks.
- Government proposes to reduce the investment threshold for a Zambian citizen to qualify for tax incentives under the Zambia Development Agency Act No.11 of 2006 to US$50,000 from US$500,000. Furthermore, the following tax measures were put forward:

  i. Introduce zero percent tax for a period of 10 years from first year of commencement of works in a Multi Facility Economic Zone or Industrial Park, on dividends declared on profits made on exports by companies operating in these economic zones

  ii. Introduce zero percent tax for a period of 10 years from first year of commencement of works in a Multi Facility Economic Zone or Industrial Park, on profits made on exports by companies operating in these economic zones. For years 11 to 13 only 50% of profits should be taxed and 75% of profits for years 14 and 15

- PMRC welcomes these policy decisions as they could attract more local investors to move their operations to any of the MFEZs across the country. Ultimately, they will encourage further participation in the manufacturing sector and contribute to Zambia's economic growth.
- The Government must be commended for this demonstration of commitment to revive and remodel the MFEZ initiative. **However, we have previously called on Government to conduct extensive studies to examine the performance and impact of Multi-facility Economic Zones in Zambia. The results from such a study could be used to provide recommendations to Government for further incentives and interventions to address the challenges experienced by investors operating in the MFEZs and to gain insights about the suitability of the incentives for would-be investors**.

TOURISM

- Despite tourism's economic importance, an array of challenges have continued to impact the sector, from the lack of a comprehensive national tourism plan; underdeveloped tourism-related infrastructure; limited investment in the sector by both local and foreign investors; limited tourism product range and scope; inadequate tourism promotion and marketing; low participation by locals in direct and indirect tourism development, Zambia being perceived as a high-cost destination and recently the negative impacts of the COVID-19 pandemic.

- Government seeks to remedy some of these challenges by revamping the sector to increase its contribution to GDP and employment. To achieve this, strict adherence and implementation are to be done with the following measures;

  i. Extending of the waiver of customs duty on safari game viewing vehicles, tourist buses and coaches to 31st December, 2023 for selected tourism enterprises

  ii. Maintaining a stable economic landscape to reduce the cost of doing business, including streamlining license acquisition, easing tax compliance, visa processing and exemptions and improving connectivity.

  iii. Putting in place a robust tourism marketing to **incorporate all tourism products including traditional ceremonies, visual arts, culture, heritage sites and others.**

  iv. Promoting tourism diversification to other places and products in the country.

  v. Protecting and making Zambia a haven for wildlife by tightening regulations for the licensing of hunting and control of the processing, sell, import and export of wild animals and trophies

  vi. As the country embarks on an economic transformation agenda, there is a need to extensively rebrand and market this sector both internationally and locally to revive it and maximise its vast natural resources benefits

HEALTH

- In the 2022 National Budget, Government has allocated K13.9 Billion representing 8% of the total National Budget. This is an increase by 44% in comparison to K9.7 Billion in 2021. Other allocations are towards drugs and medical supplies at K3.4 Billion which represents more than double the allocation in the 2021 Budget towards drugs and medical supplies, COVID-19 vaccines at K704,275,000, operations for hospitals at K883,249,509 and health infrastructure at K1.6 Billion.

- Furthermore, Government seeks to recruit 11,200 health care personnel as well as place health workers on payroll. **This measure will not only help address the high unemployment rate but will also help Government achieve its goal of enhancing the quality of health care across the country**.

- In light of the critical need for improved health care in the face of COVID-19, the recruitment of health personnel and securing funding towards acquiring more doses of the COVID-19 vaccine will help Government reach its vaccination rollout targets.

- Government will also continue to invest in health infrastructure development through the construction and completion of health facilities. This is a critical area of focus especially in rural areas where barriers in the access to health services continue to undermine the quality of life of citizens.

- Another key area that needs investment is in the provision of drugs, medical supplies in health facilities and specialised medical care and skills in order to respond to the health needs of the people. This will make Zambia become an attractive health hub in the region. Facilities such as Maina Soko Military Hospital, Cancer Disease Hospital and Lusaka Specialized Hospital are key examples that can put Zambia on the map for health tourism. This will also help the Government save on medical evacuations to India and South Africa for specialized health services. Therefore, we urge Government to prioritise modernising and equipping of health facilities.

- PMRC commends Government for setting up measures to improve supply management systems that will ensure availability of essential medicines and medical supplies through the Zambia Medicines and Medical Supplies Agency in accordance with the Zambia Medicines and Medical Supplies Agency Act No.9 of 2019. Further, PMRC commends Government for its commitment to attaining universal health coverage by reforming the National Health Insurance Scheme as this will make quality health services affordable and accessible to all.

- PMRC commends Government for an increased budgetary allocation towards the provision of health services, however, we urge **Government to continue to strive towards attaining the 15% target as set in the Abuja Declaration**.

- Further, PMRC urges Government to urgently strengthen procurement systems in the health sector to resolve the various challenges highlighted in the Auditor General's report. This can be done through strict adherence to the Zambia Public Procurement Act and enforcement of measures to curb wastage of resources.

- Finally, there is need for Government to exploit public-private partnerships in order to advance Zambia's health sector to become a hub for medical tourism. Equally, innovative ways of financing the health sector will improve the quality of services accessible to citizens.

EDUCATION

- In line with Government's aspirations to make quality education accessible to all, the 2022 National Budget has allocated **K18.1 Billion** representing **10.4%** of the National Budget to the sector. This is an increase by **32%** in comparison to the subsequent allocation of **K13.8 Billion** in 2021. Government has also set aside K2,188,592,645 to support school operations and K694,331,744 for school infrastructure and K199,787,477 for skills development. Several measures have been put in place to improve access to quality education. These are :

- Government seeks to recruit **30,000 teachers in 2022 at a cost of K1.7 billion** in a bid to guarantee quality education by reducing the teacher-pupil ratio.

- Another measure set to improve access to education will be through the construction of an additional **120 secondary schools** to be financed through a loan obtained from the **World Bank**.

- As a means of ensuring equitable opportunities for the girl child, Government will address gender specific challenges that the girl child faces such as walking long distances to school, early marriages, menstrual hygiene and unwanted pregnancies. In this regard, Government will increase beneficiaries on the **Keeping Girls in School Programme from the current 28,964 in 2021 to 43,520 girls in 2022**.

- To realise Government's aspiration for **free education from primary to secondary level, user fees such as Parent Teachers Association (PTA), examination fees and tuition fees will be abolished**. Furthermore, to cover boarding facilities, bursary schemes will be introduced to vulnerable learners through the **K792,226,102** set aside under the Constituency Development Fund (CDF). To ensure this is realised, the provision of teaching and learning materials, **grants to primary schools will be increased three-fold in 2022**. Further, grants from the Government to public schools will be increased to meet the operational costs that were previously financed by the fees.

- It is important to note that like primary school education, access to secondary schools is limited in rural areas, hence there is need for Government to target rural areas in order to address challenges such as low progression rates and distance to schools. Moreover, the continued investment in the development of school infrastructure should be targeted towards increasing the number of STEM schools across the country in order to nurture innovation through science and technology which is an essential tool for development and will help advance the country's to technological skills base.

- PMRC commends Government for the proposed recruitment of teachers and urges them to decentralize the recruitment process in order to reduce incidences of teachers requesting for transfers. Equally, there is need to look into issues that will act as incentives for more teachers to take up places in rural areas. This is critical for achieving the provision of equitable quality education and bridging the gap between urban and rural learners. Similarly, the removal of user fees in the education sector will allow for greater retention rates among learners from vulnerable households.

ENERGY

- Government seeks to shift resources to higher productivity lines. The energy sector is key to the economic transformation agenda. Challenges have been identified in the sector, particularly in relation to electricity and petroleum.

- Electricity tariffs are not **cost reflective and this has contributed to low private sector involvement**. In relation to petroleum, procurement of petroleum products is fraught with inefficiency and uneconomical prices.

- Government has proposed implementation of a **Renewable Energy Investment Plan** through which it expects to improve the current energy mix. Zambia has been struggling to generate enough electricity to meet growing demand as the country develops.

- Diversification of power sources is now unavoidable as electricity supply is still vulnerable to seasonal rain patterns that are largely influenced by climate change. Further, Government's fiscal position is shaky in view of the high debt levels and by implication this means that there can be no immediate investment in improving capacity.

- PMRC has previously made the case for independent power producers in the energy sector in a research report on ***Independent Power Producers (Ipp) and Power Sector Reform (2018)***, wherein the following proposals were made:

  i. A hybrid model should be adopted with public and private actors co-existing in generation

  ii. Attention should be paid to the technical characteristics of the system, institutional capacity and transaction costs of the reforms.

  iii. Reform in the sector is a political process where public acceptance is extremely important along with the need to create new benefits that can be used to compensate groups or institutions that will lose from the proposed reforms.

  iv. We need to focus on the conditions needed for increased investment in the power sector.

  v. Zambia is facing two challenges: structural capacity deficit and high electricity tariffs. Because electricity prices have been increasing with tariff reforms, to maintain tariff reform a benefit in terms of greater reliability is needed.

  vi. For both these reasons, an increase in capacity, especially non-hydro capacity is the next obvious step for reform. With limited access to resources for investment by the State, this means greater involvement of IPPs.

- Reforms will need to address the complex procurement processes and an underperforming regulator – In its publication ***'Energy Roadmap: Delivering Zambia's Energy Needs'*** PMRC recommended institutional changes to the planning and procurement capacities in the energy sector.

SOCIAL PROTECTION

- In the 2022 National Budget, social protection has received an allocation of **K6.3 Billion representing 3.6%** of the National Budget. **This allocation is an increase by 31% from the K4.8 Billon allocated in 2021**. The Social Cash Transfer (SCT) has been allocated K3.1 Billion, Public Service Pension Fund (PSPF) stands at K2.1 Billion and Food Security Pack (FSP) at K1.1 Billion.

- The budgetary increment on various programmes will facilitate the upscaling of beneficiaries. Under the SCT, beneficiaries will be adjusted upwards from **880,539 to over one million in 2022**. Equally, the transfer amounts will be increased from **K150 to K200 per month and from K300 to K400 per month for households with persons with disabilities**.

- In order to support the most needy in society, PMRC notes that there is need for strengthening human resources in the department of social welfare at ward level to improve the targeting of beneficiaries with the help of community members. Scaling up beneficiaries is commendable especially given the socio-economic impacts of COVID-19 on many households which further exacerbated their vulnerability through loss of income. However, there is need to link vulnerable households on various social protection programmes to empowerment programmes in order to progressively uplift them from poverty and enable them to effectively participate in development.

- PMRC has been advocating for Government to shift from the traditional cash pay-outs to

beneficiaries to a more cost effective and efficient electronic pay-out of SCT benefits as a cost saving measure. Furthermore, there is need to strengthen measures aimed at providing timely and predictable disbursement of funds in order to cushion further vulnerability of beneficiary households.

- **The Food Security Pack Programme** has also been earmarked for upscaling from **263,700 to 290,000 households in 2022**. This Programme is targeted at the vulnerable but viable farmer households. Similarly, other social protection interventions that will be **scaled up include the Girls Education and Women's Empowerment and Livelihood Programme, the Home-Grown School Feeding Programme, Public Welfare Assistance Scheme, and Child Welfare Programmes**.

- The 2022 National Budget has committed funds towards the settlement of pension benefit arrears for retired public service workers that stood at K1.2 Billion. The allocation towards this stands at K2.1 Billion which is in excess of the arrears in order to curtail the accumulation of arrears and also indicates that Government has prepared for the next cohort set to retire. **Therefore, PMRC commends Government for its efforts to dismantle arrears owed to pensioners as this will enable them to live dignified lives after work and improve their quality of life**.

- Further, Government will review and amend legislation such as the **Public Service Pensions Act Cap 260 of the Laws of Zambia, Local Authorities Superannuation Fund Act Cap 284 of the Laws of Zambia and the Pension Scheme Regulation Act No. 27 of 2005 in order to restructure the current pension system to allow retirees to access accrued benefits before retirement**. This is a commendable measure that will empower citizens to access their pension contributions for personal investment and development. In addition, the funds accessed under this programme will act as a source of capital for personal ventures that will contribute to uplifting their livelihoods and enable them to continue contributing to the growth of the economy.

TRANSPORT SECTOR

- In the 2022 Budget Address, Government recognised that road, rail, air and maritime infrastructure are key drivers of economic activity as well as trade and investments within Zambia, across the region and beyond.

- In view of its current fiscal constraints, Government will aggressively pursue Public Private Partnerships (PPPs) in order to maintain, rehabilitate and construct infrastructure related to the transport sector.

- The **Public Private Partnership Act No. 14 of 2009 will be repealed and replaced by a new Act**. PMRC believes that the move to repeal and replace the current Act is a good move as a sound and up-to-date policy could serve to attract private investors to partner with Government in setting up PPPs.

- It is imperative that this new Act will clearly outline measures against corruption, how to establish and maintain PPPs in the sector and how Government intends to manage its relationships with the private sector.

- We also believe that any infrastructure to be developed in the sector should have significant

economic benefits. In this regard, an evaluation of the various economic effects that may result from the implementation of a particular project should take place. **Projects should only be considered to be economically viable if, at the end of the evaluation, the benefits exceed the costs**.

MEASURES FOR DOMESTIC RESOURCE MOBILISATION

- Government seeks to create an enabling environment for domestic resource mobilisation. This is against a backdrop of its limited financial capacity but recognising that these gaps can be filled by private sector involvement through public partnerships (PPP), among other mechanisms.

- Government anticipates engagement with the private sector to drive economic growth recovery. Private sector participation has actually been emphasised, with concessions being made on certain taxes including mineral royalty tax, income tax, among others. **Import duty has been reduced for small scale importers and some agricultural equipment has been zero-rated**.

- It is recognised that this is releasing additional cash flow to individuals and companies, which will in turn stimulate spending. **The knock-on effect will be increased collection of consumption taxes such as value added tax**. The task here is to improve collection mechanisms.

- For the mines, it is anticipated that the country can grow its copper output from the current 800,000 tonnes to 3 million tonnes in the next years. The tax incentives in the sector are meant to stimulate greater production losses in the interim but the wins will be felt in the long term. The task at hand is to activate large scale development in the sector in order to meet the target set by government.

- It has been proposed that the key sectors for PPPs are the roads building and maintenance, and fixing the railway system. In order to enhance performance of the railway sector, there is need for commercialisation of infrastructure. In this way, existing as well as planned infrastructure can contribute to economic activity and ultimately feed into debt servicing. This calls for assessment of the existing and proposed infrastructure to gauge viability of the undertaking.

- The bottom line is to involve the private sector to fuel economic growth. By implication, this will entail job creation with easy wins in the agro-processing and manufacturing sectors.

PMRC®
Policy Monitoring and Research Centre

PMRC 2022 BUDGET

EXPANDED PLANNING AND BUDGETING COMMITTEE: ESTIMATES OF REVENUE AND EXPENDITURE FOR THE FINANCIAL YEAR ENDING 31ST DECEMBER 2022.

Unlocking Zambia's Potential

Correspondence on this Analysis can be sent to:
info@pmrczambia.net
Policy Monitoring and Research Centre (PMRC)
Corner of Nationalist & John Mbita Roads,
Opposite Ridgeway Campus gate
10101 Lusaka, Zambia.
Private Bag KL 10
Tel: +260 211 269 717 | +260 979 015 660
www.pmrczambia.com