



**COMMITTEE ON ENERGY, WATER DEVELOPMENT AND TOURISM**

**ESTIMATES OF REVENUE AND EXPENDITURE FOR THE ENERGY, WATER  
AND TOURISM SECTORS FOR THE FINANCIAL YEAR ENDING 31ST  
DECEMBER, 2023.**

**OCTOBER 2022**

## BUDGET OVERVIEW

With an IMF deal now agreed upon, Government has used the 2023 budget to cement existing economic policy which, if successful, will turn the country’s ailing economy around and transform the livelihoods of its citizens. In this year’s budget, themed “Stimulating Economic Growth for Improved Livelihoods”, the Minister of Finance and National Planning, Hon. Dr. Situmbeko Musokotwane, MP, announced increased social sector spending and further incentives to stimulate private sector development. This analysis will focus on three sectors, namely the; Energy; Water & Sanitation; and Tourism sectors.

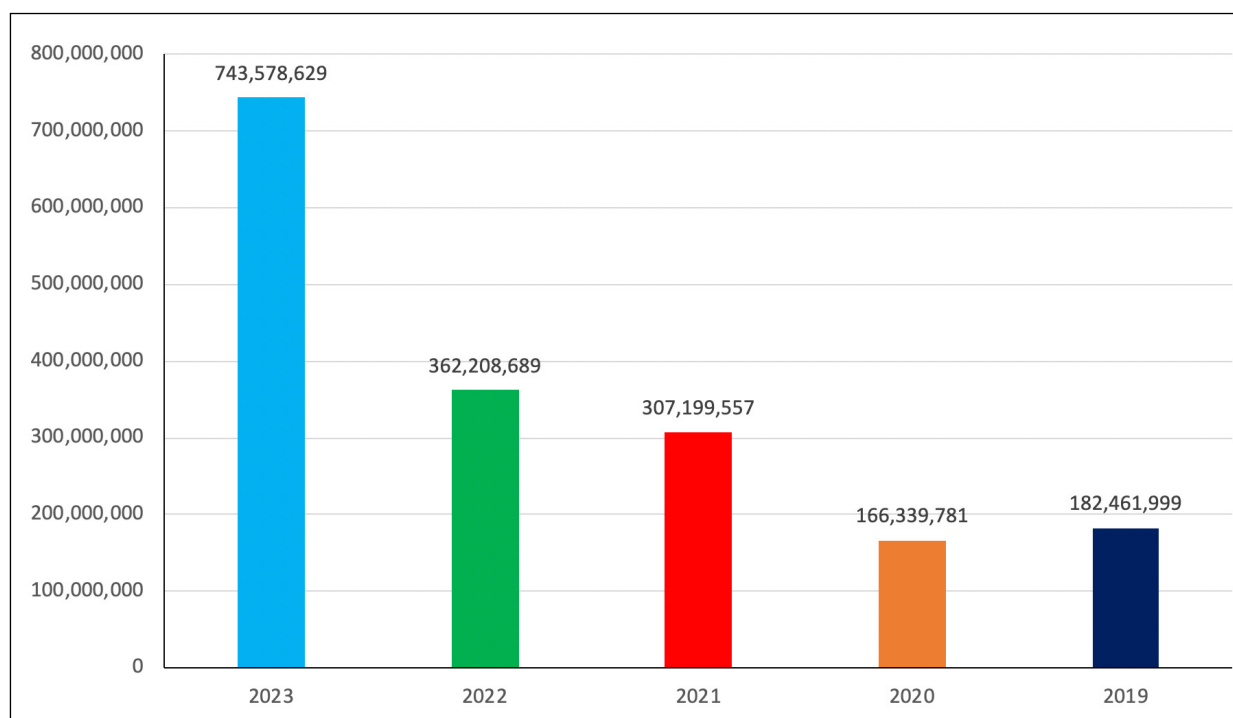
### 1. ENERGY

The energy sector is a crucial enabler of economic transformation. Government, in the 2023 National Budget, proposes to undertake key reforms intended to improve the performance of this sector.

#### Electricity

- The government intends to implement a Renewable Energy Investment Plan that enhances the energy mix.
- This will be done through measures that include; scaling up the rural electrification programme; extending the grid network; and the deployment of off-grid electrification solutions.

**RURAL ELECTRIFICATION PROGRAM BUDGETARY ALLOCATION (2019 -2023)**



**Source: Compiled by PMRC adapted from National Budget Speeches (2019 – 2023).**

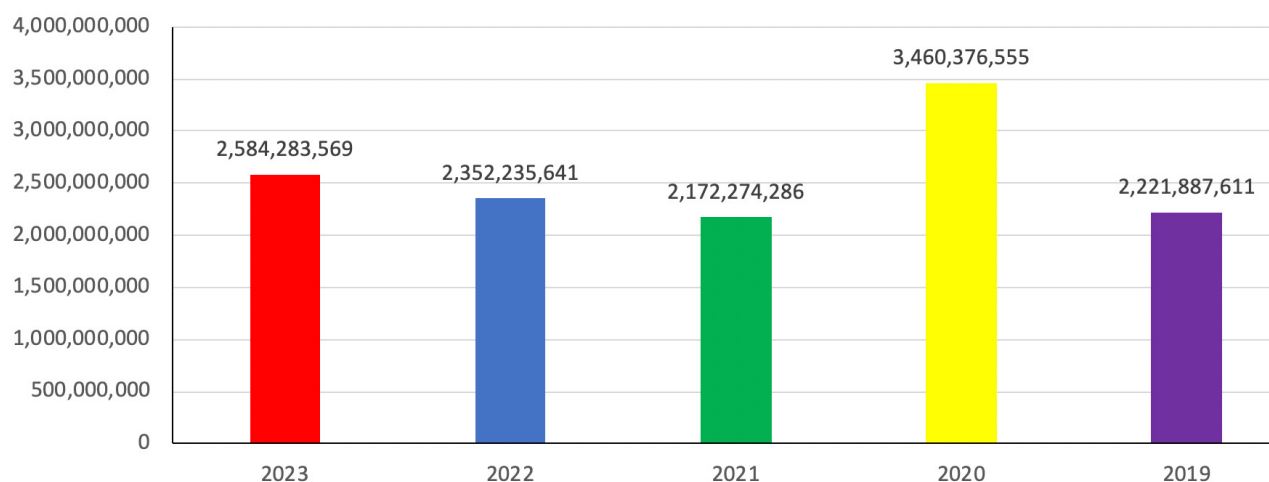
- The government has increased allocation towards the Rural Electrification Programme from K362.2 million in 2022 to K743.6 million in 2023 which is evidence of its continued commitment to improving access to electricity for the country.
- The government also intends to engage Maamba Collieries to increase thermal power generation from 300 MW to 600 MW, which will help with improving the energy mix.
- The government made pronouncements regarding the country's excess power generation capacity of 1,156 MW at the end of September 2022, this is encouraging as it sets a conducive energy security environment for various economic growth plans, which is likely to encourage investors to align and fast track various investments.
- The Country's energy mix needs steady but timely improvements, given hydro electricity continues to account for more than 80%. In 2016, El- Nino weather effects brought to light how significantly vulnerable the country's energy supply is to climate change. With El-Nino weather effects projected to occur on a 7 to 10 years cycle, PMRC urges the Government to plan for this by significantly enhancing the energy mix in support of achieving the target of the estimated peak electricity demand of 10,000 MW by 2040.

## **Petroleum**

- The government has committed to further reforms to the fuel supply procurement process, the 2023 budget has shown consistency with its decision to withdraw from the importation and supply of petroleum products.
- Government is of the view that this decision will not only provide business opportunities to Zambians to take part in the petroleum supply chain and create jobs but will also lower the transaction costs due to the elimination of middlemen.
- While the move to limit the Government's role to regulatory oversight and ensuring strategic fuel reserves is commendable, there is a need to enhance transparency and competitiveness to promote fair pricing and revenue generation. Higher participation by Zambian firms should also be encouraged using supply quota systems via competitive open-bidding processes.
- The government has resumed excise duty on petrol and diesel to allocate the revenue collected to the continued financing of free education and the purchase of medical equipment etc.
- Further, In the 2023 Government budget pronouncements, INDENI is set to play other roles in the petroleum supply chain, which will not include feedstock processing.
- The government's decision to reform the procurement processes to achieve low-cost pricing for fuel will contribute to helping the economy recover, given fuel price affects the cost structure of all industries.
- The use of the TAZAMA pipeline for the transportation of the finished product raises the question of how the security of the product will be assured. The risk of vandalism will be heightened and linked to that, the possibility of significant environmental damage from human-initiated leakage.

## 2. WATER & SANITATION

### BUDGETARY ALLOCATION WATER AND SANITATION (2019 – 2023)



**Source: Compiled by PMRC adapted from National Budget Speeches (2019 – 2023).**

- Zambia did not achieve the targets set in the Seventh National Development Plan (7NDP) of access to clean and safe basic drinking water to 100% of the urban population and 70% of the rural population by 2021 and these targets have since been revised downwards in the Eighth National Development Plan (8NDP) to 98% for urban population and 67% for rural population by 2026.
- Zambia’s spending in the sector has averaged only 0.3% of GDP over the past decade against a recommended average spend of 1.3 % for low to middle-income countries according to the World Bank and this has also contributed to the slow progress in the sector.
- The 2023 budget has increased the allocation by 8%, from K2.4billion in 2022 to K2.6billion for 2023. External financing of K135million is also provided under the Millennium Challenge Account.
- Much progress has been made by the Government and its cooperating partners in the water and sanitation sector, as demonstrated by the various projects embarked on, such as the National Urban and Rural Water Supply Programme. These projects have been implemented in Kafue, Nakonde, Chinsali, Chongwe, Lusaka, Kafulafuta, Serenje and Mufumbwe districts.
- However, a lot still needs to be done, mainly for the rural populations, to ensure access to safe drinking water and sanitation services as envisioned in the 8NDP.
- The government is urged to speed up the implementation and completion of various water and sanitation projects across the country and to promote public-private partnerships to achieve equitable access to clean water and improved sanitation for all.
- Further, Government is urged to improve the drainage systems and solid waste management systems to address the challenges faced by flooding during the rainy season and indiscriminate waste disposal.
- PMRC further urges the Government to increase water and sanitation funding to enhance

expansion, improve water resources and infrastructure management, and monitor climate-related risks to water management. Furthermore, given the recently launched Water Investment Programme, the Government is urged to prioritize investment in modern water technology such as water harvesting; this will have the dual benefit of providing increased access to water and sanitation services while also building climate change resilience.

### **Sanitary Services**

- To encourage investment in waste management initiatives by municipalities and cities, The Hon. Minister proposed a suspension of customs duty for three years on refuse compactor trucks, skip loader vehicles, road sweepers skip bins and equipment for baling waste. This is a positive development.

## **3. TOURISM**

- Tourism continues to play a critical role in the country's developmental agenda.
- Before the COVID-19 pandemic, the sector contributed approximately 7% to the GDP and accounted for 7.2% of the total employed in the labour force in 2019.
- During the same period, 1.2 million arrivals were recorded and revenue generated amounted to US\$849, million, representing 10% of the country's export earnings.
- In late December 2019, the first case of the Novel Coronavirus was detected in China and quickly become a global pandemic which instituted countries to implement various control measures (such as border closures).
- Before closing its borders, due to the pandemic, Zambia's international arrivals rate had already sharply declined to record lows. During the first half of 2020, the country received only 290,244 international tourists compared to 633,757 during the same period in 2019, representing a 56.3 % reduction.
- Zambia's safari tourism and allied sectors such as Airlines and charters are projected to have suffered a loss in income of about US\$100 million in 2020.
- Cognizant of the significance of the sector and its challenges, in 2021 Government initiated several incentives necessary to resuscitate the sector and actualise the Tourism Master Plan.
- Among other incentives was the reduction in cooperating income tax to 15% from 30 % on income earned by hotels and lodges on accommodation and food services which was later extended up to 31st December 2022 at the expense of k23.3 million revenues.
- Further, the suspension of import duty on safari game viewing motor vehicles, tourists buses and coaches has been extended up to 31st December 2023 with an estimated revenue loss of about k2.9 million.
- To further encourage the recovery of this sector, the Government has announced additional measures in the 2023 National Budget such as; the waiving off of visa requirements for tourists from the United Kingdom, United States of America, Canada, Norway, Australia, China, Japan, South Korea, the Gulf States and the European Union.
- While this motive is both understandable and commendable, there was a need to

quantify what the revenue impact of this measure is likely to be.

- There is also a need to quantify the overall revenue benefit by considering how much these tourists will spend and how long they will be in the country against the loss in revenue from visa fees.
- Lastly, such a measure ought to be bilateral, i.e. Zambian citizens should equally be able to enter the countries mentioned above under the same terms.
- Also, Government will continue to bid to host meetings, international conferences and events. In this regard, Zambia will host the 45th annual Association meeting of African Central Banks. This measure will likely bring foreign exchange into the country.
- In addition, the convenience and cost of international flights are considered for tourists aiming for a long haul in Zambia.
- Regarding tourism infrastructure, the Government has commenced work to develop the Northern Circuit called Kasaba Bay Tourism project and invest in the Southern Circuit called Liuwa National Park.
- Further, the rehabilitation of infrastructures such as airports, roads and communication facilities has commenced.
- The government has also introduced 26 services for the tourism sector on the Government Service Bus, such as; bird hunting licences, hotel manager practising certificates, casino licences and professional hunter's licences to enhance the processing of applications.
- In the 2023 budget, the tourism sector has been allocated K366.29 million which will expedite the marketing strategy laid out in the Tourism Master Plan.
- PMRC commends this historic allocation but notes that to ensure successive utilization of these funds, strict monitoring frameworks with clearly expended targets should be implemented.