



ANALYSIS OF THE NATIONAL BUDGET FOR THE FISCAL YEAR 2023

Themed “Stimulating Economic Growth for improved livelihoods”.

3RD OCTOBER, 2022

1.0 Introduction

The 2023 National budget which was delivered by Minister of Finance Dr. Situmbeko Musokotwane on the 30th September 2022 for the forthcoming fiscal year (FY 2023). The National Budget which was themed “Stimulating Economic Growth for improved livelihoods” amounts to K167.32 billion will be executed under the bankable blue print for national development, the Eighth National Development Plan covering the period 2022 to 2026; and the Extended Credit Facility, IMF Programme.

This will be the third budget for Zambia since the outbreak of the Covid-19 in 2020, which will largely focus on economic recovery as well as improving livelihood of many Zambian.

This ambitious undertaking will have several significant implications on the lives of people of Zambia especially marginalised grouping who are the women, youth and people with disabilities.

2.0 BACKGROUND

ActionAid Zambia is a national organization working to end poverty and injustice in Zambia. ActionAid Zambia (AAZ) is a member of the ActionAid International Federation which works in 44 countries across the globe. AAZ works on five (5) priorities areas namely: Women and Girls Socio-Economic Empowerment, Civic Participation and State Accountability, Promoting Resilient Livelihoods and Climate Justice, Transformative Women-Led Emergency Preparedness, Response and Prevention and Youth led Alternatives.

Our vision is a ‘A just, equitable and sustainable Zambia in which every person enjoys the right to a life of dignity’ and the mission is ‘To achieve social justice, gender equality and poverty eradication by working with people living in poverty and exclusion, their communities, people’s organisations, activists, social movements and supporters’. In fulfilling its mandate, ActionAid Zambia works with various stakeholders such as women and youth groups, civil society organisations, government agencies to mention but a few. ActionAid works in Nalolo, Sesheke, Mpulungu, Mbala, Mpika, Chipata, Choma, Solwezi and Nakonde. Additionally, ActionAid implements through partners in different districts namely: Isoka, Mungwi, Kasama, Chiengi and Serenje.

2.0 EXECUTIVE SUMMARY

This document provides a detailed analysis on the 2023 National Budget. The analysis has taken into consideration mechanisms to be used to mobilize resources to fund the proposed expenditures in the 2023 budget and discusses the specific areas being

Domestic Revenue generation, Domestic and External Financing and grants Cooperating partners.

The document has further given highlights and reactions to the general expenditure allocations of the 2023 budget based on the functional classification approach, but has also taken specific interest into the priority areas of Action Aid Zambia. These are Health, Education and Agriculture.

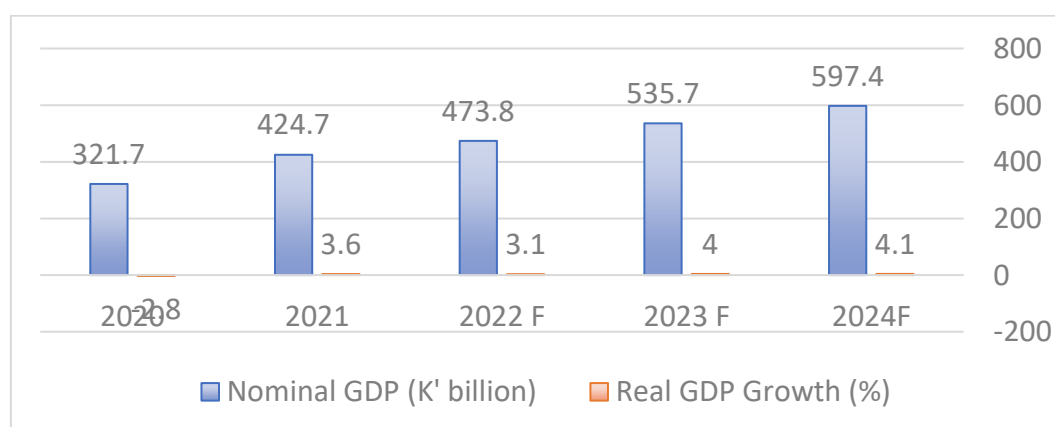
The submission further exposes some of its analysed areas of risk and shortcomings that the proposed 2023 budget policy and proposed revenue and expenditure bring out based on the Ministerial Budget Speech presented with the appropriate remedial recommendations with the aim to support the relevant authorities to make informed decisions in order to attain the aspirations of the proposed 2023 budget.

3.0 2022 BUDGET THEME

The theme for the 2023 budget stipulates **“Stimulating Economic Growth for Improved Livelihoods.”** This theme is well timed given the current realities in the country manifesting such as high cost of living, unemployment especially among the youth and dysfunctional (unsatisfactory) social service provision. Hospitals with drug shortages, schools with no desks and other essentials among others. Zambian people need hope which is what this theme has given to the population because higher growth economic rates with good income distribution policies will automatically serve to improve the lives of Zambians.

4.0 ECONOMIC OVERVIEW

Zambia’s real GDP grew from -2.8 percent in 2020 to 3.6 percent in 2021 and is forecast at 3.1 from 3.6 percent for the year 2022. The reduction in 2022 has been attributed to a contraction in the Agriculture sector and the construction sector. In 2023, the growth rate is forecast at 4.0 percent and a continued positive outlook for the medium term.



5.0 2023 Marco-Economic Objectives

According to the Minister of Finance, Zambia's economy is expected to grow by 4.0 percent. The other macro-economic objectives are:

- Reduction in inflation to between 6-8 percent;
- International Reserves above 3 months Import Cover;
- Enhance domestic resource mobilization to 20.9 percent of GDP;
- Fiscal Deficit target of 7.7 percent of GDP and
- Domestic Borrowing limit of 3.0 percent of GDP;

Comment

We are optimistic that the trajectory on inflation will be maintained with the improved confidence in the economy with the support from the International Monetary Fund (IMF) programme, reduction in domestic borrowing to 3.0 percent of GDP (2021: 5.2 percent) and adequate international reserves to support a stabilised Kwacha. Government must also support its fiscal consolidation effort by ensuring that it does not spend above target and thus maintain its 7.7 percent of GDP fiscal deficit target as government over expenditure has inflationary tendencies.

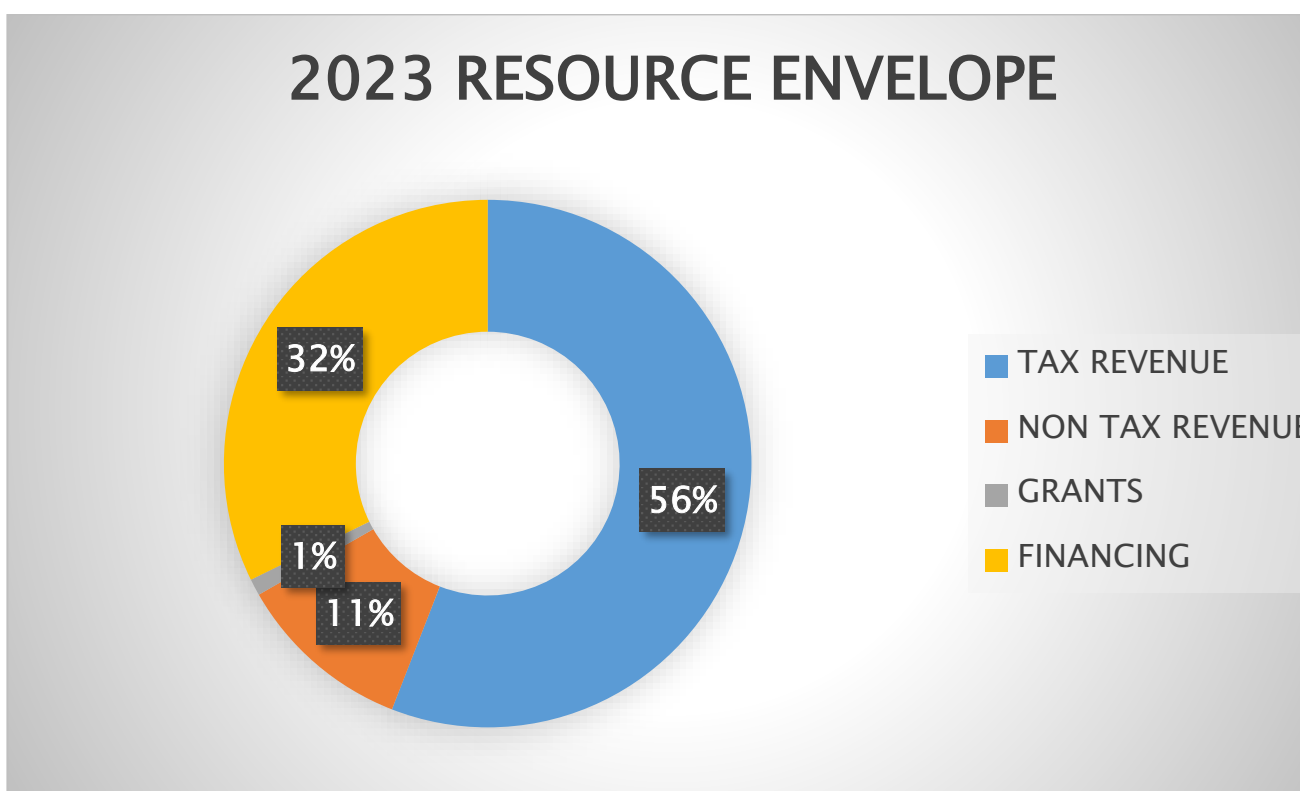
However, the concern is that despite the low levels of inflation, the pace of transformation into lower interest rates is still quite slow and its effect on access to credit especially by most citizens in order to boost production and economic growth and lowering the cost of living are yet to be realised in order to improve levels of living. Government policy must therefore add efforts to make this a reality. Specific Focus should also be on the Women and youth and people living with disabilities who are the most vulnerable.

6.0 Resource Envelope for The 2023 National Budget

In 2023, Government proposes to spend a total of K167.3 billion or 31.4 percent of GDP. To support this expenditure, K111.6 billion or 20.9 percent of GDP will be raised as domestic revenue consisting of Tax Revenues amounting to K93.6 billion and non-Tax revenues of K18.1 billion while K1.7 billion or 0.3 percent of GDP will be raised as grants from Cooperating Partners

Total borrowings of K54.0 billion or 10.2 percent of GDP will finance the budget of which K15.6 billion will be domestic loans, K6,9 billion are foreign Project loans and the remainder are programmed foreign loans of K38.4 billion.

RESOURCE ENVELOPE FOR THE 2023 BUDGET		
Item	2023	2022
Tax Revenue	93,556,303,634.00	77,852,269,858.00
Non-Tax Reven	18,087,017,627.00	21,006,887,969.00
Grants	1,705,414,457.00	1,821,968,124.00
Financing	53,972,997,845.00	72,305,951,583.00
Total	167,321,733,563.00	172,987,077,534.00



Comments on the Financing of the 2023 Budget

Despite the 2023 budget reducing in nominal terms by 3.3 percent from K172.99 billion to K167.32 billion, structurally it shows significant improvement. The 2023 budget is proposing to generate 66 percent of the resources to fund the budget through domestic revenues compared to 57 percent for the 2022 budget and 67 percent targeted in the 8NDP. This is progressive as it shows that government is reducing its reliance on borrowing (32 percent in 2023 compared to 41 percent in 2022). Further, this demonstrates and resonates well with the government plan for fiscal consolidation by gradually reducing the extent of the planned fiscal deficit.

Further, the structure of the borrowing shows an incline towards the foreign financing at concessional borrowing as opposed to domestic financing. This is good as lower levels of government borrowing reduces government crowding out the private sector, thus making funds available for the private sector to borrow and move funds into

production. Also, a reduction of government appetite is a good precipitate for the lowering of interest rates especially on government securities which form the benchmark and basis for the lowering of interest rates and also encourage the banks to lend to the private sector as opposed to the risk free government securities.

Our concern however is that the 2023 domestic revenue projections as percentage to GDP are still low at 20.9 percent and these are levels that government has exceeded before in the past and lower than some of the country peers such as Rwanda that are able to generate above 25 percent of GDP. Government should therefore manage the trade-off between concessions being awarded resulting in increased tax expenditure in order to boost investment and the need to raise revenue. Because the financing gap created and filled through borrowing even at concessionary terms will still result in interest payments that take away the much needed resources to spur development.

Further, despite the 8NDP making reference to cheaper sources of financing such as Angel Funds given by philanthropists and usually at no interests, there has been no mention in the 2023 budget to this mode of financing the budget.

7.0 REVENUE MEASURES

The budget has proposed revenue gaining measures of K9.2 billion and revenue losing measures of K4.3 billion. This gives a net revenue gain of K4.9 billion. The view of AAZ is that there is still scope for improving the social benefit of the very vulnerable in society including women and children through a revisit to the proposals that have been made. While, AAZ will not speak to all of these measures it will speak specifically to those that have a net positive impact to the poor with a view to urging the authorities to adopt the recommendations proposed in its argument.

7.1 Standard Rating Petrol and Diesel for VAT purposes and Reinstatement of Excise Duty

The pass on effect of reinstating excise duty and standard rating of petrol and diesel for VAT purposes will immediately have a cost incremental effect which is passed on to the all the goods and services, as fuel as input in the production chain. This will adversely affect the poorest. AAZ understands that the government introduced this measure as a way to revenue generation measure but this measure may have more adverse effect on the same citizens the most vulnerable that government is trying to insulate. AAZ recommends therefore that government applies only one of Excise Duty or Standard Rate VAT on Diesel and Petrol to insulate the poor. Government should also consider adopting some of the other revenue proposals in this submission to mitigate its loss in order to support the revenue side upon revision of this measure.

7.2 Mineral Royalty Regime

In the 2023 budget, Government has proposed to amend the Mineral Royalty Regime. Under the new regime, graduate bands have been introduced which allow the production quantity to be taxed at different scales depending on the price starting from US\$ 4,000. The measure will result in a revenue loss of K2.8 billion.

Further recall that, in the 2022 budget, government reintroduced the deductibility of mineral royalty for corporate income tax assessment purposes, meaning that, revenues paid as mineral royalty taxes are deducted reducing the corporate income tax payable.

2022 Mineral Royalty Regime

Brackets	Proposed Rate
Less than US\$ 4,500	5.5%
US \$4,500 but less than US \$6,000	6.5%
US\$6,000 and above (current) but less than US \$7,500 (proposed)	7.5%
US \$ 7,500 and above	10%

Source: Ministry of Finance

2023 Proposed Mineral Royalty Regime

Brackets	Proposed Rate
Price Breakdown	
\$ 4,000.00	4.0 percent
\$ 4,000-5,000	6.5 percent
\$ 5,001-7000	8.5 percent
\$ 7,000 or more	10.0 percent

Comment

Effectively, the new regime recommends a reduction in the effective tax rate and mineral royalty paid by the company to the government for any price above US\$4,000 which reduces the revenues that government obtains as mineral royalty in the 2023 budget. Therefore, this is further facilitating the mines for investment given the deductibility that was given in 2022.

Government is therefore reducing its revenue base on institutions that have the ability to pay given the current favorable prices of copper. Government is not maximizing its revenue collection potential with this measure.

You may further wish to recall that the mining industry is one of the most complex industries to tax with very few mines eventually able to pay CIT despite favorable conditions. It is also an industry that is very susceptible to tax planning.

The new regime presents a lost opportunity to maximize revenue collection and reduce the financing gap in the new budget by the government through MRT since it is a tax on production as opposed to profit which is very complex base in Zambia which has seen leakage of revenue through capacity gaps in the Zambian tax administration system.

Recommendation

We wish to recommend that the current regime is maintained given the relief that the mines are already enjoying through the deductibility of MRT and the revenue loss that the new regime is proposing at the prevailing prices. There is need to increase the capacity of the tax administration side through ZRA so that the revenue leakage through CIT is reduced.

7.3 Relief on the Income from the Long-Term Life Insurance Business

Government has proposed the relief of the income earned from Long Term Life Assurance business from paying tax. This means that the 15 percent Withholding tax earned as rent, interest, dividend and other related will be exempt from tax. This will grow the pace of the growth and returns which can then be shared by the funds to the different holders of the long-term life businesses. The higher return envisages to attract more Zambians to take up life insurance policy products.

Comment

This is a good initiative which will boost the development of locally generated resources for development. In many jurisdictions, long term life insurance has supported the growth of infrastructure and productive development from their participation in stock for different companies on stock markets and direct placements of funds.

On an equity basis, the number of people who take up life policies in Zambia is few while the majority of Zambians who are poor and cannot afford these policies will have sacrificed national revenue to support development and social sector spending for the few life insurance business holders. To put it into context, the current national average income as compiled by the Zambia Statistics Agency (Zamstats) and applied by NAPSA is K6,109 per month. The Basic Needs and Nutrition Basket (BNNB) as compiled by the Jesuit Centre for Theological Reflection JCTR, is K9,239 for the month of August 2022, showing a monthly deficit for such as earner with regard to basic living.

Therefore, the expectation that an average income earner who does not manage to make ends meet will access the benefits from this measure by buying an insurance policy is limited. Therefore, this will result in expanding the rich-poor divide as those with higher incomes able to run such policies will earn more from the tax relief.

Recommendation

It is recommended that the life insurance business non-taxability is maintained on the bigger benefit that the government will make higher CIT collections from the increased

profitability of insurance due to expansion of savings which should be ploughed into social services where the losers from the revenue relief given are dwelling.

We recommend that these funds go towards youth and women and people with disabilities programs under CDF and Women empowerment under the Gender Division.

7.4 Proposal on PAYE TAX CREDIT

The 2023 budget proposal has suggested the adjustment of the tax credit on emoluments from the current K4,500 to K4,800 representing an increase of 6.6 percent. This is a welcome gesture by the government but is still not adequate given the cost of living as per BNNB and the current prevailing National Average Earnings. Further the adjustment is below the prevailing inflation rate. Therefore, it leaves the workers still in a worse off-position. More social safety nets should be provided to the working employees.

Government needs to further be commended for the tax credit that has been increased from K500 per month to K600 per month for the persons with disabilities. This is good response for assisting the solution to the vulnerable in society.

8.0 EXPENDITURE ALLOCATIONS BY FUNCTION

8.1 GENREAL PUBLIC SERVICES

General public services have received an allocation of the budget at 39.5 percent of the budget with majority of the expenditure attached to servicing of debt at K48.76 billion. The minister has further been categorical in stressing that this allocation does not include provision for the debt associated with the restructuring exercise which upon conclusion with the creditors will have to be factored into the budget which may lead to variations in the budget in order to accommodate the payments.

The allocation for dismantling arrears allocation increased from K3.1billion in 2022 to K6.5 billion in 2023 and will be a positive stimulus towards regeneration of economic growth and a social cover for SME's which lost a lot of liquidity to operate and many people who lost property through repossessions by banks for houses and properties that were allocated as collateral to obtain loans to service the government contracts and services provision.

Comment

Debt servicing is a constitutional obligation which takes precedence over all other payments from the consolidated fund (Control 99). The payments for debt servicing associated with the restructured debt will likely create some risks associated with

especially the exchange rate which may have an effect on the cost of living in the society. This may have a big impact on the poor children, women and youth and disabled who are the most vulnerable in society. Therefore, our comment is that as the 2023 budget is recast to accommodate the servicing of the restructured debt, Government should ensure that it protects the social sector spending. Further, it is noticed that the allocations have not shown how much the Minister of Finance has set aside under the contingency fund vote under which such a pre-known reality would need to be catered for.

Recommendation

It is recommended that the Government protects the social sector spending and makes an adequate allocation and provision through the contingency vote for debt payment arising from the restructured debt upon conclusion with the creditors

8.2 ECONOMIC AFFAIRS

The Economic Affairs allocation of K35.0 billion in 2023 represented an increment of 3.9 percent over the 2022 budget allocation of K33.7 billion.

8.2.1 Agriculture, Livestock and Fisheries

As AAZ, it is satisfactory that the highest allocation under the sector of K11.2 billion was allocated to the Agriculture, Livestock and Fisheries sector. This is because most of the women who are the very vulnerable gender are actively involved in the Agriculture and Fisheries and food makes the most of the critical base to address poverty in society. The allocation to the sector representing 6.7 percent of the budget still falls short of the Malabo Declaration (2014) –which calls for allocation of at least 10% of National Budget to agriculture sector and ending hunger in Africa by 2025.

On the positive side, AAZ wishes to commend the government for adopting its recommendations to reform FISP to attain value for money and allocative efficiency given that the program receives the largest budgetary allocation in the sector. From the K11.2 billion budget for the sector, K9.2 billion or 82 percent has gone to FISP. Therefore, the improved beneficiary targeting, expanded scope of coverage beyond provision of seed and fertiliser to include livestock and fisheries among the reforms that the government has undertaken in 2023 should assist to produce the results that are expected from the programme to transform Zambia into a bread basket and supplier of industrial agricultural inputs in the region given the location advantage and good hydrological and climatic conditions our country sits in.

Government has also anchored the 2023 budget on Agriculture on the development of Agricultural Farm blocks through accessing loans of up US\$300 million through the world bank to promote diversification, job creation and value addition.

As AAZ, our expectation is that the government has undertaken a new and full evaluation of the project including the factors that prevented its kick off, given that this is not a new project and the reasons that failed the project to kick off before any new commitments. Further, government in the advent of transparency should make available the report, especially as it is a loan that will still need to be paid back hence it must yield positive returns before undertaking.

Governments plan in the sector to reach out to 1.5 million farmers through recruitment of 500 extension officers and e-extension services is a good catalyst for development as extension services have been challenge which has led to low agriculture productivity.

While the proposed tax incentives on agriculture sector, it is noted that the government has still lopsided the type of incentives awarded away from the products that promote small scale farmer production including protection of some of the products produced by local farmers to stimulate their expansion and marketing opportunities.

8.1 Recommendations

- 1.0 Government to also consider diversify to climate resilient programs such as agro-ecology for improved food security and nutritional benefits. Policy reform to allow indigenous seed to be sold on the market need to be developed that will create sustainable and resilient agriculture systems in Zambia.
- 2.0 Instead, the Tax incentive should try to address need of the small holder farmers for improved food security at house holder level particularly in rural areas.
- 3.0 Value addition and access to market should be priority in the sector for every strategic product in the sector. Promotion of joint business ownerships between foreign investors and locals should be explored clearly.

8.2.2 Constituency Development Fund

The Government has increased the allocation to the Constituency Development Fund from K 25.7 million to K28.3 million. This is a satisfactory agenda for Zambia in stimulating the local economy at constituency level and providing more resources for empowerment to the local communities is also gratifying to note that the government has decided to allow the constituencies that will not be able to complete the utilization during this fiscal year to retain their funds to 2023. This will enable the projects that have already been identified this year and for which implementation of the projects has commenced to continue. Each of the three windows Youth and Women Empowerment Funds, Secondary School and Skills Bursaries and Project and their allocations of 60 percent, 20 percent and 20 percent respectively have not provided serious expectation gaps in implementation

As AAZ, our expectation is that the challenges that were identified attributing to the low absorption capacity will be addressed urgently to enable 100 percent absorption as opposed to the 10 percent that is currently pertaining. Government is also urged to fast-track the appointment of a financial institution that is required to enable disbursement of the loans component of the Empowerment loans. Delays in this will entail, funds released by the government sitting in the commercial banks which is cost on the foregone interest.

Some of the recommendations from AAZ to raise the absorption rate are to translate the CDF guidelines into local languages to raise understanding and increase

community sensitization; decentralize to the Council Secretary and Mayor the approval process of projects, decentralize the approval of contracts by the Attorney General's office by creating offices of the Attorney general at district or provincial level, among others.

8.2.3 Gender Equity and Equality

AAZ notes that the Government is striving to mainstream gender by allocating funds for women's economic empowerment in other programs such as the CDF – women's economic empowerment funds; through the GEWEL program – Keeping Girls in School and Women's economic empowerment; and at the helm of this the allocation to the Gender Equity and Equality Program. Further AAZ commends the output reporting by Ministry of Lands which segregates the number of parcels of titled land that it issues to women so that the empowerment is tracked.

The Gender Equity and Equality Program has been allocated K8.1 million of which K6.5 million is to cater for Gender Rights and Protection and K1.5 million for Gender mainstreaming.

AAZ reiterate that, it would be necessary to outline or demonstrate how the pronouncements under the Gender Equity and Equality Program will align with the provisions of the Gender Equity and Equality Act around economic empowerment of women particularly emphasis on promoting women's access to economic opportunities and productive resources, including the control and ownership of economic production processes; and facilitating the development of human, technical and financial capacity for empowerment of women to achieve sustainable socio-economic development.

The Government should also ensure that the role of the Gender Division's role in public administration should be clear to all stakeholders. The Division should also be enforced with adequate human resources with the right competencies to promote gender equality in Zambia. To mainstream gender in the implementation of the budget, Government should explore strategies to increase women in critical decision-making positions including Cabinet and Parliament. As the saying going – "nothing for us if we are not there."

9.0 SOCIAL PROTECTION

ActionAid Zambia has noted the increase in allocation for social protection programmes from K6,294,259,007 in 2022 to K8, 127,762,308 in 2023. It also represents a 0.9 percent of the budget to 4.98 percent over the 2022 allocation. Quick settlement of the retiree outstanding benefits will help alleviate poverty while the increment in absolute number of recipients under the SCT and the actual increase in

the amount received per beneficiary is good to lower the levels of poverty among the individuals.

Recommendations

Prudent utilisation in the manner disbursements will be done remain an issue of concern to stakeholders. Government will need to ensure that the misappropriation of social protection funds does not occur as the case has been in past years.

AAZ urges government to prioritise the enactment of the Social Protection Bill.

10.0 HEALTH SECTOR

The health sector in the 2023 national budgets has been allocated a total of K17.4 billion representing 10.4 percent compared to K13.9 billion in 2022 indicating a 2.4 percent increase in allocation. A trend analysis of budgetary allocation to the health sector for the past three years 2021, 2022 and 2023 shows increase Amount allocated K9.7 billion K13.9 billion K17.4 billion Percentage 8.1% 8% 10.4%

In 2023, the government has increased the budgetary allocation for the procurement of drugs and medical supplies to K4.6 billion indicating a 35.7% increase from the previous allocation. This is an honorable gesture following various uproars by members of the public on the continued shortages of drugs in most health facilities across the country. Allocation and plans towards the local manufacture of the drugs as per the recent China-Zambia Trade Investment pronouncements will ease the provision of this important input in health provision. Further, this is the next important component towards improved health provision services as the government has improved the number of health personnel.

In 2022 the government recruited 11,000 health personnel and in the 2023 national budget the government has committed to recruit an additional 3,000 health personnel at K307.5 million of the health budget. This is a commendable move looking at the existing challenges that the health sector is facing such as limited health personnel especially for rural areas. Health workers play a critical role in uplifting the well-being of the citizens. AAZ is of the view that with this recruitment the government must prioritize more pharmacists should be considered for recruitment because in the previous recruitment for health personnel few pharmacists were recruited. AAZ recommends that as the government procure these drugs, they ensure that there is value for money and the drugs are dispersed timely and fairly across all health facilities even the most remote.

Recommendations

We hope these funds will be disbursed timely to support the target groups (Adolescent young people)

The Government should also ensure that the new procurement systems with drug suppliers are completed timely to avoid supply chain breaks of essential drugs which have a devastating effect on the national health system administration.

It is recommended that the Government standard rates for VAT purposes private health insurance services and the funds realized are added to the health system financing to complement the collections from the National Health Insurance Management Authority (NHIMA). The validity in this proposal is that the services offered at government hospitals have improved and therefore private health insurance is more of a service beyond necessity which government can tax in order to further raise health care financing.

ActionAid Zambia recommends that the 2023 National Budget demonstrate administrative oversight function to ensure Sexual Reproductive Health Rights (SRHR) services are not deprioritized.

Therefore, AAZ is of the view that the increased allocation towards reproductive health will help mitigate against teenage pregnancies.

11.0 EDUCATION

The Government increased the allocation to the Education Sector in both absolute terms and as percentage of the budget. From K18.1 billion Government raised the budget to K23.2 billion or by 3.5 percent. As a share of the budget, this represented a raise to 13.9 percent from 10.4 percent. This is in line with the expectation of AAZ as with the increased number of teachers from the 30,000 recruited and the higher number of learners from the free education policy, more complementary resources will be required in order for the teachers to deliver service which raises the costs for procurement of goods and services under the sector.

11.1 Recruitment of Teachers and Retention

In 2022, the Government has employed the planned 30,000 teachers and this has significantly reduced the teacher pupil ratio which stood at 1: 87 towards the recommended 1:40. This requires government applause and especially that the preference was made to teachers being recruited from the areas of their base means the rural areas will be better serviced. Therefore, government should work on improving the retention of these teachers by provision of basic services such as the decent accommodation, water reticulation in the latrines, among others. The allocation is therefore a welcome proposal in the budget.

AAZ supports the allocation for the additional 4,500 recruitment and the allocation to enable deserving teachers to be promoted into higher positions which will create motivation among serving teachers and free spaces for new recruitments without the need to expand the staff establishment for some positions.

The K40 million allocation towards standards, monitoring and inspection will improve quality of learning.

11.2 Introduction of Meal Allowances for Sponsored University Students

Government policy to re-introduce meal allowance for sponsored university students is a great accomplishment. This is an equity attainment solution to enable the poor and vulnerable students have an equal chance of succeeding at learning without having to worry about feeding which distracts concentration and lowers education quality.

It is also a positive step from the stand point of public health as it reduces risky behavior by students emanating from activities to fetch for resources in order to subsist while at university.

11.3 Education Infrastructure

Government intends to construct 56 Early Learning Child facilities, complete construction of 115 schools and commence construction of 120 schools with the financing from World Bank. Under skills training Government will complete the construction of Lundazi, Nsumbu and Mporokoso trades training colleges. The World Bank facility is a concessional loan under the Zambia Education Enhancement Project. This loan is payable over 30 years.

There is need to ensure equitable distribution of these schools to ensure that provinces that have very few schools secondary schools are covered.

12.0 PUBLIC FINANCE MANAGEMENT

12.1 Double Tax Agreements

Reform the structure of Negotiating Double Taxation (DTAs) agreements through expediting the development of a National Policy on Avoidance of Double Taxation Agreements to protect the revenue base. It must be mentioned that aggressive tax planning strategies also involve Multinational Corporations (MNCs) taking advantage of unbalanced DTAs that Zambia has signed with other countries with the aim of exploiting gaps to shift profits and avoid paying of taxes.

12.2 Debt Management

Government enacted the Public Management Debt Management Act in 2022. This Act prescribes and requires that before any debt is procured by government, it should be laid before the Parliament and approved. This has effectively raised the oversight role of parliament in debt management.

Recommendations

AAZ urges Government to fast track the development of the Guidelines which will provide clarity on the operationalization and implementation of the Act.

12.3 Local Government Financial Information Management System

Government is applauded for the effort to take resources to the local communities through decentralisation. Government should fast track the development of the financial management system for the local authorities for improved transparency and accountability.

Government should also devise the roadmap for the devolution of services from the central government to the local government. This is a constitutional dictate that requires that the delivery of public service be implemented through decentralisation and under Article 147 (2) the constitution has prescribed the services that are required to be performed by the Local Authorities.

13.0 CLIMATE CHANGE, GREEN ECONOMY AND ENVIRONMENT SECTOR

AAZ is in support of Government intention to reduce Green Bonds in the 2023 fiscal year. This is a necessary measure and response to the pitfalls identified by AAZ in the financing of climate change, green economy and the environment. Economic constraints and lack of prioritization has seen Zambia has rely on external finances that come in the form of grants and concessional loans to fill the financing gap.

AAZ also supports government plan to introduce a Timber Exchange with the first pilot targeted for Sioma which will be a solution to the lack of transparency in the Timber business that has seen Zambia losing colossal sums of money through the export of high value timber products such as Mukula and Rosewood without gaining sufficient revenue from the trade. It will also be a fight against deforestation.

Further the punitive carbon tax emission surtax increase to 10 percent announced should assist to provide additional funds to the fight for climate change adaptation.

AAZ recommends that the Government also pursues additional financing effort through the Angel Financing model from philanthropists in order to close the financing gap for climate change adaptation.

Zambia continues to experience the bitter effects of a changing climate. The country's low-adaptive capacity coupled with its weak resilient infrastructure and inadequate financial resources around adaptation and mitigation efforts leaves the country very vulnerable to climate change. There is need to upscale climate finances towards Zambia's climate change response programmes as such activities are intensive and need large amounts of finances to effectively deliver resilience building interventions.

Recommendation

AAZ recommends the government to strengthen their resource mobilization efforts and negotiations towards acquiring grant-aided climate change financing modalities, compared to those that require co-financing, which at most times also include loan repayment schemes. Avoiding long-term concessional loan facilities for such projects will reduced Zambia's debt burden immensely and help the country intensify its adaptation and mitigation efforts towards a green recovery.

14.0 GOVERNANCE

POLICY AND LEGISLATIVE REFORMS

National Planning and Budgeting Policy and Act	<ul style="list-style-type: none">- The Budgeting Act must be reviewed to provide more clarity on the community structures for budget engagement.
Public Private Partnership Bill	<ul style="list-style-type: none">- Enough stakeholder participation needs to be undertaken
National Monitoring and Evaluation Policy	<ul style="list-style-type: none">- The 2019 National Monitoring and Evaluation Policy will need to be strengthened to address the fiscally decentralized economy.- There is need to build a stronger whole-of-government monitoring and evaluation system (Government-wide M&E system) to support a decentralized robust results-based management approach.
Constituency Development Fund Act No. 11 of 2018	<ul style="list-style-type: none">- There is need to amend the CDF Act, particularly ensuring that the selection process of CDF Committee is more independent of the influence of the Member of Parliament.- The CDF guidelines must be translated into local languages- Approval processes decentralized to the district level for projects and not by the Minister- Contracts approval should be approved at the district level by

	<p>decentralizing the Office of the Attorney General</p> <ul style="list-style-type: none"> - The office of the Accountant General at the district level should approve commitments rather than at Ministry level.
Public Order Act	<ul style="list-style-type: none"> - There is need to review the Public Order Act to ensure that it promotes the enjoyment of freedom of expression, association and assembly. This is cardinal in ensuring that the guiding principles of the decentralization process are upheld.

15.0 CONCLUSION

The 2022 budget theme as earlier mentioned is timely and relevant in the current context of the socio-economic challenges posed by the Covid -19 pandemic, high youth unemployment and lack of development in rural areas. However, if the 2022 budget is to adequately be implemented there is need to consider how issues around approach and equity will be dealt with.

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