

Republic of Zambia



**THE PROPOSED 2015-2017
MEDIUM TERM EXPENDITURE
FRAMEWORK
AND
POLICIES FOR THE 2015 BUDGET**

GREEN PAPER

Ministry of Finance

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FOREWORD

The Green Paper on the Medium Term Expenditure Framework for 2015– 2017 and the 2015 Budget has been issued as Government’s on-going commitment to engage with all stakeholders on Zambia’s development agenda. This Green Paper is being issued at the time the Sixth National Development Plan (SNDP) has been revised in order to better ensure that economic growth is more inclusive, especially for those in the rural areas.

To attain the development objectives in the revised SNDP (R-SNDP), the Government will continue focusing on development of infrastructure and human capacities and on reducing poverty and inequality on a sustainable basis. This will be achieved by accelerating implementation of priority programmes that significantly increase productivity in the economy, contribute to higher and inclusive economic growth, promote employment and develop the rural areas.

The 2015 – 2017 MTEF will build upon the favourable macroeconomic performance recorded over the last five years which was evidenced by high economic growth rates, attainment of single digit inflation and positive trade balances. The specific broad economic policy intentions include; promoting high growth in the labour intensive sectors of agriculture, tourism, manufacturing, and construction; sustaining economic growth rates of not less than 7 percent; keeping inflation low and stable; continuing to promote Zambia as an investor friendly destination and implementing structural reforms aimed at reducing the cost of doing business.

Government will also continue implementing reforms that are aimed at enhancing domestic resource mobilisation and orienting public expenditure to strategic programmes in order to deliver social justice and inclusive development.

I wish to urge all stakeholders to embrace our commitment to consultative development by studying the “Green Paper” and providing comments that will help the Government to deliver on our agenda for sustainable development for all.

Fredson K. Yamba

SECRETARY TO THE TREASURY

CHAPTER 1

INTRODUCTION

1. The 2015 – 2017 Medium Term Expenditure Framework (MTEF) has been formulated with the overall objective of enhancing the benefits to citizens from the positive economic growth that has been achieved over the past few years. This is in line with the spirit of the Revised Sixth National Development Plan (R-SNDP) which is “people-centered economic growth and development”.

2. Government will focus on ensuring that growth is inclusive and pro-poor so that the benefits of a stable macroeconomic environment, positive economic growth and single digit inflation bring about improved standards of living for the Zambian people. This will be done by stepping up both human effort and financial resources in areas that have a direct impact on the improvement of individuals’ quality of life, such as education and skills development, health care, agricultural support, citizen empowerment, employment creation, provision of public infrastructure and social amenities. With these interventions the Government is confident that inroads will be made in creating jobs, raising incomes and reducing poverty.

3. To ensure effective programme implementation in the aforementioned areas, Government’s fiscal strategy will include the creation of additional fiscal space primarily by strengthening domestic resource mobilization efforts, through effective streamlining of tax and non-tax policy and administration, and continuing to constrain non-priority spending during this period. Further, the implementation of structural reforms that are cardinal in supporting private sector led growth and strengthening public sector management will be continued.

CHAPTER 2

MACROECONOMIC OVERVIEW

Developments in the Global Economy

4. Global economic growth is projected to strengthen to 3.6 percent in 2014, from 3.0 percent in 2013, led by the advanced economies. The United States is projected to record growth of around 2.0 percent, due to a pick-up in domestic demand. In the euro zone, a turnaround from minus 0.4 percent in 2013 to 1.0 percent is projected in 2014, driven by Germany and the recovery in Spain and Italy.

5. The key emerging economies are projected to collectively grow by 4.9 percent in 2014 compared to 4.7 percent in 2013. Growth in China is expected to slow down to 7.5 percent in 2014 from 7.7 percent in 2013, due to a reduction in credit growth and progress in implementing reforms to put the economy on a more balanced and sustainable growth path.

6. Growth in Sub-Saharan Africa is expected to strengthen to 5.4 percent in 2014. Growth in South Africa is projected to improve modestly as the result of stronger external demand, which will be dampened by the effects of labour strife especially in the mining sector. Commodity-related projects elsewhere in the region are expected to support higher growth. Copper prices are projected to average above US \$6,800, though considerably lower than the 2013 average price of US \$7,300. Oil prices are expected to remain stable and projected to average about US \$104 per barrel.

7. These developments remain conducive for favourable growth in the Zambian economy. Although lower than in 2013, the projected copper prices remain above the threshold for profitable investments in the sector. Further, the improvement in global economic activity will help spur world trade, which will in turn sustain the demand for copper and Zambia's other mineral exports.

Developments in the Domestic Economy

8. In the domestic economy, real GDP growth is projected at 6.5 percent in 2014, down by 0.2 percentage points compared to 2013. This growth is expected to be driven by the, mining, construction, and energy sectors and the favourable performance recorded in the agricultural sector in the 2013/2014 farming season.

9. The overall budget deficit in 2014 is projected at 5.1 percent of GDP, lower than the 5.5 percent factored in the 2014 Budget. It is projected that total revenues and grants will reach 19.0 as a percent of GDP while expenditures are projected to reach 24.1 percent of GDP.

10. The goal of the monetary policy in 2014 is anchored on maintaining a single digit inflation. As at end June 2014, the inflation rate had increased to 7.9 percent from 7.1 percent in December 2013. This was on account of higher food prices and the depreciation of the kwacha. Despite the increase in the inflation rate, maintenance of single digit inflation rate remains feasible, premised on measures taken to limit the slide of the Kwacha and a reduction in food prices as the 2013/2014 season's harvest comes on market.

11. In the foreign exchange market, the Kwacha depreciated by 13.6 percent in the first half of 2014 to close at K6.2601/US\$ as compared to a depreciation of 5.3 percent in the first half of 2013 when it closed at K5.4172/US\$. The depreciation of the Kwacha was attributed to a combination of international and domestic factors. The continued relatively lower copper prices in 2014 compared to 2013 on the international market, and their consequent impact on the country's Balance of Payment (BOP) position resulted in negative investor perceptions of the Kwacha. Domestically, liquidity levels and the comparatively high Rand purchases on the inter-currency segment of the market using the US dollar, contributed to the dollar being scarce.

12. Domestic credit fell by 7.2 percent in the first five months of 2014 to K26.7 billion from K28.7 billion in December 2013. In terms of commercial bank credit by sector, households (personal loans category) continued to account for the largest share of outstanding credit of about 34.1 percent, followed by agriculture at 18.7 percent.

13. During the first half of 2014, Zambia's external sector performance was unfavourable compared with the performance recorded during the corresponding period in 2013. Preliminary data indicates that the merchandise trade surplus narrowed by 28.9 percent to US \$247.5 million from US \$347.8 million recorded over the same period in 2013. The lower merchandise trade surplus was largely attributed to a higher decline in merchandise export earnings relative to the merchandise import bill.

14. Over the same period, Non-Traditional Export (NTEs) earnings declined by 34.3 percent to US \$1,167.5 million from US \$1,776.4 million

recorded in 2013. The decline in NTEs was largely on account of lower earnings from the export of maize and maize seed, copper wire, burley tobacco, cement and lime, cotton lint, fresh fruits and vegetables, gemstones, petroleum products and fresh flowers.

Macroeconomic Framework, 2015-2017

15. Government policies will continue to focus on creating jobs and reducing poverty and inequality on a sustainable basis. This will be achieved by investing in sectors that have been identified to best promote employment, significantly increase productivity in the economy, contribute to higher and inclusive economic growth, and develop the rural areas. These include the agriculture, tourism, manufacturing and construction sectors. Additionally, for inclusive growth, emphasis will be placed on investing in the social sectors.

The specific broad socio-economic policy intentions during the MTEF period will be to:

- 1) Achieve an average annual real GDP growth rate of above 7 percent;
- 2) Maintain single digit inflation;
- 3) Increase international reserves to 4 months of import cover by end 2017;
- 4) Raise domestic revenue collections to over 18 percent of GDP;
- 5) Contain domestic borrowing to less than 2 percent of GDP by 2017;
- 6) Accelerate the diversification of the economy;
- 7) Continue to promote Zambia as an investor friendly destination and continue with structural reforms aimed at reducing the cost of doing business; and
- 8) Accelerate the implementation of interventions in the health, education and water and sanitation sectors.

Table 1 below shows a summary of selected macroeconomic indicators and targets for the period 2013 to 2017.

Table 1: Selected Macroeconomic Indicators (2013 – 2017)

	2013	2014	2015	2016	2017
	Preliminary	Projected	Projected	Projected	Projected
REAL SECTOR					
Real GDP Growth	6.7	6.5	7.3	7.9	7.7
GDP in Constant Prices	117,784	125,406	134,559	145,163	156,362
GDP Deflator		7.7	6.5	5.8	4.8
Nominal GDP (Kwacha, millions)	144,775	166,078	189,783	216,645	244,561
Nominal GDP (US \$, billions)	26,845	25,950	28,790	31,908	34,970
GDP Per Capita (in US \$)	1,911	1,847	1,999	2,216	2,369
CPI inflation (end of period)	7.2	7.0	7.0	5.5	5.3
CPI inflation (annual average)	7	8.1	7.8	6.7	5.9
FISCAL SECTOR					
Domestic borrowing (% of GDP)	1.7	2.1	2.0	1.9	1.7
Overall Fiscal Deficit, including grants (% of GDP)	6.6	5.1	4.4	4.1	3.2
EXTERNAL SECTOR					
Gross International Reserves (Total, US\$ Billions)	2,684	2,990	3,539	4,188	4,837
Gross International Reserves (Months of Import cover)	2.6	3.4	3.6	3.8	3.9
Current account balance, including grants (% of GDP)	0.7	1.5	2.1	0.8	-0.1
COMMODITY PRICES					
Copper prices (US cents per pound)	3.3	3.1	3.1	3.1	3
Copper prices (US \$ per MT)	7,331	6,880	6,783	6,740	6,698
Realized prices (US \$ per MT)	7,164	6,722	6,627	6,586	6,544
Oil prices (US \$)	104.1	104.2	97.9	93	90

Source: Ministry of Finance

Economic and Social Sector Policies

Agriculture

16. In order to ensure food security, improve nutrition and create sufficient jobs in the agricultural sector, the strategic focus for agriculture will be to increase productivity and value addition in the crops, livestock, fisheries and horticultural subsectors. In this regard, Government will continue to facilitate the modernisation and mechanisation of the agricultural sector.

17. In the crop sub-sector, Government will promote and enhance crop diversification from maize to other crops such as soya beans, wheat, rice, cashew nuts, cotton, coffee and tea. Measures will also be undertaken to increase the area under irrigation, enhance and decentralise research and extension services and actualise the development of farm blocks. These

measures will be augmented by use of good farming practices such as conservation farming, use of improved seed varieties and advancing the adoption rate of appropriate agricultural technologies.

18. The key thrust in the livestock sub-sector will involve establishment of livestock breeding centres, promotion of artificial insemination and increasing milk collection centres in all provinces. In this regard, Government will prioritise infrastructure development and rehabilitation; and enhance livestock disease controls including compulsory dipping, surveillance and research across the country.

19. The Government will continue to promote the fisheries sub-sector by focusing on aquaculture development and improving infrastructure for fisheries research and marketing. Further, the Government will strengthen co-management of capture fisheries in natural water bodies with fishing communities by fish restocking and promoting use of sustainable fishing methods and practices.

20. Government will support the above strategies in agriculture by improving access to finance especially in rural areas, enhancing storage facilities for surplus production and improving farmers' access to local and international markets. In order to take advantage of forward linkages, value addition through agro-processing will be encouraged by putting in place appropriate policies and strategies to encourage the private sector to network with our farmers.

Manufacturing

21. The Government will continue with industrial expansion and this will be facilitated through infrastructure development in Industrial Parks and Multi Facility Economic Zones (MFEZs). In this regard, it is envisaged that by 2017 the Chambishi, Lusaka South, Lusaka East and Lumwana MFEZs will be completed, while construction works for an MFEZ will commence in Choma. Additionally, the Roma Industrial Park and the Sub-Sahara Gemstone Exchange Industrial Park will become fully operational by 2015.

22. In order to promote Micro, Small and Medium Enterprises (MSMEs), the Government will focus on entrepreneurship training and development, technological skills development and on-farm agro-processing training, establishment of business incubation centres and industrial clusters, and establishment of business linkages between MSMEs and Multi-National Corporations.

Tourism

23. The tourism sector, while holding great potential for job creation and poverty reduction, is characterised by a low foreign tourist arrivals and average length of stay, and under-developed domestic tourism. This is partly attributed to the high cost of accommodation, inaccessibility of many tourist sites, poor marketing strategies and a poorly developed range of tourism products.

24. Key areas of intervention during the MTEF period will therefore include: infrastructure development particularly of access roads and airports, in order to enhance accessibility to the various national parks, heritage sites and natural attractions, especially in the northern circuit and the Lower Zambezi; facilitation of diversification and expansion of tourism products; enhancement of tourism marketing; improvement in the quality of service provision and promotion of sustainable tourism development. The Government will also continue putting in place measures to streamline processes and simplify the legal and regulatory framework by reviewing the Tourism and Hospitality Act of 2007 and Zambia Wildlife Act of 1998.

Construction

25. Government recognises the deficit in residential, commercial and public infrastructure as well as the enormous potential that the construction sector holds for job-creation and alleviation of poverty for the majority of Zambians. In this regard, Government will promote the use of sub-contracting as a measure to build capacity of local contractors; facilitate business linkages between large and small scale contractors; enforce the preferential procurement threshold provision for public works; and promote training and skills acquisition in road construction, bricklaying and related works in order to meet the demand for inputs for construction. To ensure growth in the housing sub-sector, Government will continue to facilitate the development of quality, adequate and affordable housing units for all income groups in the country.

26. Further, in order to create employment opportunities, Government will utilise labour intensive road construction techniques by hastening the implementation of the Pave Zambia 2000 project which promotes the use of cobblestones and pavers instead of bitumen for township roads.

Energy

27. The overall goal in the energy sector will be to ensure availability of adequate and reliable supplies of energy at the lowest cost while taking due regard to environmental protection. Clean energy sources such as hydro power generation and renewable and alternative energy will thus be the primary focus.

28. In the electricity sub-sector, power generation capacity will be increased by investments in additional and new generation power plants such as the 360 Mw Kariba North Bank extension project, 300 Mw Maamba Coal Fire Power Plant, and 120 Mw Itezhi-Tezhi Project. In addition, the rural electrification program will continue so as to increase access to electricity in rural areas. Transmission capacity will also be enhanced through the construction of new transmission lines across the country.

29. In the petroleum sub-sector, Government will focus on ensuring security of supply of petroleum products to attain 30 days strategic reserves. In this regard, additional strategic petroleum reserve depots will be constructed and an efficient mechanism for procuring petroleum strategic stocks will be put in place.

Mining

30. The mining sector will continue to play a dominant role in the economy, especially with the coming on board of new investments in North-Western Province. Copper production is thus projected to reach over 1,000,000 Mt by 2017 from 790,000 Mt in 2013. In addition, the Government will promote diversification to minerals such as gemstones, nickel, gold, manganese and iron. Thus, Government will continue to encourage both local and foreign investment for production of these minerals.

Transport Infrastructure

31. Government will continue to enhance connectivity of national and regional transport infrastructure. At national level, focus will be to construct additional inter-provincial and inter-district roads to open up the country mainly through the Link Zambia 8000 and Pave Zambia 2000 projects. Feeder roads, urban roads and access roads to tourist sites, within the core

road network, will continue to be rehabilitated and maintained. At regional level, emphasis will be placed on addressing gaps under the realm of the spatial development initiative covering the North-South Corridor, Walvis Bay, Nacala, Dar-es-Salaam, Beira/Lobito and Shire Zambezi.

32. Under rail transport, the focus will be on rehabilitation and maintenance to complement the other modes of transport. The focus of the water transport sub-sector will be to rehabilitate and upgrade the existing canal network to facilitate efficient local, national and regional trade. To facilitate access to the Great Lakes region, rehabilitation and expansion of Mpulungu Harbour will be undertaken. In the aviation sub-sector, focus will be on the construction, upgrading and rehabilitation of airports and aerodromes in selected districts.

33. In order to ensure that financing of the transport sector is sustainable, Government will explore alternative sources such as the use of Public-Private Partnerships. This will include the use of various modes such as the Build Operate and Transfer (BOT). Additionally, measures will be reinforced aimed at streamlining the operations of road tolls and facilitate the involvement of the private sector in road construction.

Information and Communication Technology (ICT)

34. The Government will mainstream ICT in key sectors of the economy in order to promote innovation, improve efficiency and thereby accelerate development. This will include the development and maintenance of ICT and meteorological infrastructure; delivery of integrated, accessible and convenient e-services in areas such as health, education, local government and business services; and enhancement of access to print and broadcast media in the provincial capitals and rural areas.

35. With the impending migration of information and communication systems from analogue to digital technology by 2015, Government will facilitate the expedient replacement of equipment. The Government will also continue with the universal access project in under-served areas. This will involve the construction of over 600 transmission towers.

Education and Skills Development

36. Over the period 2015-2017, Government will continue to focus on increasing equitable access to quality education and skills training relevant to the needs of society. In order to increase access, construction of education facilities at all levels, including Early Childhood Development

Education (ECDE) will remain paramount, particularly in the rural areas. Emphasis will be placed on ensuring that children acquire literacy and numeracy skills in early grades.

37. In order to improve the quality of education, Government will continue the programme of upgrading teacher qualifications to meet minimum required standards, reviewing the education curriculum to put emphasis on life skills; and further promoting research and greater collaboration between industry and research institutions. Further, the training of teachers in Science, Mathematics and Technology (SMT) subjects will be scaled up in 2015- 2017 so as to address the inadequate number of teachers in these fields.

38. Further, the Government will continue to implement the school feeding programme, thereby promoting the cognitive development of young children, particularly the disadvantaged.

Health

39. In the health sector, Government's objective will be to increase access to quality health care. To achieve this, Government will increase the availability of human resources, establish specialised health centres of excellence, as well as initiate community based interventions aimed at preventing and controlling the spread of diseases. Further, Government will put in place a National Social Health Insurance (NSHI) Scheme which will provide alternative health care financing.

40. In addition to the foregoing, the Government will continue to provide cost-effective primary health care and specialised referral medical care to all. This will be achieved through the provision of essential drugs and medical supplies; recruitment of qualified medical personnel and provision of appropriate infrastructure and equipment.

Water Supply and Sanitation

41. The Government will continue to focus on improving water and sanitation infrastructure to ensure provision of reliable and safe water supply and sanitation services. The Government will also put in place measures for effective water resource management so as to safe guard water resources. It is projected that the population accessing safe water will exceed 90 percent by 2017.

Social Protection

42. Government will continue to promote human development and dignity through efficient and effective provision of social protection interventions to vulnerable individuals, households and persons with disabilities. In this regard, Government will continue to implement the Social Cash Transfer and Food Security Pack programmes. This will greatly contribute to the reduction of the number of people in extreme poverty.

Fiscal Policy

43. The objective of fiscal policy over the medium term will be to reduce the overall deficit to 3.2 percent of GDP by 2017 from 5.1 percent projected for 2014. This will require measures involving expenditure rationalisation and introduction of tax policy or revenue measures.

44. Domestic revenues will average 18.2 percent of GDP over the medium term. This will be attained through increased revenue mobilization by strengthening tax administration and continuing to simplify and harmonise the tax regime. On the expenditure side, spending will be skewed towards programmes that promote increased productive capacity of the economy, with emphasis on rural development.

Monetary and Financial Sector Policies

45. Monetary and financial sector policy will be aimed at maintaining price and financial sector stability. With regard to monetary policy, the target is to reduce the inflation rate to 5.9 percent by 2017.

46. In the financial sector, the focus of Government policy will be to ensure that the banking system remains viable and supportive of the real economy. In this regard, reforms to harmonize and strengthen the various laws governing the financial sector will continue. These measures are expected to strengthen the resilience of the financial sector to both internal and external shocks; and improve the provision of affordable credit to a widening pool of small scale enterprises and households.

External Sector Policy

47. External sector policy will remain anchored on the maintenance of an open economy with a competitive and market determined exchange rate regime. In this regard, the key objectives in the external sector policy will be to promote stronger growth in exports, with particular focus on

diversification of Zambia's export base; building up international reserves; maintaining strong foreign direct investment inflows; and maintaining competitive, market determined and relatively stable exchange rates.

48. In line with the current debt strategy, the Government will maintain its policy of maximising the use of any available concessional resources. However, as Zambia attained lower middle income status in 2012, access to concessional resources has become limited. Therefore, non-concessional borrowing will inevitably be considered for projects with a high rate of return. The extent and nature of foreign borrowing by Government will be governed by a commitment to ensure that Zambia's external debt remains sustainable.

STRUCTURAL REFORMS

Fiscal Decentralisation

49. In order to prepare for the effective devolution of functions to councils, Government will put in place an equitable, efficient and transparent intergovernmental fiscal regime. This will include the establishment of the Local Government Equalisation Fund (LGEF) in 2015. The Fund, which will be based on a domestic revenue sharing mechanism, will provide a predictable, stable and more sustainable source of financing for local development and local government services.

50. Further, efforts that are aimed at ensuring that councils progressively dismantle their debt and keep current with their statutory and contractual obligations will continue. In certain cases, Government will also transfer some capital project finances that are currently allocated under sector ministries to provincial administration offices as a first step in bringing both resources and decisions closer to the communities where projects are implemented.

Public Financial Management

51. The Government has prioritised the implementation of Public Financial Management (PFM) reforms. In this regard, the Government will enact the Planning and Budgeting Bill, review the Public Finance Act, fully operationalise the Treasury Single Account (TSA), establish mining sector monitoring systems, restructure the Zambia Public Procurement Authority (ZPPA) and strengthen internal audit mechanisms.

52. The Government shall review the status of all grant aided institutions. The review will, among other related issues, assess viability and the possibility of reverting unsustainable institutions back to central Government or their abolition/possible merger.

53. In the area of budgeting, the Government will move from Activity Based Budgeting (ABB) to Output Based Budgeting (OBB) in order to enhance the performance orientation of the budget. The shift to OBB also entails a new budget format that requires MPSAs to indicate the actual outputs (deliverables) that will be produced as a result of spending the allocated funds;

Pension Reform

54. Zambia's public pension system is characterized by huge actuarial deficits, low annuities and a disjoint in benefits across the public service providers which is unsustainable. Thus, there is urgent need for medium and long term measures to overhaul and rationalize the pension system. In this regard, Government proposes to redesign the pension rules and framework, harmonise the social security legislation into a single Pension Act and broaden private sector participation in fund management.

Private Sector Development

55. Under the private sector development reforms, Government will consolidate the implementation of interventions that are aimed at creating jobs and wealth. This will entail the continuation of reforms to streamline business registration, licensing and granting of incentives.

RISKS

56. The Macroeconomic framework and policy environment outlined above are premised on a number of domestic and external assumptions. These assumptions have various down side risks which could affect macroeconomic outcomes over the course of this MTEF.

57. In the external sector, any slowdown in the projected global economic growth could have adverse effects on the domestic economy. This could be through the dampening of world trade volumes and the likely downward trend in prices for commodities such as copper. Additionally, a rise in oil prices could adversely affect the cost of domestic production and induce inflationary pressures.

58. On the domestic front, non-adherence to the set fiscal policy objectives in the medium term may potentially undermine general macroeconomic stability and objectives of the R-SNDP. Other factors that could alter programmed targets include adverse weather conditions which would have a disproportionate impact on agriculture, especially for small scale farmers.

CHAPTER 3

FISCAL OVERVIEW

Review of Fiscal Performance 2011-2013

59. Fiscal policy over the last three (3) years was driven by the need to enhance resource mobilization so as to facilitate increased expenditure on infrastructure and social services. This was in tandem with the objectives of achieving accelerated broad based growth and economic development, reducing poverty, promoting economic diversification and enhancing competitiveness.

60. Total revenues and grants were above target and averaged 17.6 percent of GDP against the programmed 16.9 percent. Total expenditure increased from 19.4 percent of GDP in 2011 to 23.3 percent of GDP in 2013. Expenses (current expenditure) increased from 15.6 percent of GDP to 17.6 while assets increased from 3.5 percent to 5.3 percent of GDP.

61. The overall budget deficit averaged 3.5 percent and was broadly within target. Domestic borrowing averaged 2.3 percent of GDP against the target of 1.1 percent over the same period. This was attributed to higher outlays on infrastructure development, maize purchases, oil procurement and salaries for public service workers. External financing over the medium term averaged 1.2 percent of GDP.

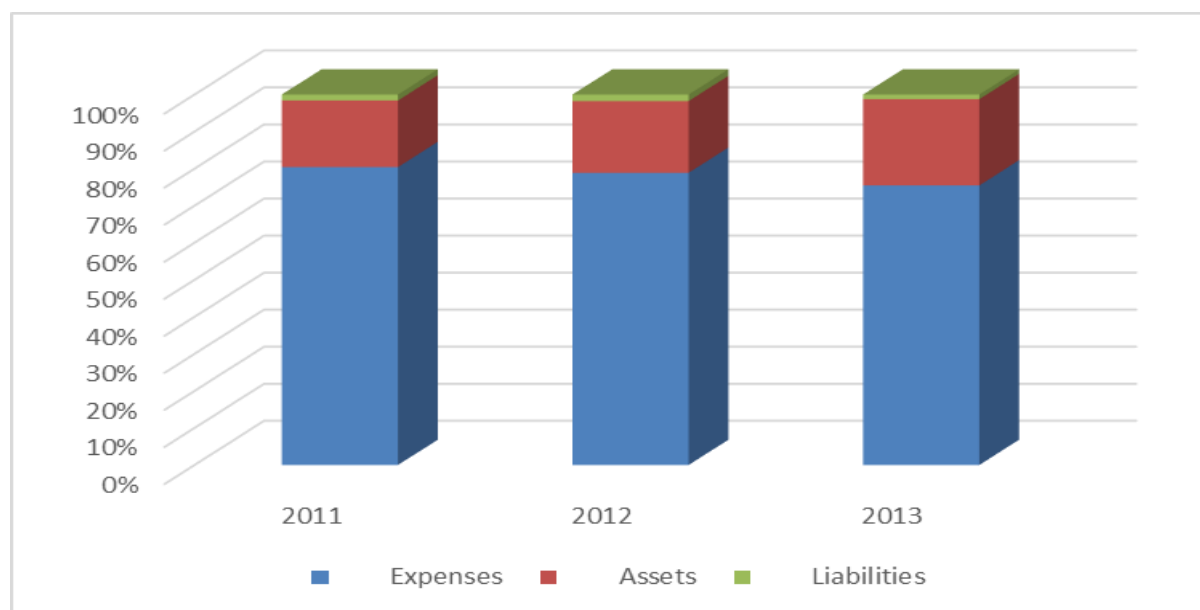
Table 2: 2011-2013 Fiscal Framework

	2011		2012		2013	
	K'000		K'000		K'000	
	Budget	Actual	Budget	Actual	Budget	Actual
GDP	106,670	115,353	134,506	128,370	145,368	144,775
Total Revenue and Grants	17,357	20,121	21,795	23,135	26,271	25,551
Tax	15,230	18,886	19,192	20,719	23,536	23,083
Non-Tax	539	633	708	1,653	1,210	1,450
Grants	1,588	714	1,894	762	1,526	1,019
Total Expenditure	20,122	22,385	26,340	26,152	31,685	33,790
Expenses	14,569	18,003	18,147	20,631	22,132	25,501
Assets	5,237	4,021	7,856	5,060	9,140	7,868
Liabilities	316	361	336	461	414	421
Overall Balance	(2,766)	(2,992)	(4,469)	(2,771)	(5,414)	(8,205)
Financing	2,766	2,992	4,469	2,771	5,414	8,205
Net Domestic	1,220	1,858	1,324	1,464	1,863	5,949
Net External	1,546	1,134	3,145	1,307	3,551	2,139

Table 3: 2011-2013 Fiscal Framework (As a share of GDP)

	2011		2012		2013	
	Budget	Actual	Budget	Actual	Budget	Actual
Total Revenue and Grants	16.3%	17.4%	16.2%	18.0%	18.1%	17.6%
Tax	14.3%	16.4%	14.3%	16.1%	16.2%	15.9%
Non-Tax	0.5%	0.5%	0.5%	1.3%	0.8%	1.0%
Grants	1.5%	0.6%	1.4%	0.6%	1.0%	0.7%
Total Expenditure	18.9%	19.4%	19.6%	20.4%	21.8%	23.3%
Expenses	13.7%	15.6%	13.5%	16.1%	15.2%	17.6%
Assets	4.9%	3.5%	5.8%	3.9%	6.3%	5.4%
Liabilities	0.3%	0.3%	0.2%	0.4%	0.3%	0.3%
Overall Balance	-2.6%	-2.6%	-3.3%	-2.2%	-3.7%	-5.7%
Financing	2.6%	2.6%	3.3%	2.2%	3.7%	5.7%
Net Domestic	1.1%	1.6%	1.0%	1.1%	1.3%	4.1%
Net External	1.4%	1.0%	2.3%	1.0%	2.4%	1.5%

Figure 1: Expenses, Assets and Liabilities as a share of GDP- 2011-2013



Revenue and Grants

62. Total revenue and grants as a share of GDP increased marginally from 17.4 percent in 2011 to 17.6 percent in 2013. This outturn was attributed to the general increase in economic activities, following the gradual recovery from the effects of the global economic crisis. Further, tax policy and administration measures were undertaken to enhance domestic revenue mobilisation.

63. However, in terms of tax revenues, revenues decreased from 16.4 percent of GDP in 2011 to 15.9 percent of GDP in 2013 particularly due to a series of tax concessions during the period. Grant receipts from cooperating partners increased from 0.6 percent of GDP in 2011 to 0.7 percent in 2013.

Expenditure

64. Expenditures as a share of GDP increased from 19.4 percent in 2011 to 23.3 percent in 2013, with assets rising by 1.9 percentage points of GDP. Spending on domestically financed assets increased by 0.7 percentage points of GDP, reflecting government's commitment to increase infrastructure development. Over the period 2011 - 2013, Government spent K7.4 billion on roads, K520.1 million on water supply and sanitation and K346.0 million on rural electrification.

65. Other notable releases included K2.9 billion on Farmer Input Support Programme (FISP) and K2.1 billion (excluding FRA own-borrowing) for the procurement of strategic food reserves in the period under review.

Fiscal Performance in the First Half of 2014

66. During the first half of 2014, total revenue and grants amounted to K15.1 billion whilst expenditures (including amortisation) stood at K18.2 billion. This resulted in a financing deficit of K3.1 billion which was financed through domestic and external borrowing.

67. Total Government revenue and grants were above the target of K14.7 billion by 2.7 percent. Tax revenue over performed by 13.6 percent accounting for total collections of K12.9 billion. The favourable performance was largely attributed to higher collections in Pay As You Earn (PAYE) and Value Added Tax (VAT). PAYE contributions were higher than projected, partly due to increased employment and revision of salaries in the private sector. Under VAT, the positive performance was attributed to efficiencies arising from the implementation of the tax-online system and the enhanced enforcement of VAT proof of export rules. Withholding taxes and other income taxes equally performed well during the first half due to increased compliance.

68. Non-tax revenue amounted to K2.1 billion and was below target by 17.5 percent. This outturn was attributed to lower than expected collections on road user charges and delayed implementation of a number of programmes on which revenue projection were based such as the national titling programme and Zambia Integrated Land Management Information Systems (ZILMIS) under the Ministry of Lands, Natural Resources and Environmental Protection; and the inland tolling of roads.

69. During the first half of the year, Government expected to receive grants amounting to K784.9 million of which K235.9 million was to come as direct budget support and K549.0 million as project support. Of these amounts, a total of K87.1 million was captured through the Treasury, with K33.8 million being direct budget support and K53.3 million as project budget support.

70. During the first half of 2014, Government's overall expenditures stood at K18.2 billion. Total releases towards Expenses amounted to K14.7 billion against the programmed K15.3 billion. Under this category, Personal Emoluments accounted for 52.0 percent, Use of Goods and Services for 13.5

percent, Debt Service for 14.6 percent, Grants and Other Payments for 16.5 percent, Social Benefits for 2.7 percent and Other Expenses for 0.7 percent.

71. A total of K3.3 billion was released for Assets of which K3.2 billion went towards non-financial assets (capital expenditures). Specific expenditure items under this category included roads at K1.9 billion, ZESCO power line rehabilitation at K185 million and Zambia Railway line rehabilitation at K124 million. A total of K219.6 million was also released to cater for Liabilities (dismantling of arrears) across the various Government Ministries, Provinces and Spending Agencies (MPSAs).

Outlook for the Second Half of 2014

72. In the second half of the year, revenues are projected to be broadly within target with domestic revenue collections projected at K15.2 billion bringing the total domestic revenue to K30.2 billion by the end of year. However, grants from cooperating partners and the financing for the year are likely to be below the projected levels. As such, expenditure is projected to fall below target by 4.2 percent. It is the expectation that this outturn will not affect budget implementation to a grave extent as the Treasury will step up cash management in the second half of the year in order to reduce idle balances in Government accounts; and so make available funds to programmes and activities requiring immediate financing.

Fiscal Policy for the 2015-2017 MTEF

73. Fiscal policy over the next three years will focus on consolidation. This entails the implementation of strategies for minimizing deficits and the accumulation of more debt. In this regard, Government will continue to enhance domestic resource mobilization by implementing tax policy and administration measures so as to increase domestic revenue as a share of GDP to approximately 18.3 percent by 2017. Other fiscal measures will include expenditure rationalisation. The overall fiscal deficit, as a proportion of GDP, is projected at 4.4 percent in 2015, 4.1 percent in 2016 and 3.2 percent in 2017.

Medium Term Revenue Forecasts

74. Gross Domestic Product (GDP) is expected to grow from K189.8 billion in 2015 to K 244.6 billion in 2017. Total revenues and grants are expected to increase from K35.9 billion in 2015 to K46.3 billion in 2017 with domestic revenues projected to increase from K34.3 billion in 2015 to K44.7 billion in 2017. However, grants as a share of GDP are projected to decline to 0.7

percent of GDP in 2017 from 0.8 percent in 2015. In this regard, revenues and grants will average 18.9 percent of GDP over the medium term.

Medium Term Expenditure Forecasts

75. Total expenditures (excluding amortization) are expected to increase from K44.3 billion in 2015 to K54.1 billion in 2017 which will translate to an average of 22.8 percent of GDP over the period. Expenses are projected at an average of 16.5 percent of GDP. The other major spending allocations will be on assets at an average of 6.1 percent of GDP. Liabilities are expected to decline to an average of 0.2 percent of GDP as a result of Government's efforts to control expenditure commitments.

76. In view of the gap between expected revenues and expenditures, Government expects to incur an overall fiscal deficit of 4.4 percent of GDP in 2015, 4.1 percent of GDP in 2016 and 3.2 percent in 2017.

77. Over the medium term, Government plans to spend K148.0 billion as indicated in Table 4 below:

Table 4: 2015-2017 Fiscal Projections

	2015 Budget Projection		2016 Budget Projection		2017 Budget Projection		Total K'000
	K'000	% of GDP	K'000	% of GDP	K'000	% of GDP	
Gross Domestic Product	189,783,000	100	216,645,000	100	244,561,000	100	
Total Revenue And Grants	35,874,924	18.9	40,879,959	18.9	46,280,275	18.9	123,035,157
Total Revenue	34,294,924	18.1	39,299,959	18.1	44,700,275	18.3	118,295,157
Tax Revenue	25,227,606	13.3	28,869,384	13.3	32,795,523	13.4	86,892,512
Non-Tax Revenue	9,067,318	4.8	10,430,575	4.8	11,904,752	4.9	31,402,646
Grants	1,580,000	0.8	1,580,000	0.7	1,580,000	0.7	4,740,000
Total Expenditure (Excluding Amortisation)	44,286,431	23.3	49,673,434	22.9	54,076,527	22.1	148,036,391
O/W Domestically Financed	40,239,871	21.2	45,815,883	21.2	50,866,657	20.8	136,922,411
Foreign Financed	4,046,560	2.1	3,857,550	1.8	3,209,870	1.3	11,113,980
Expenses	32,183,922	17.0	36,431,835	16.8	38,526,774	15.8	107,142,531
Assets	11,720,479	6.2	12,887,531	6.0	15,195,685	6.2	39,803,695
Liabilities	382,029	0.2	354,068	0.2	354,068	0.1	1,090,166
Fiscal Balance: Surplus(+)/Deficit(-)	-8,411,507	-4.4	-8,793,475	-4.1	-7,796,252	-3.2	-25,001,234
Financing	8,411,507	4.4	8,793,475	4.1	7,796,252	3.2	25,001,234

CHAPTER 4

REVENUE MOBILISATION AND FINANCING

78. The Government plans to enhance domestic revenues by implementing, among others, the following policy and administrative measures:

- 1) Stiffen sanctions for tax evasion. This measure is intended to enhance the disincentive for tax evasion and ensure that all economic actors recognize the negative effects of tax evasion and are compelled to fully meet their tax obligations.
- 2) Set up a multidisciplinary task force consisting of security wings and the Ministry of Finance to undertake spontaneous tax inspections to curb smuggling, illicit trade, under-declarations and corruption, particularly at border points, and related tax malpractices. The current investigative mechanisms for tax fraud have proved to be ineffective and therefore this raises the need for more robust ways to curb these vices. The creation of this structure will complement the efforts of the Mobile Compliance Unit.
- 3) Introduce measures to promote the production and consumption of goods which can be produced locally by Zambian companies. Following the liberalization of the economy and the signing of trade protocols, Zambia's external competitiveness has not been favourable resulting in the closure of many companies, loss of employment and the country becoming a net importer of almost all products.

While noting that there has been an increase in the number of Small and Medium Enterprises (SMEs) since the enactment of the Zambia Development Agency Act and Citizens Economic Empowerment Act, many of these enterprises are constrained by various factors to enable them grow beyond the small and medium category. This has led to a sluggish movement in the industrialization process in Zambia.

In addressing some of these constraints, the Government has embarked on the recapitalization of strategic parastatal institutions

such as the Development Bank of Zambia (DBZ) and National Savings and Credit Bank (NATSAVE), with the aim of facilitating the availability of cheaper financing in the domestic market. In addition, it is Government's intention over the medium term to institute deliberate efforts to protect these "infant" industries through the following:

- a) Introduce specific measures to make locally produced goods more competitive.
 - b) Restrict ministries from importing goods that are otherwise locally manufactured. This will be achieved in conjunction with Zambia Public Procurement Authority (ZPPA) and the Ministry of Commerce Trade and Industry; and
 - c) Make it mandatory for Government projects, including those funded by loans or borrowing, to have a minimum level of Zambian content in their materials.
- 4) **Review and where possible renegotiate Avoidance of Double Taxation Agreements (DTAs).**

The Government will continue to review the existing DTAs to ensure that the benefits of such Agreements also accrue to Zambia. This will be done by aligning them with the current Government policy and changing global trends.

Revenue Forecast

79. Total revenues and grants are projected to average 18.9 percent of GDP over the medium term. This level of revenues is premised on the expected economic activities, as well as tax policy and administrative reforms. See Table 5 below.

Table 5: Revenue forecast 2015 – 2017

	2015 Budget Projection		2016 Budget Projection		2017 Budget Projection	
	Projected	% of GDP	Projected	% of GDP	Projected	% of GDP
I Revenue and Grants	35,874,923.60	18.9%	40,879,958.90	18.9%	46,280,275.00	18.9%
II Revenue and Budget Support	34,294,923.60	18.1%	39,299,958.90	18.1%	44,700,275.00	18.3%
III Revenue less mining	28,260,715.50	14.9%	32,010,629.80	14.8%	36,050,542.80	14.7%
IV Domestic Revenue	34,294,923.60	18.1%	39,299,958.90	18.1%	44,700,275.00	18.3%
Tax Revenue	25,227,605.60	13.3%	28,869,383.60	13.3%	32,795,522.70	13.4%
a. Income Tax	11,731,377.40	6.2%	13,464,276.80	6.2%	15,298,127.60	6.3%
Company Tax	2,395,602.20	1.3%	2,734,776.30	1.3%	3,086,731.10	1.3%
Pay As You Earn (PAYE)	7,408,869.50	3.9%	8,529,779.60	3.9%	9,728,580.50	4.0%
Other Income tax	1,926,905.60	1.0%	2,199,720.80	1.0%	2,482,816.10	1.0%
c. Value Added Tax (VAT)	6,576,733.30	3.5%	7,601,498.30	3.5%	8,760,346.10	3.6%
d. Customs and Excise Duty	6,858,906.40	3.6%	7,732,570.20	3.6%	8,655,161.30	3.5%
Customs (Import Tariffs)	3,260,288.10	1.7%	3,624,452.40	1.7%	4,018,345.10	1.6%
Excise Duties	3,598,618.30	1.9%	4,108,117.90	1.9%	4,636,816.20	1.9%
Export Duty	60,588.50	0.0%	71,038.30	0.0%	81,887.70	0.0%
Non Tax Revenue	9,067,318.00	4.8%	10,430,575.30	4.8%	11,904,752.30	4.9%
IV Grants	1,580,000.00	0.8%	1,580,000.00	0.7%	1,580,000.00	0.6%
Direct Budget Support	-			0.0%		0.0%
Project Support	1,580,000.00	0.8%	1,580,000.00	0.7%	1,580,000.00	0.6%

CHAPTER 5

EXPENDITURE POLICY AND STRATEGY

Overview of Strategy

80. Government overall expenditure policy for the period 2015 – 2017 will focus on prudent use of public resources to ensure the effective and efficient delivery of public services and development and maintenance of vital socio-economic infrastructure. Government's strategy, therefore, will be to constrain expenditure on non – priority programmes and directing resources towards programmes that will improve service delivery. This will entail, among other things, reorienting expenditures towards identified pro-poor growth programmes in areas of infrastructure development in education, health, agriculture and water supply and sanitation. Specifically, considerable resources will be allocated to ongoing projects and programmes with a view to complete them before embarking on new projects.

Expenditure Strategy for 2015 – 2017

81. Government will focus on providing sufficient resources towards infrastructure development, particularly with the aim of completing projects already under construction. Therefore, over the medium term, new projects will be undertaken in a more phased manner to ensure that investments being made sufficiently contribute to economic growth and public service delivery, as they are completed, thereby realising value for money. Specific emphasis will also be placed on ensuring that existing socio-economic infrastructure has adequate operational and maintenance funds attached to them to make them effective providers of public services.

82. Further, Government will constrain non – priority spending, vis-à-vis public service delivery, and focus resources on programmes outlined in the Revised Sixth National Development Plan (R-SNDP). This will include facilitating the recruitment of 30,000 public sector workers by 2017, with a bias toward the education and health sectors.

83. Efforts will thus continue with the scaling down of lower priority expenditure items which include, workshops, public functions, local and foreign travel and procurement of movable assets such as motor vehicles.

84. In addition, Government will dispose of excess utility vehicles to rationalise expenditure on transport. The Government will further rationalise public expenditure by ensuring that pre – paid billing systems

are installed in all government institutions for utilities, that is, electricity, water, and telephone charges.

85. Government will also place emphasis on strengthening the e-governance project which is aimed at integrating and rationalising the information and communication technology systems in the public service.

86. Total expenditures (excluding amortisation) are projected to stand at K44.3 billion in 2015, K49.7 billion in 2016 and K54.1 billion in 2017. As a share of GDP, these projected expenditures will average 22.8 percent over the medium term. Of the total expenditure, expenses are projected to account for 72.4 percent, assets for 26.9 percent and liabilities for 0.7 percent. Table 6 below shows these economic categories by share of GDP.

Table 6: Public Expenditure by Economic Classification 2015-2017

	2015 Projection		2016 Projection		2017 Projection	
	K'000	% of GDP	K'000	% of GDP	K'000	% of GDP
Expenses	32,183,922	17.0	36,431,835	16.8	38,526,774	15.8
Assets	11,720,479	6.2	12,887,531	6.0	15,195,685	6.2
Liabilities	382,029	0.2	354,068	0.2	354,068	0.1
Total Expenditure	44,286,431	23.3	49,673,434	22.9	54,076,527	22.1

EXPENSES

Personal Emoluments

87. Government's objective on personal emoluments is to contain the public service wage bill within sustainable levels in order to create more fiscal space for developmental and service delivery expenditures. In this regard, Government proposes to reduce expenditure on personal emoluments as a share of domestic revenues from 52.5 percent in 2014 to 45.8 percent in 2017. This translates to K16.6 billion or 8.8 percent of GDP in 2015 and K20.5 billion or 8.4 percent of GDP in 2017.

Use of Goods and Services

88. Government projects to spend K5.3 billion or 2.8 percent of GDP on use of goods and services in 2015 and K6.1 billion or 2.8 percent of GDP and K6.0 billion or 2.5 percent of GDP in 2016 and 2017, respectively. Notable allocations under this category include the General Elections scheduled for 2016. Other items under this category will include requisites associated with operationalising of newly constructed infrastructure.

Interest Payments

89. In line with Government's obligation to honour constitutional and statutory expenditure, interest payments on domestic and external debt will amount to K10.8 billion over the medium term.

Transfers and Other Payments

90. Payments of transfers relate to subventions that Government renders to grant-aided institutions such as the road agencies, Zambia Revenue Authority, local authorities and public universities. In this vein, a provision of K4.6 billion has been made in 2015, K5.0 billion in 2016 and K5.1 billion in 2017.

91. Government has further provided for the Farmer Input Support Programme (FISP) in order to ensure food security. These amounts are consistent with Government policy of having increased the number of beneficiaries from 900,000 to 1,000,000. As such, Government projects to spend K1.3 billion in 2015, K1.4 billion in 2016 and K1.5 billion in 2017 on this programme.

92. An allocation of K167.1 million has also been proposed for the Food Security Pack (FSP) to support the vulnerable but viable farmers, with K52.8 million proposed for 2015, K55.7 million for 2016 and K58.7 million for 2017.

Social Benefits

93. Government projects to allocate K1.0 billion in 2015 for social benefits, further rising to K1.2 billion in 2016 and K1.9 billion in 2017. Of these amounts, the allocation to the pension fund is projected at K805.0 million in 2015, K962.6 million in 2016, and K1.7 billion in 2017 while the social cash transfer has been allocated K150.0 million annually for the three years.

Other Expenses

94. In an effort to ensure food security for the country, Government has allocated K3.4 billion over the three years to facilitate the purchase of grain under the Food Reserve Agency. This allocation will facilitate the purchase of 500,000 metric tonnes of grain annually. And in order to cater for

unforeseen expenditure items of an emergency nature, a contingency of K150.0 million has been provided over the medium term.

ASSETS

95. Allocations to assets are projected at K11.7 billion in 2015, K12.9 billion in 2016 and K15.2 billion in 2017. Of these amounts, approximately 97.7 percent will be allocated to non-financial assets (capital expenditure).

Non-Financial Assets

96. Expenditure on the acquisition of non-financial assets has been projected at K11.2 billion in 2015, K12.7 billion in 2016 and K15.0 billion in 2017. These funds will mainly go towards infrastructure development programmes identified in the R-SNDP.

97. The main areas of focus under this category will be road construction, water and sanitation facilities and the development of infrastructure for the new districts. Government has, therefore, allocated K12.7 billion over the medium term to accelerate road programmes under the Link Zambia 8000 programme, as well as the enhancement of township roads under the Pave Zambia 2000 programme. In order to increase electricity generation, transmission and distribution, an allocation of K809 million has been proposed for power rehabilitation under Zesco, in addition to the K169.9 million for rural electrification over the next three years.

Financial Assets

98. In order to encourage entrepreneurship, Government proposes to spend a total of K430.0 million on empowerment funds over the medium term. The Government proposes to spend a further K140 million on the Public Service Microfinance Company in the same period. In addition, an allocation of K328.8 million has been provided in 2015 for the recapitalization of State Owned Enterprises (SOEs).

LIABILITIES

99. In keeping with Government efforts to reduce arrears owed to suppliers of goods and services, Government proposes to spend K382.0 million in 2015 and K354.1 million in both 2016 and 2017.

CHAPTER 6

MEDIUM TERM ALLOCATIONS BY FUNCTIONS OF GOVERNMENT

Overview of Strategy

100. The Classification of Functions of Government (COFOG) is a categorisation of all public expenditures in accordance with the purpose for which such allocations are intended to achieve. During this MTEF period, Government spending by functional classification will be guided by the R-SNDP, which reflects the Government's economic priorities, policies and strategies.

101. Therefore, significant resources will be allocated to the areas of education, health, and agriculture, water and sanitation and social protection, with notable investments in infrastructure, especially roads and energy being emphasized.

Functional Resource Allocation Priorities (2015 – 2017)

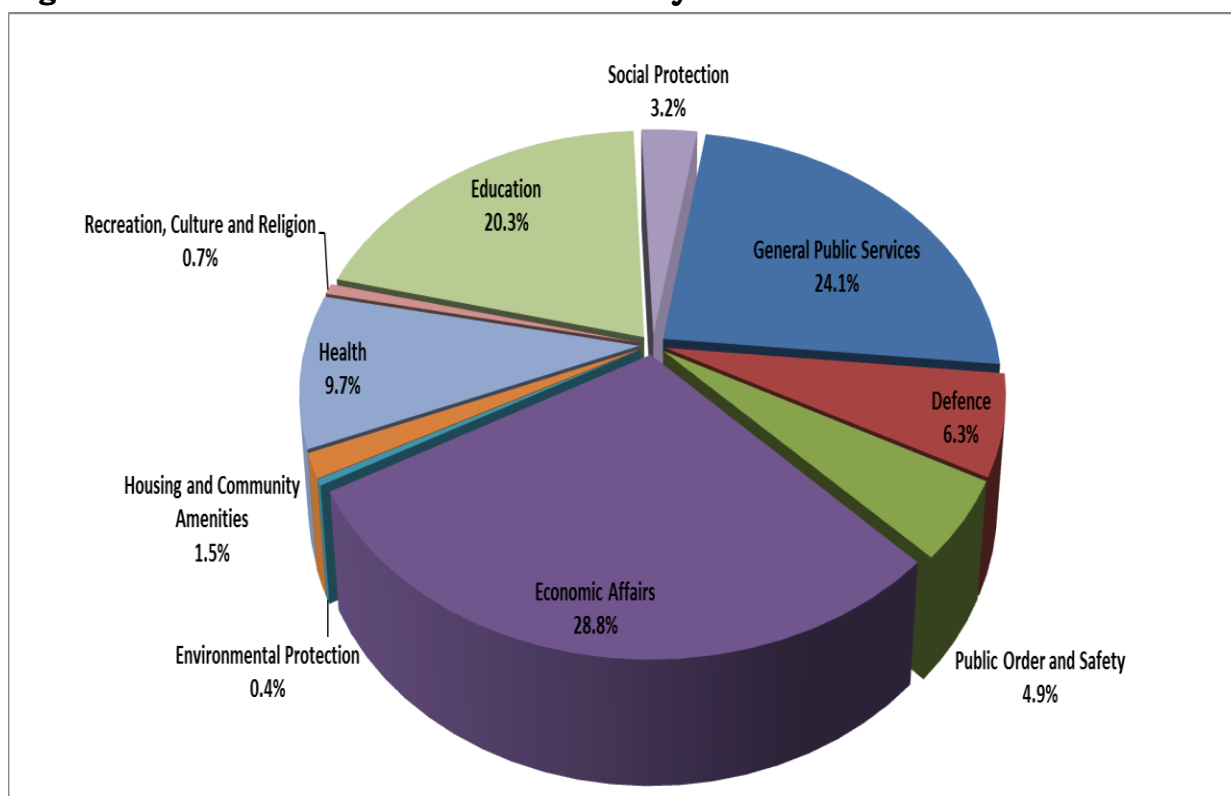
102. In line with the R-SNDP, the Government proposes to allocate 58.8 percent of the total projected resources on the functions of education, health and economic affairs. The balance of 41.2 percent will be allocated to the other functions; including General Public Services which will account for the larger proportion at 24.1 percent. These proposed allocations are in tandem with Government's intention to target the main growth sectors such as science and technology, agriculture, livestock and fisheries, energy, and infrastructural development. The Government will also channel significant outlays to human development related sectors of water and sanitation, education and health over the medium term.

Table 7 and Figure 2 below show the proposed budget allocations by the functions of Government as a share of total expenditure.

Table 7: 2014 Budget & 2015-2017 MTEF Allocations by Functions of Government (As Share of Total Budget)

Function	2014 Approved Budget	2015 Projection	2016 Projection	2017 Projection	2015-2017 Average
General Public Services	25.1%	24.4%	25.4%	22.5%	24.1%
Defence	6.4%	6.4%	6.4%	6.3%	6.3%
Public Order and Safety	5.0%	4.9%	4.9%	4.9%	4.9%
Economic Affairs	28.0%	28.0%	28.4%	30.1%	28.8%
Environmental Protection	0.4%	0.4%	0.4%	0.4%	0.4%
Housing and Community Amenities	1.5%	1.6%	1.6%	1.5%	1.5%
Health	9.9%	9.7%	9.7%	9.8%	9.7%
Recreation, Culture and Religion	0.7%	0.7%	0.7%	0.7%	0.7%
Education	20.2%	21.2%	19.9%	19.9%	20.3%
Social Protection	2.8%	2.7%	2.8%	4.0%	3.2%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Figure 2: 2015-2017 MTEF Allocations by Functions of Government



General Public Services

103. Government proposes to spend K11.2 billion in 2015, K12.9 billion in 2016, and K12.4 billion in 2017 on General Public Services. In these amounts, domestic debt obligations will account for K7.5 billion and external debt service obligations will account for K6.9 billion over the medium term. Other notable allocations include K864.6 million for elections and voter registration over the MTEF period and K1.9 billion for grants to Local Councils which includes allocations to the Local Government Equalisation Fund which will be established in 2015.

Economic Affairs

104. Government proposes to spend K12.9 billion in 2015, K14.4 billion in 2016, and K16.6 billion in 2017 on economic affairs which accounts for an average of 28.8 percent of the overall expenditure during the medium term. In these amounts, roads infrastructure will account for K12.7 billion. These resources will be utilized on the Link Zambia 8000 and other on-going road works.

105. The Government further proposes to spend K4.3 billion over the medium term on the Farmer Input Support Programme (FISP). These amounts will facilitate the provision of farmer input support to 1,000,000 beneficiaries annually. A further K3.4 billion is proposed to be spent over the medium term to maintain strategic food reserves at 500,000 metric tonnes.

106. In order to increase power generation, transmission and distribution a total of K809 million will be allocated to Zesco over the medium term. To further increase access to electricity to the rural areas, the Government proposes to spend K169.9 million on the Rural Electrification Programme during the MTEF period.

107. A total of K430 million has been allocated to the Empowerment Funds over the medium term to encourage and support citizens' participation in the economy activity.

Education

108. Outlays on the Education function are projected to increase from K9.8 billion in 2015 to K10.9 billion in 2017 translating to an average of 20.3 percent of total expenditures over the medium term. These amounts will facilitate the procurement of school requisites and the net recruitment of 5,000 teachers on an annual basis to improve the pupil to teacher ratio. Other interventions under this function will include the phased construction of primary and secondary schools, new universities, hostels at existing universities and teachers' accommodation.

Health

109. Government proposes to spend K4.4 billion in 2015, K4.9 billion in 2016, and K5.4 billion in 2017 on health which accounts for an average of 9.7 percent of the overall expenditure during the medium term. These

amounts will facilitate the net recruitment of 7,500 medical personnel over the medium term and the procurement of equipment and essential drugs. In this regard, Government proposes to spend K3.2 billion on drugs and medical supplies over the medium term.

Housing and Community Amenities

110. The allocation to the Housing and Community Amenities function is projected at K2.3 billion over the medium term. To improve sustainable and equitable access to safe water supply and sanitation, the Government plans to spend K285 million in 2015 and K300 million in both 2016 and 2017.

Public Order and Safety

111. The Government plans to spend a total of K7.4 billion or an average of 4.9 percent of total expenditure over the medium term to maintain public order and safety. Interventions will include the recruitment of security personnel and the continued rehabilitation of prison infrastructure. In addition, the Government will continue with the construction of staff houses and the modernisation of security wings.

Other functions

112. The remaining functions of defence, environmental protection, social protection and recreation, culture and religion will account for an average of 10.6 percent of total expenditure over the medium term. Significant allocations under these functions include the Social Cash Transfer budgetary allocation of K450 million, pension obligations which has a total allocation of K3.4 billion and the Food Security Pack of K167.1 million.

APPENDICES

- **2014 – 2016 Medium Term Expenditure Framework**
- **Aggregate Indicative Expenditure Allocations**
- **Personal Emoluments & Other PE-Related Expenditure Ceilings**
- **Non-Personal Emolument Expenditure Ceilings**
- **MTEF Allocations by Functions of Government**

	2014 Budget Approved Budget		2015 Budget Projection		2016 Budget Projection		2017 Budget Projection	
	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	% of GDP	K'thousand	% of GDP
GROSS DOMESTIC PRODUCT	166,078,000	100.00%	189,783,000	100.00%	216,645,000	100.00%	244,561,000	100.00%
TOTAL REVENUE AND GRANTS	32,165,168	19.37%	35,874,924	18.90%	40,879,959	18.87%	46,280,275	18.92%
TOTAL REVENUE AND BUDGET SUPPORT	30,622,404	18.44%	34,294,924	18.07%	39,299,959	18.14%	44,700,275	18.28%
TOTAL REVENUE	29,538,540	17.79%	34,294,924	18.07%	39,299,959	18.14%	44,700,275	18.28%
Tax revenue	24,457,135	14.73%	25,227,606	13.29%	28,869,384	13.33%	32,795,523	13.41%
Income taxes	10,780,680	6.49%	11,731,377	6.18%	13,464,277	6.21%	15,298,128	6.26%
o/w Mining CIT	2,253,050	1.36%	-	0.00%	-	0.00%	-	0.00%
Excise Duties	3,246,518	1.95%	3,598,618	1.90%	4,108,118	1.90%	4,636,816	1.90%
o/w Fuel Levy	861,014	0.52%	903,129	0.48%	1,030,995	0.48%	1,163,680	0.48%
Value-Added Tax (VAT)	8,099,061	4.88%	6,576,733	3.47%	7,601,498	3.51%	8,760,346	3.58%
Domestic VAT	81,376	0.05%	157,003	0.08%	179,231	0.08%	202,298	0.08%
Import VAT	8,017,685	4.83%	6,419,731	3.38%	7,422,267	3.43%	8,558,048	3.50%
Customs duty	2,330,875	1.40%	3,320,877	1.75%	3,695,491	1.71%	4,100,233	1.68%
Nontax revenue (Includes mineral royalty)	5,081,405	3.06%	9,067,318	4.78%	10,430,575	4.81%	11,904,752	4.87%
GRANTS	2,626,628	1.58%	1,580,000	0.83%	1,580,000	0.73%	1,580,000	0.65%
Program (General Budget Support)	1,083,864	0.65%	-	0.00%	-	0.00%	-	0.00%
Project	1,542,764	0.93%	1,580,000	0.83%	1,580,000	0.73%	1,580,000	0.65%
TOTAL EXPENDITURE	41,285,749	24.86%	44,286,431	23.34%	49,673,434	22.93%	54,076,527	22.11%
o/w Domestically Financed	38,227,865	23.02%	40,239,871	21.20%	45,815,883	21.15%	50,866,657	20.80%
Foreign Financed	3,057,884	1.84%	4,046,560	2.13%	3,857,550	1.78%	3,209,870	1.31%
EXPENSES	29,941,379	18.03%	32,183,922	16.96%	36,431,835	16.82%	38,526,774	15.75%
Personal Emoluments	15,497,445	9.33%	16,604,002	8.75%	19,385,069	8.95%	20,488,566	8.38%
o/w Basic PEs	14,580,179	8.78%	15,421,155	8.13%	16,586,200	7.66%	18,071,951	7.39%
Other Emoluments	624,164	0.38%	774,431	0.41%	859,563	0.40%	902,800	0.37%
Net Recruitment	-	0.00%	284,475	0.15%	400,645	0.18%	307,524	0.13%
Constitutional Posts	145,532	0.09%	123,940	0.07%	132,244	0.06%	140,047	0.06%
MPs Gratuity	147,571	0.09%	-	0.00%	295,142	0.14%	-	0.00%
Public Service Pay Policy	-	0.00%	-	0.00%	1,111,275	0.51%	1,066,245	0.44%
Other PE Related Expenses	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Public Service Retrenchment Programme	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Use of Goods and Services	5,201,976	3.13%	5,289,255	2.79%	6,144,457	2.84%	6,027,181	2.46%
Foreign Financed	606,699	0.37%	586,948	0.31%	559,532	0.26%	465,587	0.19%
Ordinary	4,421,947	2.66%	4,421,947	2.33%	4,718,218	2.18%	5,425,951	2.22%
Public Affairs and Summit Meetings	65,270	0.04%	68,860	0.04%	72,647	0.03%	76,643	0.03%
By-Elections/General Elections	4,000	0.00%	4,000	0.00%	530,000	0.24%	5,000	0.00%
Continuous Voter Registration	-	0.00%	82,500	0.04%	160,000	0.07%	54,000	0.02%
Mobile Registration	4,060	0.00%	25,000	0.01%	4,060	0.00%	-	0.00%
Compensation and Awards	100,000	0.06%	100,000	0.05%	100,000	0.05%	-	0.00%
Interest Payments	3,276,579	1.97%	3,593,706	1.89%	3,508,108	1.62%	3,657,866	1.50%
Domestic Debt	2,250,497	1.36%	2,363,141	1.25%	2,159,748	1.00%	2,256,849	0.92%
External Debt	1,026,082	0.62%	1,230,565	0.65%	1,348,360	0.62%	1,401,017	0.57%
Grants and Other Payments	3,935,921	2.37%	4,550,876	2.40%	4,953,975	2.29%	5,141,972	2.10%
Foreign Financed	207,350	0.12%	181,571	0.10%	173,090	0.08%	144,028	0.06%
Ordinary Grants	2,799,770	1.69%	2,599,670	1.37%	2,897,863	1.34%	3,005,645	1.23%
o/w Road Fund Agencies	196,293	0.12%	196,293	0.10%	207,089	0.10%	218,479	0.09%
Zambia Revenue Authority	378,801	0.23%	378,801	0.20%	399,635	0.18%	421,615	0.17%
Farmer Input Support Programme	500,000	0.30%	1,338,083	0.71%	1,427,735	0.66%	1,511,971	0.62%
Food Security Pack	50,000	0.03%	52,750	0.03%	55,651	0.03%	58,712	0.02%
Social Benefits	966,126	0.58%	1,023,183	0.54%	1,245,440	0.57%	1,948,862	0.80%
Foreign	49,239	0.03%	55,456	0.03%	52,865	0.02%	43,989	0.02%
Pension Fund	754,159	0.45%	805,000	0.42%	962,575	0.44%	1,674,872	0.68%
o/w Grant	254,074	0.15%	255,000	0.13%	269,025	0.12%	468,101	0.19%
Financing Gap	500,085	0.30%	550,000	0.29%	693,550	0.32%	1,206,771	0.49%
Other	12,727	0.01%	12,727	0.01%	80,000	0.04%	80,000	0.03%
Social Cash Transfer	150,000	0.09%	150,000	0.08%	150,000	0.07%	150,000	0.06%
Other Expenses	1,063,331	0.64%	1,122,901	0.59%	1,194,786	0.55%	1,262,328	0.52%
Contingency	50,000	0.03%	50,000	0.03%	50,000	0.02%	50,000	0.02%
Strategic Food Reserve	1,013,331	0.61%	1,072,901	0.57%	1,144,786	0.53%	1,212,328	0.50%
ASSETS	10,968,840	6.60%	11,720,479	6.18%	12,887,531	5.95%	15,195,685	6.21%
Non Financial Assets	9,889,405	5.95%	11,201,679	5.90%	12,687,531	5.86%	15,015,685	6.14%
Rural Electrification Programme	65,000	0.04%	55,599	0.03%	55,543	0.03%	58,754	0.02%
ZRA Modernisation	50,000	0.03%	-	0.00%	-	0.00%	-	0.00%
Zesco Power Rehabilitation	550,000	0.33%	600,000	0.32%	104,500	0.05%	104,500	0.04%
Railway Line Rehabilitation	339,800	0.20%	-	0.00%	-	0.00%	600,000	0.25%
Carry Over Bond Proceeds	-	0.00%	1,489,151	0.78%	-	0.00%	-	0.00%
GRZ Roads	2,900,500	1.75%	3,129,001	1.65%	4,321,292	1.99%	5,235,550	2.14%
Ordinary	3,789,510	2.28%	2,705,344	1.43%	5,134,134	2.37%	6,460,615	2.64%
o/w Water and Sanitation	247,325	0.15%	285,000	0.15%	300,000	0.14%	300,000	0.12%
Foreign Financed	2,194,595	1.32%	3,222,586	1.70%	3,072,062	1.42%	2,556,265	1.05%
Financial Assets	1,079,435	0.65%	518,800	0.27%	200,000	0.09%	180,000	0.07%
Public Service Micro Finance Company	100,000	0.06%	60,000	0.03%	50,000	0.02%	30,000	0.01%
SOE Recapitalisation	875,000	0.53%	328,800	0.17%	-	0.00%	-	0.00%
Private Sector Project Finance	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Empowerment Funds	104,435	0.06%	130,000	0.07%	150,000	0.07%	150,000	0.06%
LIABILITIES	375,530	0.23%	382,029	0.20%	354,068	0.16%	354,068	0.14%
Suppliers of Goods & Services (MoFNP)	53,501	0.03%	60,000	0.03%	50,000	0.02%	50,000	0.02%
Other Liabilities	322,029	0.19%	322,029	0.17%	304,068	0.14%	304,068	0.12%
FISCAL BALANCE: Surplus(+)/Deficit(-)	(9,120,581)	-5.49%	(8,411,507)	-4.43%	(8,793,475)	-4.06%	(7,796,252)	-3.19%
FINANCING	9,120,581	5.49%	8,411,507	4.43%	8,793,475	4.06%	7,796,252	3.19%
Net Domestic Financing	2,901,746	1.75%	3,095,660	1.63%	4,116,255	1.90%	4,157,537	1.70%
Domestic Financing	3,501,746	2.11%	3,795,660	2.00%	4,116,255	1.90%	4,157,537	1.70%
Amortisation	(600,000)	-0.36%	(700,000)	-0.37%	-	0.00%	-	0.00%
Net External Financing	6,218,834	3.74%	5,315,847	2.80%	4,677,220	2.16%	3,638,715	1.49%
Programme	5,500,000	3.31%	1,427,448	0.75%	3,367,441	1.55%	2,934,732	1.20%
Carry Over Bond Proceeds	-	0.00%	2,417,951	1.27%	-	0.00%	-	0.00%
Project	1,515,120	0.91%	2,466,560	1.30%	2,277,550	1.05%	1,629,870	0.67%
Amortisation	(796,285)	-0.48%	(996,111)	-0.52%	(967,772)	-0.45%	(925,887)	-0.38%
FINANCING GAP	(0.0)	0.00%	0.0	0.00%	0.0	0.00%	0.0	0.00%

2015 -2017 MEDIUM-TERM EXPENDITURE FRAMEWORK					
2015 DOMESTIC BUDGET AND 2015-2017 INDICATIVE EXPENDITURE ALLOCATIONS					
2014 APPROVED BUDGET	HEAD	INSTITUTION	2015 Budget	2016 PROJECTION	2017 PROJECTION
41,503,955	01	Office of the President -State House	41,503,944	45,944,262	46,872,870
21,328,990	02	Office of the Vice President	21,387,627	23,634,010	24,144,713
547,080,239	03	National Assembly	405,056,180	735,316,731	478,418,592
35,281,288	04	Ministry of Gender and Child Development	41,079,238	47,599,906	51,763,870
107,484,858	05	Electoral Commission of Zambia	191,483,353	810,321,330	196,235,655
9,939,482	06	Public Service Commission - Office of the President	10,829,690	11,809,756	12,069,868
86,166,427	07	Office of the Auditor General	89,850,848	100,308,133	104,414,567
144,314,411	08	Cabinet Office - Office of the President	148,219,459	164,421,216	182,121,667
8,167,803	09	Teaching Service Commission - Office of the President	8,267,585	9,096,928	9,286,272
6,569,752	10	Police and Prisons Service Commission	6,896,746	7,530,684	7,695,218
1,169,426,568	11	Zambia Police - Ministry of Home Affairs	1,249,843,123	1,310,105,865	1,350,840,838
7,293,107	12	Commission for Investigations - Office of the President	7,517,070	8,357,198	8,520,162
118,811,205	13	Ministry of Chiefs and Traditional Affairs	139,207,498	151,117,538	164,260,779
353,211,807	14	Ministry of Mines, Energy & Water Development	342,774,774	386,069,837	437,039,196
451,624,840	15	Ministry of Home Affairs	487,936,371	522,539,617	540,064,501
63,473,541	16	Drug Enforcement Commission	70,155,717	77,149,841	84,801,559
408,936,856	17	Ministry of Foreign Affairs	481,266,655	494,044,427	509,426,938
336,253,998	18	Judiciary	339,774,078	368,751,322	382,488,570
67,315,970	19	Disaster Management and Mitigation Unit	68,055,939	82,118,117	97,702,985
367,375,470	20	Ministry of Local Government and Housing - Loans and Investments	406,838,775	462,791,533	499,289,642
5,669,468,273	21	Ministry of Finance - Loans and Investments	5,078,511,600	5,326,186,855	6,811,394,659
6,768,827	25	Local Government Service Commission	7,750,080	8,390,288	8,583,389
89,142,879	26	Ministry of Information and Broadcasting Services	110,860,866	78,219,553	89,458,931
802,174,260	27	Public Service Management Division	854,888,046	1,019,495,204	1,739,540,808
883,124,488	29	Ministry of Local Government and Housing	888,226,302	897,349,533	907,249,784
254,164,825	31	Ministry of Justice	261,401,108	277,681,738	186,340,696
226,264,897	33	Ministry of Commerce, Trade and Industry	227,563,388	245,869,586	265,613,366
15,653,942	34	Human Rights Commission	14,735,469	15,725,112	16,118,151
1,757,281,416	37	Ministry of Finance	1,551,291,625	1,878,118,460	2,219,641,179
42,550,877	44	Ministry of Labour and Social Security	45,036,369	51,621,842	58,883,939
1,841,093,183	45	Ministry of Community Development, Mother and Child Health	1,968,693,751	2,158,827,648	2,322,572,968
2,646,390,446	46	Ministry of Health	2,682,798,375	3,540,918,556	4,285,653,479
864,138,902	51	Ministry of Transport, Works, Supply & Communication	732,708,951	940,341,807	1,420,242,815
97,818,234	68	Ministry of Tourism and Arts	100,709,945	114,154,532	129,028,809
76,873,220	76	Ministry of Youth and Sport	86,332,950	99,284,160	108,623,387
2,726,686,470	77	Ministry of Defence	3,215,100,849	3,393,575,190	3,507,130,450
433,929,460	78	Zambia Security Intelligence Services - Office of the President	501,301,314	536,613,077	556,040,089
8,368,647,749	80	Ministry of Education, Science, Vocational Training and Early Education	9,091,283,708	9,636,015,708	10,742,838,599
232,797,002	85	Ministry of Lands, Natural Resources and Environmental Protection	255,691,339	282,868,726	327,822,668
74,894,773	87	Anti-Corruption Commission	78,646,576	84,257,159	87,243,865
44,628,942	88	Office of the President -Muchinga Province	59,680,770	65,717,279	66,712,198
2,707,294,801	89	Ministry of Agriculture and Livestock	3,458,726,452	3,842,849,520	4,195,367,374
71,735,283	90	Office of the President - Lusaka Province	78,223,841	85,961,585	92,021,176
86,543,109	91	Office of the President - Copperbelt Province	89,346,970	96,752,851	98,571,791
71,183,670	92	Office of the President - Central Province	82,583,716	89,330,114	91,028,174
88,641,594	93	Office of the President - Northern Province	88,820,706	96,706,818	98,407,353
71,469,364	94	Office of the President - Western Province	85,478,128	92,495,756	94,254,725
78,182,138	95	Office of the President - Eastern Province	81,925,246	89,076,986	90,669,679
70,266,728	96	Office of the President - Luapula Province	79,732,555	86,612,394	88,188,459
72,498,449	97	Office of the President - North-Western Province	78,353,308	85,579,465	87,025,471
95,327,161	98	Office of the President - Southern Province	101,815,914	110,873,903	112,819,312
4,122,864,588	99	Constitutional and Statutory Expenditure	5,339,817,298	5,637,155,758	5,699,997,794
39,042,060,517		GRAND TOTAL	41,935,982,183	46,783,655,414	51,792,543,997

PERSONAL EMOLUMENTS & OTHER PE-RELATED EXPENDITURE CEILINGS					
2014 APPROVED BUDGET	HEAD	INSTITUTION	2015 PROJECTIONS	2016 PROJECTION	2017 PROJECTION
14,623,961	01	Office of the President - State House	14,623,950	15,062,669	15,514,549
		Other Emoluments	425,940	438,719	451,880
7,101,039	02	Office of the Vice President	7,159,676	7,374,466	7,595,700
		Other Emoluments	208,534	214,790	221,234
249,196,873	03	National Assembly	253,592,703	261,200,485	269,036,499
		Other Emoluments	3,747,675	7,607,781	7,836,015
6,101,927	04	Ministry of Gender and Child Development	6,200,469	6,386,483	6,578,078
		Other Emoluments	180,596	186,014	191,595
39,970,127	05	Electoral Commission of Zambia	40,833,474	42,058,479	43,320,233
		Other Emoluments	603,450	1,225,004	1,261,754
4,479,687	06	Public Service Commission - Office of the President	5,369,895	5,530,992	5,696,922
		Other Emoluments	156,405	161,097	165,930
40,908,266	07	Office of the Auditor General	44,140,723	45,464,945	46,828,893
		Other Emoluments	1,285,652	1,324,222	1,363,948
25,888,706	08	Cabinet Office - Office of the President	25,682,346	26,452,817	27,246,401
		Other Emoluments	748,030	770,470	793,584
3,323,505	09	Teaching Service Commission - Office of the President	3,423,287	3,525,986	3,631,765
		Other Emoluments	99,707	102,699	105,780
3,011,123	10	Police and Prisons Service Commission	3,338,117	3,438,260	3,541,408
		Other Emoluments	97,227	100,144	103,148
955,350,333	11	Zambia Police - Ministry of Home Affairs	1,034,320,001	1,065,349,601	1,097,310,089
		Other Emoluments	30,125,825	31,029,600	31,960,488
2,155,479	12	Commission for Investigations - Office of the President	2,379,442	2,450,825	2,524,350
		Other Emoluments	69,304	71,383	73,525
17,951,203	13	Ministry of Chiefs and Traditional Affairs	27,848,013	28,683,454	29,543,957
		Other Emoluments	811,107	835,440	860,504
30,745,106	14	Ministry of Mines, Energy and Water Development	32,882,155	33,868,620	34,884,679
		Other Emoluments	957,733	986,465	1,016,059
199,359,412	15	Ministry of Home Affairs	212,314,446	218,683,879	225,244,396
		Other Emoluments	6,183,916	6,369,433	6,560,516
37,994,373	16	Drug Enforcement Commission	44,421,757	45,754,410	47,127,042
		Other Emoluments	1,293,838	1,332,653	1,372,632
351,698,661	17	Ministry of Foreign Affairs	422,375,258	422,375,258	423,589,274
		Other Emoluments	383,086,720	383,086,720	383,122,080
225,999,358	18	Judiciary	228,426,892	235,279,699	242,338,090
		Other Emoluments	6,653,210	6,852,807	7,058,391
4,676,576	19	Disaster Management and Mitigation Unit	4,790,151	4,933,856	5,081,871
		Other Emoluments	139,519	143,705	148,016
3,371,287	25	Local Government Service Commission	4,352,540	4,483,117	4,617,610
		Other Emoluments	92,461	95,235	98,092
12,340,697	26	Ministry of Information and Broadcasting Services	16,225,748	16,712,521	17,213,897
		Other Emoluments	472,595	486,772	501,376
17,307,844	27	Public Service Management Division	18,895,180	19,462,036	20,045,897
		Other Emoluments	550,345	566,855	583,861
16,695,268	29	Ministry of Local Government and Housing	21,554,626	22,201,264	22,867,302
		Other Emoluments	457,884	471,621	485,769
23,456,928	31	Ministry of Justice (incds NPA)	30,136,230	31,040,317	31,971,527
		Other Emoluments	877,754	904,087	931,210
11,171,969	33	Ministry of Commerce, Trade and Industry	12,104,523	12,467,659	12,841,689
		Other Emoluments	352,559	363,136	374,030
11,090,783	34	Human Rights Commission	10,172,310	10,477,479	10,791,803
		Other Emoluments	150,330	305,169	314,324
1,026,611,364	37	Ministry of Finance	824,094,635	1,090,429,479	1,355,145,727
		Constitutional Posts	77,445,875	77,445,875	77,445,875
		Recruitments Planning Reserve	77,325,000	166,712,700	176,548,749
		Other Emoluments	2,399,965	7,039,465	16,447,755
14,797,051	44	Ministry of Labour and Social Security	17,010,323	17,520,633	18,046,252
		Other Emoluments	495,446	510,310	525,619
1,312,394,493	45	Ministry of Community Development, Mother and Child Health	1,431,032,287	1,473,963,256	1,518,182,153
		Other Emoluments	41,680,552	42,930,969	44,218,898
1,107,392,133	46	Ministry of Health	1,115,118,293	1,309,221,842	1,517,615,173
		Net Recruitment	52,500,000	113,190,000	105,061,950
		Other Emoluments	30,950,047	36,603,549	42,672,355
65,427,476	51	Ministry of Transport, Works, Supply and Communication	73,656,157	75,865,842	78,141,817
		Other Emoluments	2,145,325	2,209,685	2,275,975
11,505,792	68	Ministry of Tourism and Arts	13,814,594	14,229,031	14,655,902
		Other Emoluments	402,367	414,438	426,871

10,064,600	76	Ministry of Youth and Sport	10,089,782	10,392,476	10,704,250
		Other Emoluments	293,877	302,693	311,774
2,242,682,515	77	Ministry of Defence	2,726,330,621	2,808,120,540	2,892,364,156
298,409,010	78	Zambia Security Intelligence Services - Office of the President	364,629,895	375,568,792	386,835,856
6,102,787,655	80	Ministry of Education, Science, Vocational Training and Early Education	6,420,714,242	7,095,689,019	7,819,371,887
		Net Recruitment	154,650,000	163,774,350	173,437,037
		Other Emoluments	182,506,725	201,900,427	222,697,132
25,858,951	85	Ministry of Lands, Natural Resources and Environmental Protection	29,513,009	30,398,400	31,310,352
		Other Emoluments	859,602	885,390	911,952
55,959,507	87	Anti-Corruption Commission	59,521,958	61,307,617	63,146,845
		Other Emoluments	1,733,649	1,785,659	1,839,228
9,244,887	88	Muchinga Province	24,296,715	25,025,616	25,776,385
		Other Emoluments	707,671	728,901	750,768
379,252,167	89	Ministry of Agriculture and Cooperatives	433,639,181	446,648,356	460,047,807
		Other Emoluments	12,630,267	13,009,175	13,399,451
37,776,706	90	Office of the President - Lusaka Province	44,265,264	45,593,221	46,961,018
		Other Emoluments	1,289,280	1,327,958	1,367,797
47,085,010	91	Office of the President - Copperbelt Province	49,888,871	51,385,537	52,927,103
		Other Emoluments	1,453,074	1,496,666	1,541,566
35,609,615	92	Office of the President - Central Province	47,009,661	48,419,951	49,872,549
		Other Emoluments	1,369,213	1,410,290	1,452,599
45,130,941	93	Office of the President - Northern Province	45,301,553	46,660,600	48,060,418
		Other Emoluments	1,319,463	1,359,047	1,399,818
34,152,830	94	Office of the President - Western Province	48,161,594	49,606,442	51,094,635
		Other Emoluments	1,402,765	1,444,848	1,488,193
39,065,619	95	Office of the President - Eastern Province	42,808,727	44,092,989	45,415,778
		Other Emoluments	1,246,856	1,284,262	1,322,790
32,623,868	96	Office of the President - Luapula Province	42,089,695	43,352,385	44,652,957
		Other Emoluments	1,225,913	1,262,691	1,300,572
31,868,805	97	Office of the President - North-Western Province	37,723,664	38,855,374	40,021,036
		Other Emoluments	1,098,748	1,131,710	1,165,661
45,297,897	98	Office of the President - Southern Province	51,786,650	53,340,249	54,940,457
		Other Emoluments	1,508,349	1,553,599	1,600,207
15,326,969,383		Total	16,480,061,288	17,846,407,223	19,282,274,434

NON-PERSONAL EMOLUMENT EXPENDITURE CEILINGS					
2014 APPROVED BUDGET	HEAD	INSTITUTION	2015 PROJECTIONS	2016 PROJECTION	2017 PROJECTION
26,879,994	01	Office of the President - State House	26,879,994	30,881,593	31,358,321
14,227,951	02	Office of the Vice President	14,227,951	16,259,544	16,549,013
297,883,366	03	National Assembly	151,463,477	474,116,246	209,382,093
147,570,840		MPs Gratuity	0	295,141,680	0
29,179,361	04	Ministry of Gender and Child Development	34,878,768	41,213,423	45,185,792
12,356,351		Grant to Support Women Activities	17,894,568	20,647,579	20,647,579
67,514,731	05	Electoral Commission of Zambia	150,649,878	768,262,852	152,915,422
4,000,000		By-elections/General Elections	4,000,000	530,000,000	5,000,000
		Voter Registration	82,500,000	160,000,000	54,000,000
5,459,795	06	Public Service Commission - Office of the President	5,459,795	6,278,764	6,372,946
45,258,161	07	Office of the Auditor General	45,710,125	54,843,189	57,585,674
118,425,705	08	Cabinet Office - Office of the President	122,537,113	137,968,400	154,875,266
65,270,016		Public Affairs and Summit Meetings	68,859,867	72,647,160	76,642,753
4,844,298	09	Teaching Service Commission	4,844,298	5,570,943	5,654,507
3,558,629	10	Police and Prisons Service Commission	3,558,629	4,092,423	4,153,810
214,076,235	11	Zambia Police - Ministry of Home Affairs	215,523,122	244,756,265	253,530,749
20,908,019		Infrastructure Development	20,908,019	20,908,019	20,908,019
27,170,100		Modernisation	27,170,100	27,170,100	27,170,100
21,200,000		Dismantling of Arrears	21,200,000	21,200,000	21,200,000
5,137,628	12	Commission for Investigations	5,137,628	5,906,372	5,995,812
100,860,002	13	Ministry of Chiefs and Traditional Affairs	111,359,485	122,434,084	134,716,822
30,919,320		Chiefs Subsidies and Retainers Wages	30,919,320	30,919,320	30,919,320
9,400,000		National Museum Board	16,434,600	16,434,600	16,434,600
6,600,000		National Heritage Conservation Commission	12,066,476	12,066,476	12,066,476
322,466,701	14	Ministry of Mines, Energy & Water Development	309,892,619	352,201,217	402,154,517
59,441,357		Energy Regulation Board	59,441,357	62,710,632	66,159,716
13,808,000		Rural Electrification Authority	14,108,000	14,883,940	15,702,557
65,000,000		Rural Electrification	55,598,892	55,542,551	58,754,128
252,265,428	15	Ministry of Home Affairs	275,621,926	303,855,738	314,820,106
24,400,000		Infrastructure Development	24,644,000	29,572,800	31,051,440
41,583,140		Dismantling of Arrears	41,998,971	50,398,766	52,918,704
4,060,000		Mobile Registration	25,000,000	4,060,000	0
25,479,168	16	Drug Enforcement Commission	25,733,960	31,395,431	37,674,517
57,238,195	17	Ministry of Foreign Affairs	58,891,397	71,669,169	85,837,664
110,254,640	18	Judiciary	111,347,186	133,471,624	140,150,480
62,639,394	19	Disaster Management and Mitigation Unit	63,265,788	77,184,261	92,621,114
367,375,470	20	Ministry of Local Government and Housing - Loans and Investments	406,838,775	462,791,533	499,289,642
63,930,001		Infrastructure Development	95,508,601	131,518,471	162,549,789
247,325,000		Water and Sanitation	285,000,000	300,000,000	300,000,000
5,669,468,273	21	Ministry of Finance - Loans and Investments	5,078,511,600	5,326,186,855	6,811,394,659
550,000,000		ZESCO Power Rehabilitation	600,000,000	104,500,000	104,500,000
339,800,000		Railway Rehabilitation	0	0	600,000,000
32,400,000		Selected Agriculture Projects	0	0	0
875,000,000		SOE Recapitalisation	328,800,000	0	0
		Earth Moving Equipment	204,000,000	0	0
50,000,000		ZRA Modernisation	0	0	0
57,175,852		Citizens Economic Empowerment Fund	82,802,535	95,541,386	95,541,386
2,900,500,002		Road Fund	3,129,000,692	4,321,292,000	5,235,550,400
550,000,000		Regional Development	484,085,504	550,000,000	550,000,000
55,000,000		Youth Skills Training and Development	55,000,000	55,000,000	55,000,000
100,000,000		Public Service Credit Union	60,000,000	50,000,000	30,000,000
15,000,000		Government Printing Department	15,000,000	20,000,000	0
1,000,000		NCZ Rehabilitation	30,000,000	30,000,000	30,000,000
3,397,540	25	Local Government Service Commission	3,397,540	3,907,171	3,965,779
76,802,182	26	Ministry of Information and Broadcasting Services	94,635,118	61,507,032	72,245,034
3,813,450		Digital Migration	42,837,304	0	0
784,866,416	27	Public Service Management Division	835,992,865	1,000,033,169	1,719,494,911
754,159,221		Public Service Pension Fund	805,000,000	962,575,000	1,674,872,500
254,074,221		o/w Grant	255,000,000	269,025,000	468,101,264
500,085,000		Financing Gap	550,000,000	693,550,000	1,206,771,236
866,429,220	29	Ministry of Local Government & Housing	866,671,676	875,148,269	884,382,482
230,707,897	31	Ministry of Justice	231,264,877	246,641,421	154,369,169
100,000,000		Compensation and Awards	100,000,000	100,000,000	0
215,092,928	33	Ministry of Commerce Trade and Industry	215,458,864	233,401,927	252,771,677
22,891,504		Zambia Development Agency	22,891,504	24,150,537	25,478,816

4,563,159	34	Human Rights Commission	4,563,159	5,247,633	5,326,347
730,670,052	37	Ministry of Finance	727,196,989	787,688,981	864,495,452
378,801,122		Zambia Revenue Authority	378,801,122	399,635,184	421,615,119
12,682,525		National Road Fund Agency	12,682,525	13,380,064	14,115,967
53,501,035		Arrears to Suppliers of Goods and Services	60,000,000	50,000,000	50,000,000
12,000,000		ZPPA Restructuring	0	0	0
27,753,826	44	Ministry of Labour and Social Security	28,026,045	34,101,209	40,837,687
528,698,690	45	Ministry of Community Development, Mother & Child Health	537,661,464	684,864,393	804,390,814
197,722,772		Health Service Delivery	201,677,227	292,431,980	365,539,975
51,876,698		Health Systems Management	52,914,232	76,725,636	95,907,045
7,469,000		Infrastructure Development	7,618,380	11,046,651	13,808,314
50,000,000		Input Pack	52,750,000	55,651,250	58,712,069
150,000,000		Social Cash Transfer	150,000,000	150,000,000	150,000,000
1,538,998,313	46	Ministry of Health	1,567,680,082	2,231,696,714	2,768,038,306
172,142,730		Health Service Delivery	175,585,585	254,599,098	318,248,872
56,585,941		Health Systems Management	57,717,660	83,690,607	104,613,258
738,741,000		Drugs and Medical Supplies	753,515,820	1,092,597,939	1,365,747,424
262,982,473		Infrastructure Development	268,242,122	388,951,078	486,188,847
798,711,426	51	Ministry of Transport, Works, Supply & Communication	659,052,793	864,475,965	1,342,100,997
70,203,785		Road Transport and Safety Agency	70,203,785	74,064,993	78,138,568
113,406,754		Road Development Agency	113,406,754	119,644,125	126,224,552
105,803,253		Zambia Information and Communications Technology Authority	105,803,253	111,622,432	117,761,666
141,123,123		Radar	24,102,290	0	0
86,950,000		Dredgers	62,682,000	0	0
41,265,615		Establishment of an Airline	0	125,000,000	100,000,000
		Construction of Stadias	0	0	500,000,000
9,245,573		Construction of Aerodromes	50,000,000	50,000,000	50,000,000
86,312,442	68	Ministry of Tourism and Arts	86,895,351	99,925,501	114,372,907
4,700,000		Zambia Wildlife Authority	4,700,000	4,700,000	4,700,000
14,550,000		Tourism Marketing & Promotion	14,695,500	17,928,510	21,514,212
5,000,000		Wildlife Management and Conservation	5,050,000	6,161,000	7,393,200
5,400,000		Arts and Culture Infrastructure	5,454,000	6,653,880	7,984,656
66,808,620	76	Ministry of Youth and Sport	76,243,168	88,891,684	97,919,137
25,000,000		Infrastructure Development	25,250,000	30,805,000	36,966,000
20,233,899		Youth Development Fund	29,302,897	33,811,035	33,811,035
484,003,955	77	Ministry of Defence	488,770,227	585,454,650	614,766,294
41,200,000		Specialised Training Equipment	41,612,000	49,934,400	52,431,120
4,650,000		Marine Equipment	4,696,500	5,635,800	5,917,590
12,200,178		Outstanding Bills (Domestic)	12,322,180	14,786,616	15,525,947
25,000,000		Outstanding Bills (Foreign)	25,250,000	30,300,000	31,815,000
135,520,450	78	Zambia Security Intelligence Services - Office of the President	136,671,419	161,044,285	169,204,233
5,342,560		Infrastruture Development	5,395,986	6,475,183	6,798,942
2,265,860,094	80	Ministry of Education, Science, Vocational Training and Early Education	2,670,569,466	2,540,326,689	2,923,466,712
158,640,740		University of Zambia	158,640,740	167,365,981	176,571,110
64,819,684		Copperbelt University	64,819,684	68,384,767	72,145,929
20,967,769		Mulungushi University	20,967,769	22,120,996	23,337,651
		Construction of Hostels	650,000,000	0	0
1,280,675,650		Infrastructure Development	1,306,289,163	1,894,119,286	2,367,649,108
206,938,051	85	Ministry of Lands, Natural Resources and Environmental Protection	226,178,329	252,470,326	296,512,316
50,000,000		Land Audit	53,250,000	56,445,000	67,734,000
		National Tree Planting	15,000,000	20,000,000	24,000,000
50,000,000		National Titling	50,500,000	61,610,000	73,932,000
18,935,266	87	Anti-Corruption Commission	19,124,619	22,949,542	24,097,020
35,384,055	88	Muchinga Province	35,384,055	40,691,663	40,935,813
18,139,991		Rural Roads Development	18,139,991	20,860,990	20,986,156
2,328,042,634	89	Ministry of Agriculture and Livestock	3,025,087,271	3,396,201,164	3,735,319,567
499,999,999		Farmer Input Support Programme	1,338,083,252	1,427,734,830	1,511,971,185
1,013,330,695		Strategic Food Reserve	1,072,901,229	1,144,785,611	1,212,327,963
231,902,496		Dip Tanks & Silos	21,443,499	0	0
33,958,577	90	Office of the President - Lusaka Province	33,958,577	40,368,364	45,060,158
18,800,000		Rural Roads Development	18,800,000	22,936,000	27,523,200
39,458,099	91	Office of the President - Copperbelt Province	39,458,099	45,367,314	45,644,687
18,775,000		Rural Roads Development	18,775,000	21,591,250	21,720,798
35,574,055	92	Office of the President - Central Province	35,574,055	40,910,163	41,155,624
18,000,000		Rural Roads Development	18,000,000	20,700,000	20,824,200
43,510,653	93	Office of the President - Northern Province	43,519,153	50,046,218	50,346,935
19,031,558		Rural Roads Development	19,031,558	21,886,292	22,017,609
37,316,534	94	Office of the President - Western Province	37,316,534	42,889,314	43,160,091
17,525,000		Rural Roads Development	17,525,000	20,153,750	20,274,673
39,116,519	95	Office of the President - Eastern Province	39,116,519	44,983,997	45,253,901

18,348,286		Rural Roads Development	18,348,286	21,100,529	21,227,132
37,642,860	96	Office of the President - Luapula Province	37,642,860	43,260,008	43,535,502
18,750,000		Rural Roads Development	18,750,000	21,562,500	21,691,875
40,629,644	97	Office of the President - North-Western Province	40,629,644	46,724,091	47,004,435
18,800,000		Rural Roads Development	18,800,000	21,620,000	21,749,720
50,029,264	98	Office of the President - Southern Province	50,029,264	57,533,654	57,878,856
18,000,000		Rural Roads Development	18,000,000	20,700,000	20,824,200
19,592,226,546		Total	20,116,103,597	23,300,092,433	26,810,271,768
4,122,864,588	99	Constitutional and Statutory Expenditure	5,339,817,298	5,637,155,758	5,699,997,794
2,250,497,257		Domestic Debt Interest (Including Amortisation)	3,063,140,584	2,159,747,994	2,256,848,920
1,822,367,331		Foreign Debt Service (Including Amortisation)	2,226,676,713	2,316,132,390	2,326,903,791
		Public Service Pay Policy	0	1,111,275,373	1,066,245,083
50,000,000		Contingency	50,000,000	50,000,000	50,000,000

2014 BUDGET & 2015-2017 MTEF ALLOCATIONS BY FUNCTIONS OF GOVERNMENT

Function	2014 Approved Budget	2015 Projection	2016 Projection	2017 Projection	2015-2017 Total	2015-2017 Average
	K	K	K	K	K	K
General Public Services	10,729,444,578	11,238,884,282	12,847,198,229	12,400,655,477	36,486,737,989	12,162,245,996
o/w Public Affairs and Summit Meetings	65,270,016	68,859,867	72,647,160	76,642,753	218,149,780	72,716,593
MPs Gratuity	147,570,840	-	295,141,680	-	295,141,680	98,380,560
General Elections & By-Elections	4,000,000	4,000,000	530,000,000	5,000,000	539,000,000	179,666,667
Citizen & Voter Registrations	4,060,000	107,500,000	164,060,000	54,000,000	325,560,000	108,520,000
Local Government Transfers	626,576,074	626,576,074	629,356,874	632,290,618	1,888,223,566	629,407,855
Constituency Development Fund	210,000,000	210,000,000	210,000,000	210,000,000	630,000,000	210,000,000
Domestic Debt	2,250,497,257	3,063,140,584	2,159,747,994	2,256,848,920	7,479,737,499	2,493,245,833
External Debt	1,822,367,331	2,226,676,713	2,316,132,390	2,326,903,791	6,869,712,895	2,289,904,298
Awards and Compensations	100,000,000	100,000,000	100,000,000	-	200,000,000	66,666,667
Defence	2,744,304,292	2,928,763,570	3,221,515,475	3,461,494,152	9,611,773,197	3,203,924,399
Public Order and Safety	2,121,431,595	2,264,450,733	2,491,456,837	2,677,282,633	7,433,190,204	2,477,730,068
Economic Affairs	11,943,434,948	12,877,907,357	14,363,825,468	16,562,352,653	43,804,085,477	14,601,361,826
o/w Citizens Empowerment Funds	57,175,852	59,686,254	68,868,755	68,868,755	197,423,765	65,807,922
Local Government Transfers	626,576,074	626,576,074	629,356,874	632,290,618	1,888,223,566	629,407,855
Constituency Development Fund	210,000,000	210,000,000	210,000,000	210,000,000	630,000,000	210,000,000
Farmer Input Support Programme	499,999,999	1,338,083,252	1,427,734,830	1,511,971,185	4,277,789,268	1,425,929,756
Strategic Food Reserves	1,013,330,695	1,072,901,229	1,144,785,611	1,212,327,963	3,430,014,803	1,143,338,268
Rural Electrification Fund	65,000,000	55,598,892	55,542,551	58,754,128	169,895,570	56,631,857
ZESCO Power Rehabilitations	550,000,000	600,000,000	104,500,000	104,500,000	809,000,000	269,666,667
Roads Infrastructure (GRZ Contribution)	2,900,500,002	3,129,000,692	4,321,292,000	5,235,550,400	12,685,843,092	4,228,614,364
Railway Infrastructure	339,800,000	-	-	600,000,000	600,000,000	200,000,000
Environmental Protection	165,213,254	176,462,191	194,316,986	208,932,810	579,711,987	193,237,329
Housing and Community Amenities	660,353,871	726,150,923	785,787,449	822,326,633	2,334,265,005	778,088,335
o/w Water Supply and Sanitation (GRZ Contribution)	247,325,000	285,000,000	300,000,000	300,000,000	885,000,000	295,000,000
Health	4,228,351,379	4,444,124,368	4,891,981,421	5,385,787,767	14,721,893,556	4,907,297,852
Recreation, Culture and Religion	298,943,561	317,845,659	347,958,594	372,450,974	1,038,255,227	346,085,076
Education	8,607,016,355	9,755,879,744	10,054,434,534	10,936,252,508	30,746,566,787	10,248,855,596
Social Protection	1,183,540,301	1,252,073,467	1,442,730,656	2,174,878,347	4,869,682,470	1,623,227,490
o/w Public Service Pension Fund	754,159,221	805,000,000	962,575,000	1,674,872,500	3,442,447,500	1,147,482,500
Social Cash Transfer	150,000,000	150,000,000	150,000,000	150,000,000	450,000,000	150,000,000
TOTAL	42,682,034,134	45,982,542,295	50,641,205,648	55,002,413,956	151,626,161,899	50,542,053,966