Republic of Zambia

THE 2024-2026

MEDIUM TERM BUDGET PLAN

AND

THE 2024 BUDGET

GREEN PAPER

Ministry of Finance and National Planning

July, 2023

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FOREWORD

It is my privilege to present the Green Paper on the 2024-2026 Medium Term Budget Plan (MTBP) in line with section 37 of the National Planning and Budgeting Act No. 1 of 2020. The Green Paper aims to inform the private sector, civil society, development partners, and all other stakeholders, Government's broad macroeconomic and fiscal policies for the medium term. Further, the Green Paper aims to provide an opportunity for stakeholders to submit comments on the proposed policy direction set out herein to the Minister of Finance and National Planning for consideration before finalisation of the 2024–2026 MTBP and the 2024 Annual Budget, which is anchored on the Eighth National Development Plan (8NDP).

The 2024–2026 MTBP has been prepared in the context of growing confidence in Zambia as a result of the progress made in restructuring Zambia's external debt and the successful measures being taken to restore and maintain macroeconomic stability and fiscal sustainability. This outturn of events, presents an opportunity to transform our economy to build economic resilience, protect the vulnerable and leave no one behind, decentralise service delivery and development to widen participation in governance by citizens, and address the negative effects of climate change and other threats such as global pandemics.

To transform the economy, there is urgent need to work concertedly in progressing with Government's bold development agenda, even within the still, constrained fiscal environment. As such, the 2024–2026 MTBP highlights key interventions that will be catalytic in spurring economic growth through enhancement of private sector investment, production and productivity, facilitation of efficiency in the delivery of public services to promote job creation and improved livelihoods, and in the mobilisation of public resources for development. Among the key interventions will be the full and effective implementation of the Comprehensive Agricultural Transformation Support Programme (CATSP) to exploit the country's comparative advantage in agriculture. Further, the diversification of the wider economy through value addition in mining, manufacturing, and tourism, among other sectors, will be priority. To promote efficiency both in the public sector and the wider economy, digitisation will be undertaken in earnest.

In addition, in line with the decentralising policy, allocations for public service delivery will be facilitated to ensure citizen participation in governance and development that puts their needs first. Finally, Government will continue to prioritise the vulnerable by mainstreaming of gender, child, the aged and disability issues into the policies and strategies used to implement Government programmes and projects.

As we progress toward the preparation of the 2024 National Budget to be presented later this year, all stakeholders are, therefore, invited to submit their comments on this MTBP Green Paper for consideration in the 2024 National Budget. The submission of comments will be required to be made by Friday 4th August 2023.

Felix Nkulukusa
Secretary to the Treasury
MINISTRY OF FINANCE AND NATIONAL PLANNING

CHAPTER ONE

1.1 INTRODUCTION

1. The Medium-Term Budget Plan (MTBP) translates Government's policy objectives over a three-year period in terms of tax policy and financial resource allocations to programmes/projects across the various Government functions. It also details the macroeconomic and fiscal framework within which these strategic policy objectives will be achieved. Therefore, this paper is a public consultative document on Government's key specific policies and interventions for the 2024-2026 MTBP and the 2024 Budget.

2. Over the 2024-2026 medium term, Government's economic policies will focus on stimulating economic growth through restoration of macroeconomic stability, attaining debt and fiscal sustainability, facilitating a conducive environment for private sector participation and improving livelihoods, especially for the poor and vulnerable.

3. Over the medium term, economic growth is projected to average 4.7 percent on an annual basis. In 2024, growth rate is projected to reach 4.8 percent, 4.3 percent in 2025 and 5.0 percent in 2026. These projections are based on improvements in the macroeconomic conditions resulting from the implementation of the country's development reform agenda as set out in the 8NDP, as well as the steps taken by Government, in collaboration with its creditors, to restructure Zambia's external debt. Additionally, efforts to attract investment, particularly in the key sectors of agriculture and livestock, manufacturing, mining, energy, and tourism, are anticipated to stimulate production and enhance productivity.

4. The outlined policies and interventions in the medium term will ensure that there is creation of a catalytic environment to accelerate the actualisation of the development outcomes under the four strategic development areas of the Eighth National Development Plan (8NDP), which are:

   i. Economic Transformation and Job Creation;

   ii. Human and Social Development;

   iii. Environmental Sustainability; and

iv. Good Governance Environment.

5. The 8NDP will continue to be the guiding documents in formulating the 2024-2026 MTBP and the 2024 Budget. In this regard, the 2024-2026 MTBP Green Paper offers an opportunity for all stakeholders to fully participate in refining government policies in line with the country's vision.

CHAPTER TWO

2.1 MACROECONOMIC OVERVIEW

2.1.1 Developments in the Global Economy in 2023

6. The **Global Economy** is projected to grow by 2.8 percent in 2023 compared to a growth of 3.4 percent recorded in 2022. The reduction in growth is mainly due to tightening of monetary policies in advanced economies aimed at bringing down inflation to their respective targets, dealing with climate change emergencies, as well as the continued Russia-Ukraine war which has caused food and energy crises globally.

7. In **Emerging Markets and Developing Economies**, growth is projected at 3.9 percent in 2023 compared to the 4.0 percent recorded in 2022. This lower growth is premised on the increased capital outflows resulting from the increase in policy rates in advanced economies and the euro area. The continued conflict between Russia and Ukraine has led to persistent high food and energy prices which have adversely affected the growth prospects for the emerging and developing economies.

8. In **Sub-Sahara Africa**, growth is projected at 3.6 percent in 2023 compared to 3.9 percent in 2022. The slowdown in growth is on account of persistently high global inflation and tighter monetary policies which has led to tightening of global financial conditions. In addition, the strengthening of the US dollar is expected to exacerbate fiscal and debt vulnerabilities. Further, weaker growth prospects in oil-importing countries due to surging oil and food prices are expected to pose a strain on the external and fiscal balances of commodity-importing countries.

9. Over the 2024-2026 medium term, **global growth** is forecasted at 3.1 percent on account of the downside risks including, a possible worsening of the Russia-Ukraine war which will lead to a further spike in food and energy prices. The recent banking system turbulence in the US is also expected to result in a sharper and more persistent tightening of global financial conditions than anticipated, which would further deteriorate financial confidence.

2.1.2 Developments in the Domestic Economy in 2023

10. **Growth in 2023** is projected to slow down to 2.7 percent from 4.7 percent recorded in 2022. This is mainly attributed to the expected reduction in output in the mining and electricity sectors which are expected to contract by 8.7 percent and 2.0 percent, respectively. The overall growth is expected to be mainly driven by Information and Communication Technology (ICT), manufacturing, transportation and storage and financial sectors.

11. **Inflation** is expected to continue trending downwards in 2023. Annual average inflation decreased to 9.6 percent in the first quarter of 2023 compared to 9.8 percent in the fourth quarter of 2022, and 14.1 percent in the first quarter of 2022. In the first six months of 2023, inflation decelerated to an average of 9.8 percent from an average of 12.3 percent recorded in 2022 over the same period. The reduction in the inflation rate was on account of a slowdown in food and non-food inflation, including fuels and lubricants.

12. **Interest rates** in the first quarter of 2023 remained unchanged at an average of 25.5 percent from an average of 25.0 percent in the fourth quarter of 2022.

13. **On the foreign exchange** market front, the Kwacha exhibited some volatility against the US Dollar. In the first quarter of 2023, the exchange rate came under pressure thus depreciating to an average of K19.5 per US$ from an average of K16.68 per US$ in the fourth quarter of 2022. This was attributed to increased importation of commodities such as petroleum products and fertilizers as well as unsettled sentiments relating to delayed finalisation of the external debt restructuring process. However, as at end-June 2023, the Kwacha appreciated and was trading at an average K17.5 per US dollar. This was attributed to the positive sentiments associated with the country having reached an agreement on external debt restructuring with its Official Creditors under the G20 Framework.

14. **In the external sector**, preliminary estimates indicate that the current account deficit narrowed to US $57.2 million in the first quarter of 2023 from US $75.0 million in the fourth quarter of 2022. This was largely on the back of lower outflows in dividends for foreign direct investments and lower expenditure on transportation for passenger travel. The trade balance, however, declined on the back of an increase in imports and a

reduction in exports. In the first quarter of 2023, imports increased by 4.5 percent to US $2.3 billion, while exports declined by 0.3 percent to US $2.6 billion. Particularly, copper exports declined by 6.7 percent to US $1.67 billion in the first quarter of 2023 from US $1.79 billion in the fourth quarter of 2022.

15. **The Gross international reserves** position as at end-March 2023 declined to US $2.9 billion, equivalent to 3.3 months of import cover from US $3.1 billion, equivalent to 3.8 months of import cover as at end December, 2022.

Table 1: Macroeconomic Indicators (2021-2023)

	2021	2022	2023
Real GDP Growth	4.6	4.7	2.7
Nominal GDP (In Millions)	443,362.40	504,477.00	567,880.40
CPI Inflation (end of period)	16.4	9.9	6-8
Budget Deficit (% of GDP)	9	7.8	7.7
Copper Prices (in US $ per MT)	9,295	8,822.37	8,500.00
Copper Production	803,746	763,550	682,431.00
Oil Price (in US dollar per barrel)	67.8	91.8	92

Source: *Ministry of Finance and National Planning Projections*

2.2 MACROECONOMIC FRAMEWORK 2024 – 2026

16. In the 2024-2026 medium term, growth is expected to average 4.7 percent with growth forecasts in 2024 at 4.8 percent, 4.3 percent and 5.0 percent in 2025 and 2026, respectively. This will mainly be driven by increased investments in key sectors such as mining, agriculture and manufacturing. In addition, the improved macroeconomic environment arising from the external debt restructuring process is expected to support overall economic growth prospects.

17. Over the medium term, Government will focus on the implementation of policy measures that will support economic growth, facilitate increased investment, and restore and maintain fiscal and debt sustainability. This will be achieved through a special focus on key sectors

that drive economic growth including mining, agriculture, manufacturing, and tourism sectors as outlined in the 8NDP. Increasing productivity in these key sectors as well as interventions and investments in the energy, transport and Information and Communication Technology sectors will be key enablers for sustainable economic growth and development.

18. Further, Government will continue leveraging Public Private Partnerships to finance infrastructure and other developmental projects.

19. The following are the specific medium-term macroeconomic objectives:

a) Attain an average annual GDP growth rate of at least 4.7 percent over the period 2024 to 2026;

b) Achieve and Maintain inflation in the 6-8 percent target band;

c) Maintain foreign exchange reserves of at least 3 months of import cover;

d) Increase domestic revenue to at least 21.9 percent of GDP by 2026; and

e) Limit net domestic borrowing to no more than 2.2 percent of GDP by 2026.

Table 1: Macroeconomic Framework 2024-2026 Projections

	2024	2025	2026
Real GDP Growth	4.8	4.3	5.0
Nominal GDP (In Millions)	641,620.80	707,975.10	791,191.10
CPI Inflation (annual average)	8.2	7.3	7.0
Copper Prices (in US $ per MT)	8,300.00	8,000.00	8,500.00
Copper Production	796,994.30	866,003.60	939,683.90
Oil Price (in US dollar per barrel)	80	80	80

2.3 ECONOMIC TRANSFOMATION AND JOB CREATION OBJECTIVES

20. Over the 2024-2026 medium term, Government will focus on invigorating growth by sustaining macroeconomic stability and ensuring the right policies and regulatory environment are in place to support private sector investment. This is aimed at transforming the economy from one which is predominantly dependent on the primary production of copper to an industrialised and diversified economy through value addition

across the key sectors of agriculture, manufacturing, tourism and mining. This will enable Government achieve the desired growth levels and create employment opportunities, especially for the youth. Under this strategic development area, the following interventions will be implemented:

Agriculture, Livestock and Fisheries sector

21. The sector is projected to grow by 4.3 percent over the medium term premised on increased investments as well as the full implementation of the Comprehensive Agriculture Transformation Support Programme (CATSP) that addresses the entire agricultural production and productivity value chain.

22. As part of the CATSP, the Government will undertake the final phases of migrating the Farmer Input Support Programme (FISP) to a more cost-efficient electronic system. The aim is to transition the FISP to an electronic system, targeting 43 districts during the 2023/2024 farming season, and completing the process by the end of the 2024-2026 medium term. This transition is expected to enhance the accessibility of required inputs for farmers. Further, the CATSP will include a focus on research and development to improve crop varieties, including tree crops, as well as the breeds of livestock and fish. These efforts are intended to diversify agricultural outputs, leading to increased productivity and creating job opportunities. By enhancing the quality and variety of crops, livestock, and fisheries, the CATSP further aims to contribute to a more sustainable and thriving agriculture, livestock and fisheries sector.

23. In addition, the Government will accelerate the completion of Nansanga, Luswishi and Luena farm blocks, among others, as a means of boosting agricultural production and productivity in the country. The Government will also continue to provide support to small-scale farmers through extension services which will equip them with the necessary knowledge and assistance for improved farming practices while leveraging on technology.

24. To address the challenges posed by climate change and so reduce the over-dependence on rain-fed agriculture, the Government will continue to invest in irrigation infrastructure and operationalise irrigation schemes throughout the country. This will ensure consistent agricultural production throughout the year, regardless of weather conditions.

25. In the livestock sub-sector, Government will enhance the disease surveillance and response system which will include the rehabilitation and operationalisation of seven (07) regional veterinary laboratories including in Mongu, Choma, Kasama, Chipata, Solwezi and Ndola. The animal traceability and identification system will also be implemented in addition to legislative reforms that will aim at deterring livestock theft so as to promote the development of the sector.

26. Further, to improve the quality and productivity of livestock within the sub-sector, the Government will promote linkages between ranches and small holders. The functionality of livestock service centres will also be expanded to include various services such as facilitation of extension services and marketing facilities to better livestock breeds by small-scale farmers.

27. In addition, the Government will prioritise the promotion of fodder and improved pasture production among smallholders to enhance livestock production and productivity and reduce seasonal nutritional stress suffered by livestock especially ruminants.

28. In the fisheries sub-sector, Government will continue to promote the establishment of fish feed plants, cold chain facilities and hatcheries by the private sector to enhance productivity. This is with the aim of attaining domestic self-sufficiency and entering the export market.

Mining Sector

29. Over the medium term, the mining sector is projected to experience an upward growth trajectory. This growth will be facilitated by increased investments in the sector which are aimed at boosting copper production, ultimately working towards the goal of achieving the production of 3 million metric tonnes of copper per annum. The recapitalisation of Mopani and Konkola Copper Mines will also contribute to this resurgence.

30. To unlock the national mineral potential, the Government will also undertake integrated geophysical, geological and satellite imagery surveys with a view of identifying mineral resource deposit areas. Further, the Government will operationalise the establishment of the Mining Regulatory Commission to enhance regulation of the sector, promote investments, and ensure the nation accrues the requisite benefits from its mineral endowments.

31. To address the weak mining value chain, the Government will develop local content regulations that will enhance the participation of Zambians including through the development of real partnerships with investors. The creation of the electric vehicles battery value chain, for which preliminary undertakings are already underway, will also be accelerated.

32. In addition, the Government, with the formation and reorganization of cooperatives among Artisanal and Small-scale Miners (ASM) will mandate all sales of precious metals such as gold, manganese, sugilite, and diamond to be done locally to an aggregator appointed by the Government so as to allow for the effective accountability of sales proceeds as well as tax revenue collections.

Manufacturing Sector

33. Growth in the manufacturing sector is projected to average 3.1 percent on account of increased value addition in the agriculture, mining and forestry sectors. Particularly, value chains that will be prioritised include processed foods, wood and wood products, textiles, leather and leather products, metallic and non-metallic mineral, pharmaceutical products as well as crop, livestock, and fisheries products.

Energy Sector

34. Over the medium term, growth in the energy sector is expected to average 0.3 percent over the medium term. To enhance the growth in the sector, the Government will, among others, work to increase the country's electricity generation capacity. This will be done through investing in additional power generation infrastructure and promotion of the use of alternative green and renewable energy sources to make the energy sector more resilient and supportive of industrialisation. The Government will also continue to scale-up rural electrification initiatives to ensure that remote areas have increased access to electricity.

35. In addition, the Government will continue to implement the cost reflective pricing based on the multi-year tariff adjustment framework and accelerate the integration of transmission projects to improve access to regional power markets.

36. Further, the Government will establish and operationalise a one-stop shop that will facilitate the coordination of all institutions involved in the permitting and licensing process in the development of energy projects to enhance efficiency and attract investment.

Tourism Sector

37. To ensure continued growth of the sector at an average of 14.0 percent in the medium term, the Government's focus will be on the consolidation of the development of the Northern and Southern Circuits particularly around Kasaba Bay and Liuwa National Park through the facilitation of requisite infrastructure. Further, the Government will improve the regulatory and licensing framework for the sector by reviewing legislation with the overall objective of reducing the cost of doing business to unlock and attract transformative investment in the sector.

38. In addition, the Government, to diversify tourism products and increase the length of stay of tourists, will establish Eco-Tourism Centres across the country. To support this, reform measures that will stimulate improved wildlife conservation and management, sustainable tourism development and promotion, as well as cultural preservation and development will be undertaken. The continued promotion of hosting of Meetings, International Conferences and Exhibitions (MICE) will also continue.

Transport Sector

39. The improvements in the mining, agriculture, and manufacturing, and tourism sectors, among others, are expected to stimulate the growth of the transport sector over the medium term to an average of 6.9 percent. Additionally, to continue positioning the country as a regional transport and logistics hub, maintenance, development, modernisation and integration of road, rail, air and water transport infrastructure will be undertaken, leveraging on Public Private Partnerships. This will include the recapitalisation of the Zambia Railways and TAZARA networks which are aimed at contributing to the opening up of rural areas for development and enhancing the participation of local communities in the economy.

40. Further, the Government will modernise and expand Mpulungu Harbour and develop other harbour infrastructure within the country, as well as develop dry ports, and upgrade pontoons and their landing bays.

Information and Communications Technology Sector

41. In the medium term, growth of the Information and Communications Technology (ICT) Sector is expected to remain positive, at an average of 7.6 percent. This is premised on continued investment in the construction of ICT infrastructure and increased use of ICT services. The focus will be to integrate digital technologies into business processes which are key to enhancing efficiency and productivity for economic transformation. Further, investments in building digital skills, especially among the youth, will provide a foundation for innovations, including science and technology.

42. To address the extensive digital inclusion gap in the country that is inhibiting universal connectivity and access, Government will invest in developing the last mile and leverage on the extensive national fibre network to reach the underserved districts. By the end of the medium term, Government targets to reach 80 percent digital inclusion.

43. In addition, the Government will transform public service provision through the adoption and application of digital technologies. This will improve the business environment, promote seamless access to public services and enhance public service delivery.

44. To provide a reliable and credible basis for public service delivery and planning, the Government will implement a digital identity system. This will resolve the challenges associated with the current manual system and bring efficiency in national statistical system.

45. Further, the Government will establish and operationalise technology and innovation hubs across the country, which will serve as centres for fostering technological advancements and promoting innovation across various sectors.

2.4 HUMAN AND SOCIAL DEVELOPMENT OBJECTIVES

46. Human and social development will remain paramount in uplifting and safeguarding livelihoods for all Zambians. In this regard, over the medium term, focus will be to prioritise investments and interventions in health and nutrition, education and skills development, water and sanitation, as well as social protection programmes aimed at reducing poverty, inequality and vulnerability.

47. To harness the demographic dividends, arising from the growing population, Government will strengthen it's capacity to undertake sub-national carrying capacity assessments and sub-national analysis at District and Constituency level in order to keep to up-to-date data for indicators and targets that rely on periodical surveys on provision of social services. The assessments will be aimed at establishing physical, environmental, social, and economic carrying capacities of districts and Constituencies.

48. Government shall also prioritise and strengthen data collection, dissemination and utilisation, on Sustainable Development Goals using existing human resource in MPSAs, as a stop gap measure. In the medium term, dedicated statistical units will be enhanced in all MPSAs to ensure that data gaps are eliminated.

Education Sector

49. Over the medium term, the focus in the education sector will be to ensure that all learners have access to equitable and inclusive quality education. This will be achieved through construction and rehabilitation of primary and secondary schools' infrastructure, construction of teachers' housing facilities, completion of universities infrastructure and provision of teaching and learning materials. The Government will also continue with the teacher recruitments and promotions.

50. Further, the Government will prioritise the provision of quality and relevant skills training by equipping skills training centres with modern equipment. This will ensure that the youth acquire the necessary knowledge and skills required in the modern digital global economy, as means of addressing the high levels of unemployment in the country.

51. In addition, the Government will continue to promote Youth and Adult Literacy Education (YALE) through audio-visual educational programmes, e-learning and expansion of educational broadcasting services as well as learning facilities to accommodate learners with special needs.

Health Sector

52. In the health sector, efforts will be targeted at improving health and nutrition through increasing access to quality health care, recruiting health personnel, promoting the participation of non-state actors in health

care delivery, strengthening integrated health systems and enhancing food security and nutrition. The decentralisation of district health services is also expected to significantly contribute to health outcomes at the community level.

53. The Government will facilitate the provision of adequate medical and surgical supplies to all health institutions across the country and effectively address the challenges of procurement, storage and distribution. To complement these efforts, the Government will scale up implementation of health promotion and disease prevention and control programmes including health surveillance and pandemic preparedness.

Water and Sanitation Sector

54. Over the medium term, the sector is expected to experience an average growth rate of 6.1 percent on account of expected increase in investments in water resource development and management.

55. To encourage investment in water and sanitation programs, the Government will establish a sustainable financing mechanism. This mechanism will facilitate the mobilization of both local and international financing, as well as facilitate public-private partnerships. The objective is to ensure adequate funding for water and sanitation initiatives, provision of essential services and the sustainable management of water resources.

56. To improve access to water and sanitation, the Government will accelerate the completion of on-going infrastructure projects. The Government will also construct piped water schemes and boreholes as well as upgrade and rehabilitate non-functional boreholes in peri-urban and rural areas across the country. This will also improve access to clean and safe drinking water and provide sanitation services.

57. In addition, the Government will construct and upgrade waterborne sanitation facilities in public institutions and places such as schools, health facilities, markets and bus stations as well as construct fecal sludge treatment plants throughout the country. This will ensure sustainable operations of the waterborne sanitation facilities.

Social Protection

58. The Government will, over the medium term, continue supporting the poor and vulnerable through the Social Cash Transfer Scheme and

other social safety nets such as the Food Security Pack, Public Welfare Assistance Scheme, Keeping Girls in School and the Home-grown School Feeding Programmes.

59. Further, the Government will continue with the timely payment of pension benefits to retired public service workers and so curtail the accumulation of pension arrears.

2.5 ENVIRONMENTAL SUSTAINABILITY OBJECTIVES

60. In line with the country's commitment to actualisation of a green economy, emphasis over the medium term will be to achieve development that is anchored on sustainable environment, ecosystems and natural resource management. This will lead to the attainment of socio-economic development to meet the needs of the current and future generations.

61. To achieve this, the Government will strengthen climate change adaptation and mitigation by developing climate resilient infrastructure as well as extend and improve coverage of early warning systems to facilitate preparedness and prompt response to adverse weather effects.

62. In addition, the Government will promote innovative financing and spearhead resource mobilisation for climate change interventions such as the use of green bonds and carbon trading.

63. Further, the Government will promote sustainable environmental management through various initiatives, including the promotion of a circular economy, biosafety measures, technology protection, and pollution control. These initiatives will contribute to the preservation of natural resources, the mitigation of adverse environmental impacts, and the overall well-being of both present and future generations.

2.6 GOOD GOVERNANCE ENVIRONMENT OBJECTIVES

64. Over the medium term, focus will be on improving the policy and governance environment as well as promoting adherence to the rule of law and constitutionalism. In this regard, adherence to transparency and accountability will be prioritised in the management of public resources. In this regard, the Government will strengthen the implementation of Public Finance Management (PFM) reforms to ensure budget credibility, improve the efficient use of public resources and support private sector led growth.

65. In addition, the Government will enhance commitment controls in the Integrated Financial Management Information System (IFMIS).

Debt Management

66. On 22nd June, 2023, Government reached an agreement on a comprehensive debt treatment with its Official Creditors under the G20 Common Framework. This landmark achievement is a significant step

towards restoring Zambia's long-term debt sustainability. Preliminary results of the 2023 Debt Sustainability Analysis (DSA) indicate that the country is still under debt distress as the solvency and liquidity ratios are breaching respective thresholds. Therefore, Government intends to follow through the ongoing external debt restructuring exercise and seek comparable treatment from its private creditors including the Eurobond holders.

67. To augment the ongoing external debt restructuring efforts, Government will:

a) Continue with the moratorium on contraction or guaranteeing of new non-concessional external debt except for priority projects financed by Multilateral partners such as World Bank and African Development Bank;

b) Adhere to its Medium-Term Debt Management Strategy (MTDS) for the medium term;

c) Develop general regulations for the Public Debt Management Act No. 15 of 2022 to ensure adherence to the provisions of the law. This will also increase transparency and accountability in the contraction of debt;

d) Operationalise the Debt Management Office (DMO) as prescribed by the Public Debt Management Act No. 15 of 2022 by end 2023; and

e) Continue with efforts to deepen the domestic financial market.

Decentralisation

68. During the 2024-2026 medium term, the focus of the budget policy will be to actualise the implementation of fiscal decentralisation in line with the decentralisation policy implementation plan. Consequently, with the devolution of district health services and ambulances, community sport, vehicle licensing, pontoons, ferries, jetties and domestic harbors, veterinary services, district archives, and cultural matters, the respective resources for these functions will be transferred to the local authorities through sector grants. With regard to other intergovernmental transfers, Government shall utilise a resource sharing mechanism to achieve horizontal equity.

69. For the Constituency Development Fund (CDF), the Government will allocate the increment over the medium term, using a formula that will

take into account variables such as the population size and poverty levels, as means of bringing in equity in the allocation of resources to the constituencies. Further, to expedite the enhancement of livelihoods in the local communities, the Government will require that starting in 2024, every constituency, at the minimum facilitates the availability of clean water and sanitation, the provision of maternal wards at local health centers, and availability of school desks in primary and secondary schools.

70. Regarding the Local Government Equalization Fund (LGEF), the Government will over the medium term, revise the resource allocation formula to conform to addressing emergent issues in local authorities The provision of Grants in Lieu of Rates will also be strengthened by providing clear allocative and utilisation criteria to encourage the regular updating of valuation rolls, an important element for the improvement of local authority resource base.

Public Private Partnership

71. Over the medium-term Government will continue leveraging on Public Private Partnership (PPP) as an alternative financing source to promote investment in various sectors. In this regard, the Government will facilitate the development of PPP regulations and guidelines to provide clear and coherent guidance to prospective investors, as well as improve the management of PPP processes and procedures, and the implementation and monitoring of projects. To avoid the unnecessary incurrence of contingent liabilities from PPP projects, fiscal commitment and contingent liability guidelines will also be developed.

Public Investment Management

72. An efficient and effective public investment management system will be pivotal in supporting fiscal sustainability and budget credibility in the period 2024-2026. In this regard, all major public investment projects will continue to be appraised before inclusion in Medium Term Budget Plans and the Annual Budget, in line with the National Planning and Budgeting Act, No. 1 of 2020 and Public Investment Management Guidelines. This will reduce wasteful expenditure on public capital projects and mitigate fiscal risks emanating from implementation of public investment projects, regardless of the mode of financing.

73. The strategic policy areas in public investment management for the 2024-2026 medium term will, therefore, include the development and

operationalisation of the Public Investment Management Information System (PIMIS) as a platform for enhancing efficiency in the appraisal and management of Public Investment Projects.

Monitoring and Evaluation

74. To adequately monitor the performance of national policies, programmes and projects as well as ensure the realization of the 8NDP development outcomes, during the 2024 -2026 medium term, Government will continue to strengthen the monitoring and evaluation systems to support the effective implementation of programmes and projects through the enhanced Government Wide Management Monitoring System (MMS). To promote the use of standardised planning, monitoring and evaluation tools, continuous capacity building of officers in monitoring and evaluation will be undertaken across the various Government departments.

Monetary and Financial Sector Policies

75. Government will over the medium term pursue policies aimed at maintaining price and financial system stability which is critical to promoting inclusive and sustainable growth. In this regard, implementation of the forward-looking monetary policy framework anchored on the Policy Rate as a key measure for implementing the monetary policy stance will continue. A flexible exchange rate will also be maintained whilst mitigating excessive volatility.

External Sector Policies

76. Over the medium term, Government will diversify the export base to increase export earnings, build gross international reserves and reduce volatility in the exchange rate. In addition, the Government will implement policies to attract more foreign direct investment. In this regard, the following measures will be employed:

a) Continue to promote viable Foreign Direct Investment (FDI) and expansion to support exchange rate stability;

b) Continue engagements with mining companies to support domestic value addition and promote increased exports;

c) Mechanise and diversify the agricultural sector to improve productivity as well as promote value addition for exports and industrialisation;

d) Support the manufacturing sector to initiate the "Make in Zambia" campaign and promote exports; and

e) Continue halting of the contraction of external non-concessional loans except in instances of refinancing.

Financial Inclusion

77. In the medium term, the Government will continue to improve access to affordable finance for farmers, agribusinesses, Micro, Small and Medium Enterprises (MSMEs) and exporters of high-value agricultural products. Financial inclusion interventions will focus on the following:

a) Increased access to finance for the rural population, women and children primarily through the promotion of digital financial services;

b) Improved access to formal financial products and services to the financially underserved and excluded population, diversify financial products and services that meet customers' needs;

c) Enhanced financial literacy that will empower the Zambian population with financial knowledge to secure positive financial outcomes for themselves and their families;

d) Enhanced consumer protection and increased financial capabilities of consumers; and

e) Repositioned capital markets as a preferred destination for raising long-term financing for investments and developmental projects.

Structural Reforms Matters

78. Government is in the process of developing the 2023-2026 Integrated Public Finance Management Reform Strategy (IPFMRS) which seeks to integrate reforms in the Public Financial Management (PFM) framework. This strategy will aim at strengthening the links between the multiple processes in the PFM cycle as well as enhancing the efficacy of the integrated PFM processes. This will ensure that public resources are mobilized and used to support the cost-effective delivery of national development and public services.

2.7 Risks to the Attainment of Macroeconomic and Fiscal Objectives

79. The following are the identified macroeconomic and fiscal risks that may undermine the attainment of the 2024 – 2026 medium term budget plan objectives:

a) **Exchange rate fluctuations** largely caused by domestic factors such as demand for foreign exchange by Government for foreign debt service as well as importation of commodities such as petroleum products and farming inputs in addition to external factor in the global economy;

b) **Weakening copper prices** on the international market will pose a risk to Zambia's growth projections as it is the country's major foreign exchange earner;

c) **Reduced mining output** may arise due to lower ore grades, delayed investments and commissioning of expansion projects, and adverse weather conditions;

d) **Inflationary pressure** largely induced by exchange rate pass through effects and potential climate induced events that can lead to food shortages and geo-political instability;

e) **Climate change** measures are being put in place to adapt and mitigate its adverse effects. Further, the weather patterns continue to pose a risk with regards to rainfall patterns as the country is highly dependent on hydropower generation and rain-fed agriculture;

f) **Subdued global growth due to** contraction of China's economy poses a risk to growth as China is a main market for Zambia's copper exports; and

g) **The Ukraine-Russia Conflict** has threatened supply chains of commodities produced especially in energy and agriculture sectors. Further, the conflict has led to tighter financial conditions in the US and major European economies. The surging prices of goods may result in inflationary pressures that might influence central banks to raise their interest rates thereby, reducing credit that would be available to weaker economies such as Zambia. This will negatively affect growth prospects as sources of funding for capital expenditures may decrease.

CHAPTER THREE

3.1 FISCAL PERFORMANCE OVERVIEW

3.1.1 Review of Fiscal Performance 2020-2022

80. Government's fiscal stance over the 2020-2022 medium-term was aimed at fiscal consolidation. However, Government increased expenditures in the health sector and provided growth-promoting incentives for various sectors to contain the spread of the Covid-19 Pandemic and promote economic recovery as well as boost economic growth.

81. To rebalance the fiscal position and cushion the poor and vulnerable from the adverse effects of the pandemic, Government had to put in place a number of measures including prioritising expenditure on social spending and injecting liquidity in the economy through the Bank of Zambia targeted Medium Term Financing Facility to keep businesses afloat.

82. During the 2020-2022 period, revenue and grants amounted to K267.1 billion, averaging K89.0 billion per year, which accounted for 22.2 percent of the GDP. The share of total revenue and grants to GDP increased from 20.6 percent in 2020 to 21.6 percent in 2022. This growth was primarily attributed to favorable copper prices and enhanced mechanisms for revenue collection. Tax revenues accounted for 16.9 percent of total revenues, non-tax revenues contributed 4.8 percent, while grants made up 0.5 percent. In terms of public spending, total expenditure decreased from 37.1 percent of GDP in 2020 to 30.2 percent of GDP in 2022. Expenses (current expenditure) increased slightly from 23.2 percent of GDP in 2020 to 24.0 percent of GDP in 2022 while expenditure on assets and liabilities also declined from 11.5 percent of GDP in 2020 to 5.8 percent of GDP in 2022.

83. Financing averaged 10.1 percent of GDP per annum over the period. Of the total financing, domestic financing accounted for 6.3 percent while the balance of 3.8 percent was bridged through external financing.

Table 3.1: Review of Fiscal Performance (2020 – 2022)

	2020		2021		2022		2020-2022 (Average)	
	ZMW Million	%GDP	ZMW Million	%GDP	ZMW Million	%GDP	ZMW Million	%GDP
TOTAL REVENUE AND GRANTS	**67,437,163.40**	**20.6%**	**98,944,793.95**	**24.3%**	**100,683,516.80**	**21.6%**	**89,021,824.71**	**22.2%**
Tax Revenue	52,181,768.16	16.0%	71,151,232.86	17.5%	79,492,051.29	17.1%	67,608,350.77	16.9%
Non-Tax Revenue	13,539,967.91	4.1%	25,312,134.59	6.2%	19,210,310.90	4.1%	19,354,137.80	4.8%
Grants	1,715,427.33	0.5%	2,481,426.49	0.6%	1,981,154.60	0.4%	2,059,336.14	0.5%
Total Expenditure (Incl Amortization	**121,182,890.42**	**37.1%**	**138,028,975.52**	**33.9%**	**140,838,237.03**	**30.2%**	**133,350,034.32**	**33.3%**
Expenses	75,796,628.93	23.2%	98,370,542.05	24.1%	111,657,635.95	24.0%	95,274,935.64	23.8%
Assest	27,649,446.50	8.5%	19,043,703.54	4.7%	17,829,642.00	3.8%	21,507,597.35	5.4%
Liabilities	9,761,610.70	3.0%	17,514,372.31	4.3%	9,234,940.81	2.0%	12,170,307.94	3.0%
Cash Surplus/Deficit	*- 45,770,522.74*	*-14.0%*	*- 35,983,823.95*	*-8.8%*	*- 38,038,701.97*	*-8.2%*	*- 39,931,016.22*	*-10.0%*
Net Domestic Financing	31,018,399.07	9.5%	31,195,930.53	7.7%	13,177,242.78	2.8%	25,130,524.13	6.3%
Net External Financing	15,568,493.64	4.8%	5,518,037.24	1.4%	24,148,203.44	5.2%	15,078,244.77	3.8%
						-		
Norminal GDP	**326,937,700.00**	**100.0%**	**407,616,500.00**	**100.0%**	**466,179,300.00**	**100%**	**400,244,500.00**	**100.0%**

Source: Ministry of Finance and National Planning

2023 First Half Budget Performance

84. During the first half of 2023, total revenues and grants amounted to K57.3 billion, below the budget target of K57.5 billion by 0.4 percent. Out of the total collections, K43.9 billion was generated from tax revenue, K12.1 billion from non-tax revenue sources, and K1.3 billion was received as grants.

85. Total domestic revenues collected amounted to K56.0 billion against the target of K56.7 billion and was below the target by 1.1 percent. The adverse performance is explained by the underperformance recorded in tax revenue.

86. Tax Revenue collections for the period under review totalled K43.9 billion, falling short of the target of K47.0 billion by 6.4 percent. Income taxes, customs duties, as well as export duties, were recorded below their respective targets. Conversely, value added tax and excise duty exceeded their targets. The adverse performance of income tax was due to lower payments from mining companies. The positive performance of VAT was due to increased taxable value of imports due to depreciation of the currency and the collection of tax arrears.

87. Non-tax collections totaled K12.1 billion, surpassing the target of K9.7 billion by 24.4 percent. This positive performance is mainly attributed to exceptional revenue which included a higher dividend of K3.3 billion from the Bank of Zambia against the forecast of K1.5 billion. However, despite the positive performance, mineral royalty collections fell short of the target by 23.2 percent. The adverse performance of mineral royalty was

attributed to lower declarations by selected mines, which resulted from decreased output partly due to flooding at some mines and production from low grade ores.

88. Grants from cooperating partners amounted to K1.3 billion against a target of K852.7 million, representing a performance of 49.9 percent above target. This was attributed to increased remittances from cooperating partners.

2023 First Half Expenditure Performance

89. Total expenditures for the first half of 2023 amounted to K76.2 billion and were below target by 7.4 percent, resulting from lower releases towards FISP (a significant part of which was initially targeted for release within the first half of the year) and disbursements for foreign financed projects which are recorded with a lag. Out of the total releases, expenses amounted to K58.7 billion, comprising of personal emoluments at K21.4 billion, use of goods and services at K6.8 billion, interest payments at K16.3 billion, transfers at K10.7 billion and social benefits at K3.6 billion.

90. Personal emoluments catered for salaries for civil servants, gratuity, and other emoluments. In addition, releases towards use of goods and services went towards operations for Government ministries and provinces, drugs and medical supplies, as well as mobile registration activities. The transfer category included releases for the Local Government Equalisation Fund, Constituency Development Fund and, grants to schools and hospitals. Lastly, social benefits included releases towards the Public Service Pension Fund and the Social Cash Transfer Programme.

91. Releases on the acquisition of assets during the period under review stood at K5.9 billion and were below target by 33.2 percent. This under performance was attributed to lower disbursements for foreign financed projects which are recorded with a lag. Other notable releases towards capital items went to road maintenance, construction of fuel depots, water and sanitation infrastructure as well as other public infrastructure.

92. In addition, Government released K6.4 billion towards financial assets and liabilities. Of this amount, K6.1 billion went towards dismantling of arrears while K181.1 million was released to Empowerment Funds under the Citizens' Economic Empowerment Commission.

2023 Second Half Fiscal Outlook

93. For the period July to December 2023, revenue collections are projected to align within forecasts levels and meet the budget target. This is on account of strengthened enforcement measures aimed at increasing tax compliance amidst projected improvements in economic activities due to increased liquidity conditions, arising from among others, payment of NAPSA pre-retirement benefits. However, volatile prices of commodities, alongside disruptions in supply chain and the continued lower copper production, may present a challenge to achieving the revenue target.

94. In the second half of the year, expenditures are projected to be within target. Further, Government will continue to release funds towards dismantling of arrears to various suppliers of goods and services in order to unlock liquidity in the economy and encourage economic activity.

CHAPTER FOUR

4.1 REVENUE MOBILISATION AND FINANCING STRATEGY FOR 2024-2026

95. The Government is committed to strengthening domestic resource mobilisation as a key driver of development. Over the medium term, the Government efforts will focus on enhanced tax compliance, including the implementation of an electronic invoicing system, the streamlining of tax incentives, digitization and integration of Government systems and the formalization of precious metal mining. These measures aim to enhance revenue generation and support the country's overall development goals.

96. Over the medium term, revenues and grants are projected to reach a total of K466.8 billion. In 2024, it is projected that K136.8 billion, equivalent to 21.3 percent of GDP, will be collected. Collections in 2025 are estimated to amount to K154.7 billion, accounting for 21.8 percent of GDP. In 2026, it is expected that collections will amount to K175.3 billion, representing 22.2 percent of GDP.

4.1.1 Revenue Mobilisation Strategy, 2024-2026

97. The 2024-2026 revenue goal is to foster sustainable domestic resource mobilisation and increase domestic revenue to at least 22.2 percent of GDP by 2026, and so progressively narrow the wide fiscal deficit witnessed in the recent past.

98. To strengthen domestic resource mobilisation and restore fiscal sustainability, the strategy will be to strengthen tax policies, improve tax payer compliance and strengthen tax administrative capacities. Priority will also be placed on fair and equitable taxation as well as establishment of a stable and predictable tax policy environment. This will continue to contribute to improving the country's investment climate, private sector performance and growth.

99. The June 2023 external debt restructuring agreement between Zambia and its official creditors, is expected to enhance and catalyse inflows of Foreign Direct Investment (FDI) into the country and consequently have a positive bearing on domestic resource mobilisation in the medium term. To further anchor the expansion of the revenue base, a combination of tax policy changes and tax administration interventions will be undertaken. These will include:

a) Operationalise the implementation of the Electronic Invoicing System (EIS) by January 2024 to assure greater integrity of the invoicing system, for VAT purposes, in the country, and hence prevent the proliferation of fake invoices;

b) Undertake and complete the interfacing of Government Information Technology systems such as the Integrated Financial Management Information System (IFMIS); Zambia Integrated Land Administration System; Business Registration System; and Road Traffic Management System through the Government Service Bus platform with the Tax Online System;

c) Phase out the manual receipting system for Government services and move the payment mechanisms to digital platforms, mainly through the Government Service Bus; and

d) Streamlining the granting of tax incentives and concentrate more on consumption taxes such as excise duties.

Table 4.1: Revenue Forecast 2024-2026

	2023 Approved Budget		2024 Projection		2025 Projection		2026 Projection		2024-2026 Total	2024-2026 Average
	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	K'thousand
GROSS DOMESTIC PRODUCT	**533,346,000**	**100.0%**	**641,020,800**	**100.0%**	**707,975,100**	**100.0%**	**791,191,100**	**100.0%**	**2,140,187,000**	**713,395,667**
TOTAL RESOURCES	**113,348,735**	**21.3%**	**136,833,630**	**21.3%**	**154,661,770**	**21.8%**	**175,265,604**	**22.2%**	**466,761,004**	**155,587,001**
TOTAL DOMESTIC REVENUES	**111,643,321**	**20.9%**	**134,924,207**	**21.0%**	**152,470,243**	**21.5%**	**172,964,500**	**21.9%**	**460,358,950**	**153,452,983**
1. TAX REVENUE	**93,767,023**	17.6%	**113,234,226**	17.7%	**128,752,705**	18.2%	**146,788,318**	18.6%	388,775,249	129,591,750
O/w Income Taxes	50,427,135	9.5%	59,522,018	9.3%	68,636,186	9.7%	78,972,628	10.0%	207,130,832	69,043,611
Value Added Taxes	29,209,212	5.5%	36,763,833	5.7%	41,085,607	5.8%	46,732,525	5.9%	124,581,965	41,527,322
Customs and Excise Duties	13,810,456	2.6%	16,574,267	2.6%	18,635,449	2.6%	20,646,945	2.6%	55,856,662	18,618,887
2. NON TAX REVENUE	**17,876,298**	3.4%	**21,689,981**	3.4%	**23,717,538**	3.4%	**26,176,182**	3.3%	71,583,700	23,861,233
O/w Mineral Royalty	8,986,242	1.7%	9,704,180	1.5%	10,225,912	1.4%	11,247,644	1.4%	31,177,735	10,392,578
GRANTS	**1,705,414**	**0.3%**	**1,909,423**	**0.3%**	**2,191,528**	**0.3%**	**2,301,104**	**0.3%**	**6,402,055**	**2,134,018**

4.1.2 Financing Strategy 2024 - 2026

100. Under the financing strategy, the following measures will be implemented:

a) Continue implementing the moratorium on the contraction of commercial loans until 2025 in accordance with the IMF Programme;

b) Continue to contract concessional financing with low interest rates and long maturity periods to ultimately ease the debt service burden;

c) Continue contracting domestic debt through issuance of Government Bonds and Treasury Bills on competitive public auctions, without recourse to private placements; and

d) Continue leveraging on Public Private Partnership (PPP) as an alternative financing source to promote investment in various sectors.

Table 4.2: Financing

	2023 Approved Budget		2024 Projection		2025 Projection		2026 Projection		2024-2026 Total	2024-2026 Average
	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	K'thousand
FINANCING	**40,872,126**	**7.7%**	**31,980,509**	**5.0%**	**22,112,886**	**3.1%**	**19,428,316**	**2.5%**	**73,521,711**	**24,507,237**
Net Domestic Financing	15,575,870	2.9%	15,761,696	2.5%	13,407,753	1.9%	17,430,079	2.2%	46,599,527	15,533,176
Net External Financing	25,296,256	4.7%	16,218,813	2.5%	8,705,133	1.2%	1,998,237	0.3%	26,922,184	8,974,061

CHAPTER FIVE

5.1 EXEPNDITURE POLICY AND STRATEGY

Overview

101. Over the 2024-2026 medium term, Government will implement expenditure policy measures and interventions aimed at enhancing economic growth and development, bridging the rural-urban gap through fiscal decentralisation while protecting social spending. The public expenditure strategy will include measures to contain the public sector wage bill within the current ratio of 42 percent of domestic revenues; Prioritise social spending to programmes with a minimum of 1.6 percent of GDP of the budget going to social protection programmes, which include the Social Cash Transfer, Food Security Pack and Pensions; Contain non-social sector spending to create space for the expected resumption of external debt service obligations in view of the expected conclusion of the foreign debt restructuring process; and Increase the allocation to Constituency Development Fund (CDF) by not more than the annual inflation rate while employing a formula to equitably allocate resources across all constituencies.

102. Prioritise 8NDP programmes in 2024 and over the medium term while taking into consideration the strategic focus areas identified through the Presidential Delivery Unit (PDU) to accelerate the delivery of development for the country.

103. Therefore, over the medium term, Government projects to spend a total of K552.8 billion. Of this amount, K171.3 billion will be spent in 2024, K180.3 billion in 2025 and K201.2 billion in 2026. As a share of GDP, these projected expenditures will average 25.9 percent per annum over the medium term. Of the total expenditure, expenses are projected to account for 82.0 percent, assets for 13.2 percent and liabilities for 4.8 percent. Table 5.1 below shows these economic categories by share of GDP.

Table 5.1: Public Expenditure by Economic Classification

	2023 Approved Budget		2024 Projection		2025 Projection		2026 Budget Projection		2024-2026 Total	2024-2026 Average
	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	K'thousand
GROSS DOMESTIC PRODUCT	**533,346,000**	**100%**	**641,020,800**	**100.0%**	**707,975,100**	**100.0%**	**791,191,100**	**100.0%**	**2,140,187,000**	**713,395,667**
TOTAL EXPENDITURE (Incl. Amortisation)	**167,321,733**	**31.4%**	**171,339,019**	**26.7%**	**180,321,103**	**25.5%**	**201,168,136**	**25.4%**	**552,828,258**	**184,276,086**
EXPENSES	**142,487,768**	**26.7%**	**142,584,115**	**22.2%**	**145,924,003**	**20.6%**	**164,649,222**	**20.8%**	**453,157,339**	**151,052,446**
1. Personal Emoluments (PEs)	46,538,391	8.7%	52,902,325	8.3%	57,742,605	8.2%	62,850,639	7.9%	173,495,569	57,831,856
2. Use of Goods and Services	14,860,094	2.8%	15,800,246	2.5%	17,614,917	2.5%	20,099,618	2.5%	53,514,781	17,838,260
3. Debt Service Payments	48,764,338	9.1%	38,917,266	6.1%	34,839,729	4.9%	43,600,960	5.5%	117,357,954	39,119,318
4. Transfers	25,906,047	4.9%	26,560,383	4.1%	27,184,588	3.8%	29,160,422	3.7%	82,905,394	27,635,131
5. Social Benefits	6,418,898	1.2%	8,403,895	1.3%	8,542,164	1.2%	8,937,583	1.1%	25,883,642	8,627,881
ASSETS	**18,722,409**	**3.5%**	**22,742,174**	**3.5%**	**24,833,148**	**3.5%**	**25,425,012**	**3.2%**	**73,000,333**	**24,333,444**
1. Non Financial Assets	18,010,209	3.4%	21,950,274	3.4%	23,798,500	3.4%	24,312,060	3.1%	70,060,834	23,353,611
2. Financial Assets	712,200	0.1%	791,900	0.1%	1,034,648	0.1%	1,112,952	0.1%	2,939,499	979,833
LIABILITIES	**6,823,755**	**1.3%**	**6,012,730**	**0.9%**	**9,563,953**	**1.4%**	**11,093,903**	**1.4%**	**26,670,586**	**8,890,195**

5.2 EXPENSES

Personal Emoluments

104. Government's objective over the medium term on Personal Emoluments is to contain the public service wage bill within 42.0 percent of domestic revenues and ensure it remains within sustainable levels, in order to create more fiscal space for developmental and service delivery expenditures. This translates to K52.9 billion or 8.3 percent of GDP in 2024, K57.7 billion or 8.2 percent in 2025 and K62.8 billion or 7.9 percent of GDP in 2026. These amounts will also cater for the recruitment of 45,000 public service workers over the medium term.

Use of Goods and Services

105. To facilitate Government operations, expenditure on use of goods and services is projected to amount to K53.5 billion over the medium term. Of this amount, K15.8 billion will be spent in 2024, while K17.6 billion and K20.1 billion will be spent in 2025 and 2026, respectively. Of the K15.8 billion that will be spent in 2024, an amount of K5.0 billion will go towards the procurement of drugs and medical supplies, K703.3 million towards the compensation fund and K250.0 million towards implementation of digital identity cards, as well as K9.8 billion towards operating expenses for Government institutions, amongst others.

106. To cater for unforeseen and unavoidable expenditure, a contingency of K1.3 billion has been set aside over the medium term. Of this amount,

K389.5 million has been allocated for contingency in 2024 while K418.0 million and K447.2 million will be spent in 2025 and 2026, respectively.

Debt Service payments

107. In line with the external debt restructuring agreement, debt service payments which include interest payments on domestic and external debt as well as amortisation will amount to K117.4 billion or 16.5 percent of GDP over the medium term. Of this amount, K38.9 billion will be spent in 2024, K34.8 billion in 2025 and K43.6 billion in 2026.

Transfers

108. The payment of transfers relates to subventions that Government provides to Grant Aided Institutions such as the Zambia Revenue Authority and public universities; and programmes such as Local Government Equalization Fund and the Constituency Development Fund, as well as funds that support the operations of schools and hospitals, among others. In this regard, Government has allocated a total of K83.0 billion for transfers over the medium term. Of this amount, K26.6 billion has been allocated in 2024, while K27.2 billion and K29.2 billion has been allocated in 2025 and 2026, respectively.

109. Government will undertake the second-year phase of the migration of the Farmer Input Support Programme component of the Comprehensive Agricultural Transformation Support Programme to a more cost-efficient electronic system for the 2024/2025 farming season. In this regard, Government projects to spend K8.6 billion in 2024 while K7.7 billion and K8.1 billion will be spent in 2025 and 2026, respectively.

Social Benefits

110. To continue protecting the poor and vulnerable in society, Government has scaled up the allocation to social benefits. In this regard, Government has set aside K25.8 billion for social protection programmes over the medium term. Of this amount, K8.4 billion will be spent in 2024 while K8.5 billion and K8.9 billion will be spent in 2025 and 2026, respectively.

5.3 ASSETS

111. Over the medium term, expenditure on acquisition of assets is projected to total K73.0 billion. Of this amount, non – financial assets will

account for K70.1 billion or 96.0 percent while financial assets will account for K2.9 billion or 4.0 percent.

Non-Financial Assets

112. Over the medium term, expenditure on non-financial assets is projected at K70.1 billion. Of this amount, K22.0 billion is projected to be spent in 2024, while K23.8 billion and K24.3 billion will be spent in 2025 and 2026, respectively. Out of the total allocation to non-financial assets in the medium term, the Government will spend a total of K13.3 billion on ordinary capital with a view of completing various Government projects in the health and education sectors as well as equipping health facilities and skills training institutions, among others. Government will also spend a total of K21.3 billion on domestically funded road projects. Further, a total of K8.3 billion is projected to be spent on the maintenance of the national strategic food reserves of 1 million metric tonnes per annum over the medium term.

Financial Assets

113. Over the medium term, Government will continue to facilitate affordable credit for micro, small and medium enterprises as a means of enhancing citizenry participation in the economy to drive development and entrepreneurship for job creation and improved livelihoods. In this regard a total of K2.9 billion will be spent over the medium term, which will also cater for the recapitalisation of state-owned enterprises.

Liabilities

114. Government will continue dismantling domestic arrears, including arrears for contractor financed projects in a bid to facilitate effective implementation of projects. In this regard, a total of K26.7 billion has been set aside over the medium term to pay for arrears on goods and services accrued by Government.

CHAPTER SIX

6.1 MEDIUM TERM FUNCTIONAL ALLOCATIONS

Overview of Strategy

115. The allocation by Functions of Government (COFOG) is a system that groups all public expenses based on their intended purposes. This system of allocation allows the Medium-Term Budget Plans (MTBP) to follow the priorities, policies, and strategies that are outlined in the National Development Plans, in this case, the 8NDP. Therefore, resources have been allocated to foster economic transformation by building economic resilience, protecting the vulnerable, decentralising service delivery and development, and addressing the negative effects of climate change and other threats.

Functional Resource Allocation Priorities (2024–2026)

116. In the medium term, Government intends to spend an average of 27.7 percent on General Public Services, 27.9 percent on Economic Affairs, 14.9 percent on Education and 11.1 percent on Health. The remaining 18.4 percent will go to other functions of Government which include Defence, Public Order and Safety, Recreation, Culture and Religion, Environmental Protection, Housing and Community Amenities and Social Protection.

Table 6.1: 2024-2026 MTBP Allocations by Function of Government (As a Share of Total Budget)

Function	2023 Approved Budget	2024 projection	2025 projection	2026 projection	2024-2026 Average
General Public Services	39.5%	28.9%	25.7%	28.6%	**27.7%**
Defence	4.9%	5.4%	5.5%	5.2%	**5.3%**
Public Order and Safety	3.1%	4.2%	4.3%	4.0%	**4.2%**
Economic Affairs	20.9%	26.0%	29.4%	28.3%	**27.9%**
Environmental Protection	0.6%	1.0%	1.0%	1.2%	**1.1%**
Housing and Community Amenities	1.5%	1.7%	1.8%	1.7%	**1.8%**
Health	10.4%	11.2%	11.2%	10.8%	**11.1%**
Recreation, Culture and Religion	0.3%	0.3%	0.3%	0.3%	**0.3%**
Education	13.9%	15.3%	15.0%	14.5%	**14.9%**
Social Protection	4.9%	6.1%	5.8%	5.3%	**5.7%**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

General Public Services

117. Over the medium term, Government intends to spend an average of K51.1 billion or 27.7 percent of the total projected expenditures on General Public Services per annum. These allocations will, among others, cover debt obligations, Government administrative costs, and transfers to local councils.

Economic Affairs

118. Government projects to spend an average of K51.5 billion or 27.9 percent per annum over the medium term. Notable allocations under this function include, investments in expanding agriculture and infrastructure development, with particular emphasis on transport and energy infrastructure as well as mining interventions aimed at enabling the country effectively benefit from its mineral endowments. These investments are projected to support and supplement private sector engagement in the economy.

Education

119. The Government projects to spend an average of K27.5 billion or 14.9 percent per annum over the medium term. In terms of interventions, these resources will facilitate for the provision of free education, procurement of school requisites, construction of new and completion of on-going infrastructure projects. These projects include the construction and refurbishment of primary and secondary schools, the completion of university infrastructure including student accommodation at existing universities, as well as the construction of housing facilities for teachers and equipping of skills training institutions. Further, the Government will continue with teacher recruitment and promotions to support the sector.

Health

120. Over the medium term, the Government projects to spend an average of K20.4 billion or 11.1 percent per annum. This allocation will be directed towards addressing various challenges such as the high disease burden and addressing issues related to insufficient health infrastructure, medical staff, equipment, and essential medications and supplies. Additionally, the Government will continue to recruit healthcare personnel to provide support and strengthen the health sector.

Housing and Community Amenities

121. Over the medium term, the Government projects to spend an average of K3.2 billion or 1.8 percent per annum. Of this amount, K1.2 billion is projected to be spent on water supply and sanitation. Interventions will include the rehabilitation and construction of modern water and sanitation infrastructure in public places such as bus stops, schools, and markets.

Public Order and Safety

122. Government projects to spend an average of K7.7 billion translating to 4.2 percent of total expenditure over the medium term to maintain public order and safety. Interventions will include the recruitment of personnel, continued rehabilitation and construction of infrastructure and modernisation of security wings.

Other Functions

123. The remaining functions of defense, environmental protection, social protection, and recreation, culture, and religion, will account for an average of 12.4 percent of the total expenditures over the medium term. Notable expenditures under these functions include the allocation of K14.5 billion for the Social Cash Transfer Scheme and K10.3 billion for the Public Service Pension Fund (PSPF).

	2023		2024		2025*		2026*		2023-2025*	
	Approved Budget		Projection		Projection		Projection		Total	Average
	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	K'thousand
GROSS DOMESTIC PRODUCT	**533,346,000**	**100.0%**	**641,020,800**	**100.0%**	**707,975,100**	**100.0%**	**791,191,100**	**100%**	**2,140,187,000**	**713,395,667**
TOTAL REVENUE AND GRANTS	**113,348,735**	**21.3%**	**136,833,630**	**21.3%**	**154,661,770**	**21.8%**	**175,265,604**	**22.2%**	**466,761,004**	**155,587,001**
TOTAL DOMESTIC REVENUE	**111,643,321**	**20.9%**	**134,924,207**	**21.0%**	**152,470,243**	**21.5%**	**172,964,500**	**21.9%**	**460,358,950**	**153,452,983**
Tax Revenue	**93,767,023**	**17.6%**	**113,234,226**	**17.7%**	**128,752,705**	**18.2%**	**146,788,318**	**18.6%**	**388,775,249**	**129,591,750**
a. Income Taxes	**50,427,135**	**9.45%**	**59,522,018**	**9.3%**	**68,636,186**	**9.7%**	**78,972,628**	**10.0%**	**207,130,832**	**69,043,611**
Company	21,195,997	4.0%	*23,880,488*	3.7%	29,064,228	4.1%	34,307,644	4.3%	87,252,360	29,084,120
o/w Mining	12,849,660	*2.4%*	*12,485,664*	1.9%	*16,579,427*	*2.3%*	*20,398,602*	*2.6%*	49,463,694	16,487,898
Non-Mining	8,346,338	*1.6%*	*11,394,824*	1.8%	*12,484,801*	*1.8%*	*13,909,041*	*1.8%*	37,788,666	12,596,222
Pay As You earn (PAYE)	19,319,235	3.6%	*23,714,784*	3.7%	*26,213,281*	3.7%	*29,596,778*	3.7%	79,524,843	26,508,281
Other Income tax - Withholding Tax	9,911,902	1.9%	*11,926,746*	1.9%	*13,358,677*	1.9%	*15,068,207*	1.9%	40,353,630	13,451,210
b. Value Added Tax (VAT)	**29,209,212**	**5.5%**	**36,763,833**	**5.7%**	**41,085,607**	**5.8%**	**46,732,525**	**5.9%**	**124,581,965**	**41,527,322**
c. Customs and Excise Duties	**13,810,456**	**2.6%**	**16,574,267**	**2.6%**	**18,635,449**	**2.6%**	**20,646,945**	**2.6%**	**55,856,662**	**18,618,887**
Customs (Import Tariffs)	6,879,990	1.3%	8,481,449	1.3%	8,937,441	1.3%	9,953,062	1.3%	27,371,951	9,123,984
Excise Duties	6,930,465	1.3%	8,092,818	1.3%	9,698,009	1.4%	10,693,884	1.4%	28,484,711	9,494,904
o/w Fuel Levy	1,128,201	0.2%	1,263,578	0.2%	1,317,912	0.2%	1,383,808	0.2%	3,965,298	1,321,766
Carbon	302,040	0.1%	267,137	0.0%	305,929	0.0%	340,499	0.0%	913,564	304,521
Rural Electrification Fund	374,815	0.1%	409,373	0.1%	468,820	0.1%	521,797	0.1%	1,399,990	466,663
Cement Levy		0.0%	60,304	0.0%	62,897	0.0%	66,042	0.0%	189,242	63,081
d. Insurance Premium Levy	**210,720**	0.0%	253,260	0.0%	264,150	0.0%	277,357	0.0%	**794,767**	**264,922**
e. Export Duties	**109,501**	0.0%	120,849	0.0%	131,313	0.0%	158,862	0.0%	**411,024**	**137,008**
Non-Tax Revenue	**17,876,298**	**3.4%**	**21,689,981**	**3.4%**	**23,717,538**	**3.4%**	**26,176,182**	**3.3%**	**71,583,700**	**23,861,233**
o/w Total User fees, fines and Charges	7,098,291	1.3%	9,137,164	1.4%	10,510,062	1.5%	11,815,565	1.5%	31,462,791	10,487,597
Interest from On-lending/Dividends	1,418,991	0.3%	1,945,716	0.3%	2,043,352	0.3%	2,145,519	0.3%	6,134,587	2,044,862
Mineral Royalty	8,986,242	1.7%	9,704,180	1.5%	10,225,912	1.4%	11,247,644	1.4%	31,177,735	10,392,578
Motor Vehicle Fees	127,299	0.0%	209,511	0.0%	218,520	0.0%	229,446	0.0%	657,478	219,159
FRA-Proceeds from Crop Sales	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	-
Tourism Levy	24,644	0.0%	27,848	0.0%	29,045	0.0%	30,498	0.0%	87,391	29,130
Skills Development Levy	220,830	0.0%	255,962	0.0%	281,047	0.0%	297,910	0.0%	834,919	278,306
FISP Farmer Contributions	-	0.0%	409,600	0.3%	409,600	0.3%	409,600	0.2%	1,228,800	409,600
GRANTS	**1,705,414**	**0.3%**	**1,909,423**	**0.3%**	**2,191,528**	**0.3%**	**2,301,104**	**0.3%**	**6,402,055**	**2,134,018**
Project & Budget Support	1,705,414	0.3%	1,909,423	0.3%	2,191,528	0.3%	2,301,104	0.3%	6,402,055	2,134,018
TOTAL EXPENDITURE (Incl. Amortisation)	**167,321,733**	**31.4%**	**171,339,019**	**26.7%**	**180,321,103**	**25.5%**	**201,168,136**	**25.4%**	**552,828,258**	**184,276,086**
TOTAL EXPENDITURE (Excl. Amortisation)	**154,220,861**	**28.9%**	**168,814,139**	**26.3%**	**176,774,657**	**25.0%**	**194,693,920**	**24.6%**	**540,282,716**	**180,094,239**
o/w Domestically Financed	**152,515,446**	**28.6%**	**158,381,859**	**24.7%**	**167,732,074**	**23.7%**	**188,384,016**	**23.8%**	**514,497,949**	**171,499,316**
Foreign Financed	**1,705,414**	**0.3%**	**10,432,280**	**1.6%**	**9,042,583**	**1.3%**	**6,309,904**	**0.8%**	**25,784,766**	**8,594,922**
EXPENSES	**129,386,896**	**24.3%**	**140,059,235**	**21.8%**	**142,377,556**	**20.1%**	**158,175,006**	**20.0%**	**440,611,797**	**146,870,599**
Personal Emoluments (PEs)	**46,538,391**	**8.7%**	**52,902,325**	**8.3%**	**57,742,605**	**8.2%**	**62,850,639**	**7.9%**	**173,495,569**	**57,831,856**
O/w Basic PEs	38,429,149	7.2%	44,265,969	6.9%	50,005,427	7.1%	55,175,879	7.0%	149,447,275	49,815,758
Constitutional Posts	207,310	0.0%	236,686	0.0%	260,355	0.0%	278,579	0.0%	775,620	258,540
Net Recruitment	1,579,443	0.3%	1,026,657	0.2%	1,329,451	0.2%	1,091,144	0.1%	3,447,252	1,149,084
Other Emoluments	2,384,221	0.4%	2,369,207	0.4%	2,734,823	0.4%	2,741,186	0.3%	7,845,216	2,615,072
Public Service Pay Policy	3,813,268	0.7%	4,411,555	0.7%	3,267,426	0.5%	2,968,067	0.4%	10,647,049	3,549,016
Contract Gratuity	125,000	0.0%	135,250	0.0%	145,124	0.0%	155,282	0.0%	435,656	145,219
MPs Gratuity	-	0.0%	457,000	0.1%	-	0.0%	440,500	0.1%	897,500	299,167
Use of Goods and Services	**14,860,094**	**2.8%**	**15,800,246**	**2.5%**	**17,614,917**	**2.5%**	**20,099,618**	**2.5%**	**53,514,781**	**17,838,260**
Foreign Financed	327,993	0.1%	190,942	0.0%	328,729	0.0%	230,110	0.0%	749,782	249,927
Ordinary UGS	13,136,280	2.5%	13,763,082	2.1%	15,515,654	2.2%	16,512,016	2.1%	45,790,751	15,263,584
O/w Drugs & Medical Supplies	*4,584,345*	0.9%	*4,951,093*	0.8%	*5,843,775*	0.8%	*6,565,481*	0.8%	17,360,349	5,786,783
Population Census	30,000	0.0%	32,460	0.0%	34,830	0.0%	37,268	0.0%	104,557	34,852
Digital ID- Mass Registration	173,500	0.0%	250,000	0.0%	25,000	0.0%	26,750	0.0%	301,750	100,583
Public Affairs and Summit Meetings	322,140	0.1%	400,760	0.1%	430,016	0.1%	460,117	0.1%	1,290,893	430,298
Elections/Voter Registration/Delimitation	70,181	0.0%	70,181	0.0%	101,763	0.0%	1,562,775	0.2%	1,734,719	578,240
Contingency	300,000	0.1%	389,520	0.1%	417,955	0.1%	447,212	0.1%	1,254,688	418,229
Compensation Fund	500,000	5.1%	703,300	0.1%	760,971	0.1%	823,370	0.1%	2,287,641	762,547
Interest Payments	**35,663,466**	**6.7%**	**36,392,386**	**5.7%**	**31,293,282**	**4.4%**	**37,126,744**	**4.7%**	**104,812,412**	**34,937,471**
Domestic Debt	30,530,000	5.7%	32,905,550	5.1%	27,543,717	3.9%	26,435,641	3.3%	86,884,908	28,961,636
External Debt	5,133,466	1.0%	3,486,835	0.5%	3,749,565	0.5%	10,691,103	1.4%	17,927,504	5,975,835
Transfers	**25,906,047**	**4.9%**	**26,560,383**	**4.1%**	**27,184,588**	**3.8%**	**29,160,422**	**3.7%**	**82,905,394**	**27,635,131**
Foreign Financed Grants	175,261	0.0%	306,244	0.0%	383,854	0.1%	515,919	0.1%	1,206,017	402,006
Ordinary Grants	5,443,962	1.0%	5,524,822	0.9%	6,103,459	0.9%	6,530,702	0.8%	18,158,984	6,052,995
Free Education Policy (School Grants)	1,582,388	0.3%	1,895,583	0.3%	1,990,362	0.3%	2,189,398	0.3%	6,075,342	2,025,114
Local Government Equalisation Fund	1,339,253	0.3%	1,449,071	0.2%	1,554,854	0.2%	1,663,693	0.2%	4,667,619	1,555,873
Constituency Development Fund(CDF)	4,416,969	0.8%	4,779,160	0.7%	5,128,039	0.7%	5,487,002	0.7%	15,394,201	5,131,400
O/w Community Projects	*2,662,126*	0.5%	*2,880,421*	0.4%	*3,090,691*	0.4%	*3,307,040*	0.4%	9,278,152	3,092,717
School & Skills Training Bursaries	*871,449*	0.2%	*942,908*	0.1%	*1,011,740*	0.1%	*1,082,562*	0.1%	3,037,209	1,012,403
Youth & Women Empowerment Funds	*883,394*	0.2%	*955,832*	0.1%	*1,025,608*	0.1%	*1,097,400*	0.1%	3,078,840	1,026,280
Zambia Revenue Authority (ZRA)	2,622,205	0.5%	2,837,226	0.4%	3,044,344	0.4%	3,257,448	0.4%	9,139,017	3,046,339
O/wModernisation	*364,182*	0.1%	*327,764*	0.1%	*229,435*	0.0%	*195,019*	0.0%	752,218	250,739
Farmer Input Support Programme	9,119,154	1.7%	8,561,421	1.3%	7,684,721	1.1%	8,130,658	1.0%	24,376,800	8,125,600
Food Security Pack	1,206,856	0.2%	1,206,856	0.2%	1,294,956	0.2%	1,385,603	0.2%	3,887,415	1,295,805
Social Benefits	**6,418,898**	**1.2%**	**8,403,895**	**1.3%**	**8,542,164**	**1.2%**	**8,937,583**	**1.1%**	**25,883,642**	**8,627,880.56**
Pension Fund	2,698,000	0.5%	4,272,921	0.7%	3,824,482	0.5%	3,243,771	0.4%	11,341,174	3,780,391
o/w Grant-PSPF	*427,157*	0.1%	*423,945*	0.1%	*454,893*	0.1%	*488,100*	0.1%	1,366,939	455,646
Financing Gap- PSPF	*1,970,843*	0.4%	*3,448,976*	0.5%	*3,069,589*	0.4%	*2,455,671*	0.3%	8,974,236	2,991,412
Financing Gap- LASF	*300,000*	0.1%	*400,000*	0.1%	*300,000*	0.0%	*300,000*	0.0%	1,000,000	333,333
Social Cash Transfer	3,720,898	0.7%	4,130,974	0.6%	4,717,682	0.7%	5,693,812	0.7%	14,542,467	4,847,489
o/w Domestic	*2,518,738*	0.5%	*2,718,737*	0.4%	*3,238,737*	0.5%	*4,138,737*	0.5%	10,096,212	3,365,404
Foreign	*1,202,161*	0.2%	*1,412,237*	0.2%	*1,478,945*	0.2%	*1,555,074*	0.2%	4,446,256	1,482,085
ASSETS	**18,010,209**	**3.4%**	**22,742,174**	**3.5%**	**24,833,148**	**3.5%**	**25,425,012**	**3.2%**	**73,000,333**	**24,333,444.40**
Non Financial Assets	**17,298,009**	**3.2%**	**21,950,274**	**3.4%**	**23,798,500**	**3.4%**	**24,312,060**	**3.1%**	**70,060,834**	**23,353,611.25**
Rural Electrification Programme	743,579	0.1%	804,552	0.1%	992,777	0.1%	1,009,158	0.1%	2,806,487	935,496
Fuel Depots	250,000	0.7%	270,595	0.0%	386,163	0.1%	743,750	0.1%	*1,400,507*	*466,836*
Roads	3,871,344	0.7%	5,581,202	0.9%	7,714,074	1.1%	8,046,804	1.0%	21,342,081	7,114,027
o/w Rural Roads Connectivity	*250,000*	0.0%	*270,500*	0.0%	*290,247*	0.0%	*310,564*	0.0%	871,310	290,437
Ordinary Capital	3,898,244	0.7%	3,976,808	0.6%	4,267,115	0.6%	5,065,813	0.6%	13,309,736	4,436,579
Water and Sanitation	1,026,212	0.2%	1,114,260	0.2%	1,187,316	0.2%	1,221,736	0.2%	3,523,311	1,174,437
Strategic Food Reserve	600,000	0.1%	1,680,000	0.3%	2,400,000	0.3%	4,216,000	0.5%	8,296,000	2,765,333
Foreign Financed Capital Project	6,908,632	1.3%	8,522,857	1.3%	6,851,055	1.0%	4,008,799	0.5%	19,382,712	6,460,904
Financial Assets	**712,200**	**0.1%**	**791,900**	**0.1%**	**1,034,648**	**0.1%**	**1,112,952**	**0.1%**	**2,939,499**	**979,833.14**
Empowerment Funds	362,200	0.1%	391,900	0.1%	587,850	0.1%	634,878	0.1%	1,614,628	538,209
Recapitalization	200,000	0.0%	200,000	0.0%	232,198	0.0%	248,451	0.0%	680,649	226,883
Zambia Credit Guarantee Scheme	150,000	0.0%	200,000	0.0%	214,600	0.0%	229,622	0.0%	644,222	214,741
LIABILITIES	**6,823,755**	**1.3%**	**6,012,730**	**0.9%**	**9,563,953**	**1.4%**	**11,093,903**	**1.4%**	**26,670,586**	**8,890,195.22**
Other Liabilities	5,843,755	1.1%	4,980,430	0.8%	8,476,153	1.2%	9,950,603	1.3%	23,407,186	7,802,395
FISCAL BALANCE: Surplus(+)/Deficit(-)	**(40,872,126)**	**-7.7%**	**(31,980,509)**	**-5.0%**	**(22,112,886)**	**-3.1%**	**(19,428,316)**	**-2.5%**	**(73,521,711)**	**(24,507,237)**
FINANCING	**40,872,126**	**7.7%**	**31,980,509**	**5.0%**	**22,112,886**	**3.1%**	**19,428,316**	**2.5%**	**73,521,711**	**24,507,237.13**
Net Domestic Financing	**15,575,870**	**2.9%**	**15,761,696**	**2.5%**	**13,407,753**	**1.9%**	**17,430,079**	**2.2%**	**46,599,527**	**15,533,175.82**
Domestic Financing	15,575,870	2.9%	15,761,696	2.5%	13,407,753	1.9%	17,430,079	2.2%	46,599,527	15,533,176
Amortisation		0.0%		0.0%		0.0%		0.0%	-	-
Net External Financing	**25,296,256**	**4.7%**	**16,218,813**	**2.5%**	**8,705,133**	**1.2%**	**1,998,237**	**0.3%**	**26,922,184**	**8,974,061**
Programme	31,488,496	5.9%	10,220,836	1.6%	5,400,525	0.8%	4,463,654	0.6%	20,085,015	6,695,005
Project	6,908,632	1.3%	8,522,857	1.3%	6,851,055	1.0%	4,008,799	0.5%	19,382,712	6,460,904
Amortisation	(13,100,872)	-2.5%	(2,524,880)	-0.4%	(3,546,446)	-0.5%	(6,474,216)	-0.8%	(12,545,543)	(4,181,848)
FINANCING GAP	**-**	**0.0%**	**-**	**0.0%**	**-**	**0.0%**	**0**	**0.0%**	**0**	**0**
Primary Balance	**(5,208,660)**	**-1.0%**	**4,411,876**	**0.7%**	**9,180,396**	**1.3%**	**17,698,428**	**2.2%**	**31,290,700**	**10,430,233**