

2024

# Supplementary Budget

## HIGHLIGHTS



TRANSPARENCY  
INTERNATIONAL  
ZAMBIA

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**Summary Analysis of the  
Supplementary Estimates of  
Expenditure No. 1 of 2024 presented  
by Ministry of Finance and National  
Planning on 21st June, 2024.**

**Maurice K. Nyambe (Mr.)  
EXECUTIVE DIRECTOR**



**ONE**

**Causes for the  
Supplementary Budget**



- **Severe drought.** This drought is arguably the worst in nearly sixty years, affecting over 9.8 million people, which is almost 48 percent of our population.
- **Economic downturn.** The agricultural sector is projected to shrink by 19 percent. Electricity shortages are further causing reduced productivity across all sectors of the economy. As a result, the real GDP growth has been revised downwards to 2.3 percent from the forecast of 4.7 percent.

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- **Inflation:** Driven by high food prices as a result of the drought, inflation has been on an upward trend, rising from 12.9% in the fourth quarter of 2023 to 13.5% in the first quarter of 2024 and to 14.7% in May 2024.
  - **Trade Balance:** Due to the food insecurity caused by the drought, there is need to increase imports of food and other basic needs leading to a worsened trade balance. This will drive the current account balance to a deficit of 0.2% of GDP, compared to a projected surplus of 3.7% of GDP for 2024.

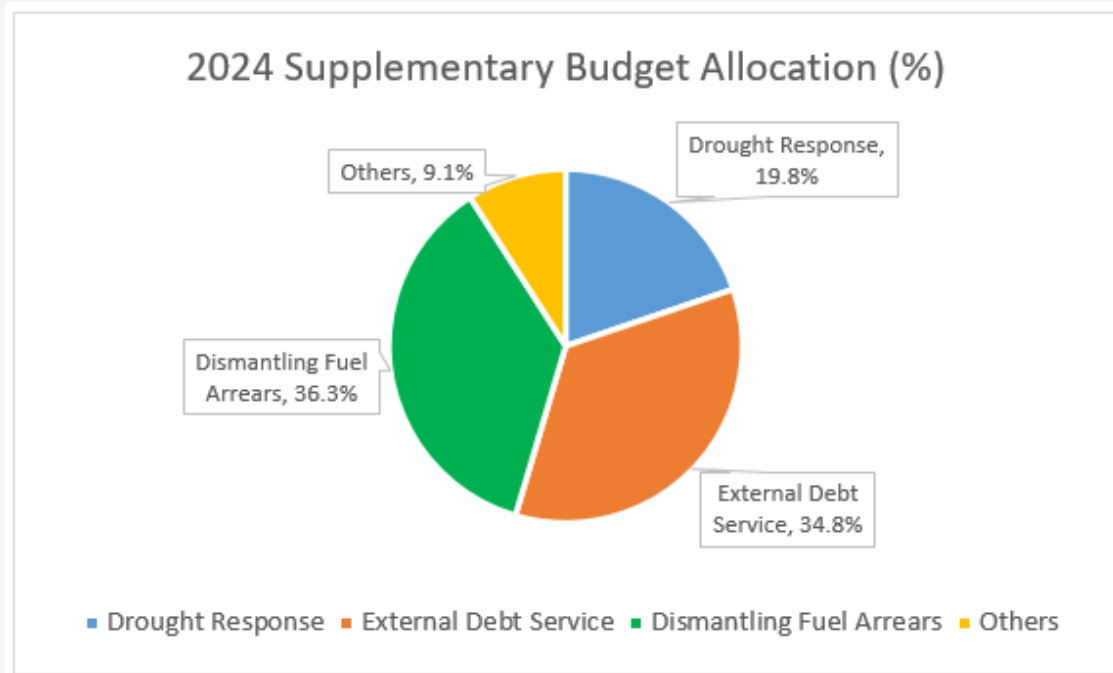


## **TWO**

# **Expenditure of Supplementary Budget**



The sector breakdown of the allocations of the ZMW 41.9 Billion is illustrated in the figure below:



Out of the ZMW 41.9 Billion of the Supplementary Budget, 19.8% or ZMW8.3 Billion will be allocated to the National Drought Response. Out of this amount, ZMW 5.2 Billion is allocated to Social Cash Transfer Programme under Ministry of Community Development and Social Services. ZMW14.6 Billion or 34.8% of the budget has been allocated to External Debt Servicing while ZMW 15.2 Billion or 36.3% of the Supplementary Budget has been allocated towards the dismantling of fuel arrears. The remaining 9.1% of the Supplementary Budget has been allocated to various areas including ZMW 306.6 million to Water supply and management for the maintenance and rehabilitation of dams in the 84 affected districts, help Government drill high production boreholes & provide water treatment chemicals for some water utility companies. Other areas are the allocation of ZMW 392.2 million to upscale the School Feeding program from Early Childhood Education to Secondary Education in about 37 affected districts; a ZMW 2 Billion for the Cash for work Programme; ZMW460 million to the Livestock and wildlife sector; and USD30 million advanced to ZESCO to enable the company to import electricity from Mozambique.

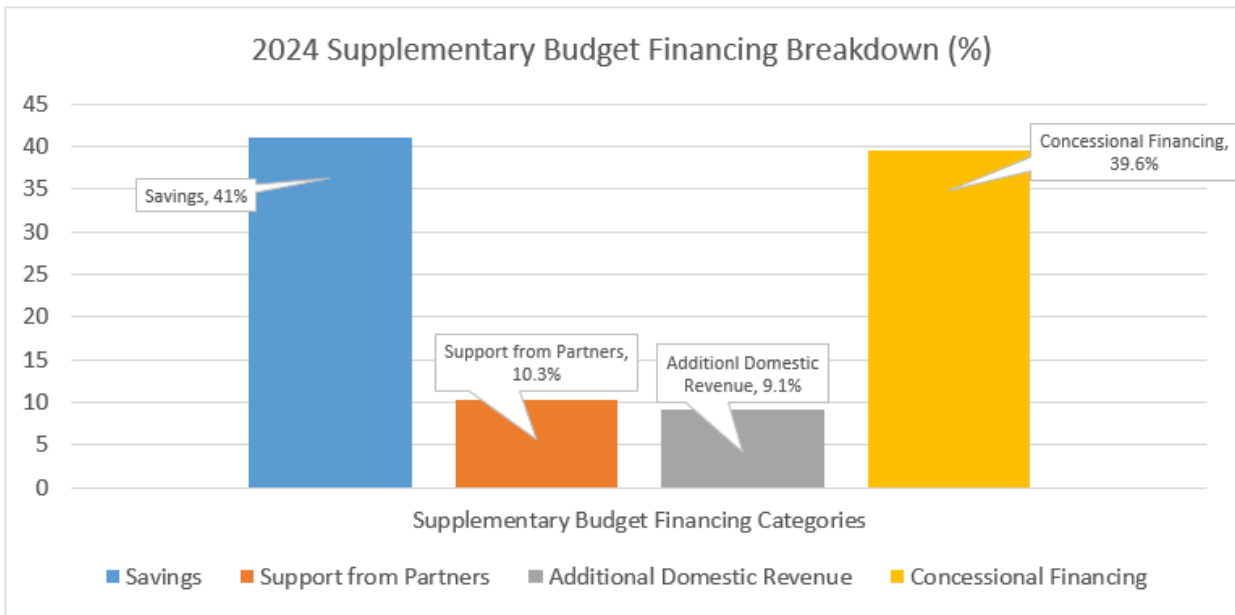


# **THREE**

## **Financing**



This Supplementary Budget is expected to be financed in the following manner:



- **Savings.** Government is expected to make savings of ZMW 17.2 Billion from existing budget allocations to various Government institutions and departments through cost cutting measures on workshops, local and international travel as well as other general Government operations.
- **Support from Partners:** ZMW 4.3 Billion has been sourced from co-operating partners in 2024 aimed at addressing the drought situation.
- **Additional Domestic Revenue:** ZMW 3.8 billion of this budget will be from additional revenues that have been realized in 2024 that were not part of revenue estimates. This includes dividends posted by the Bank of Zambia, which were more than earlier projected, as well as some moneys forfeited to the state from individuals and institutions who are believed to have irregularly acquired it.
- **Concessional Financing:** Government expects to raise ZMW16.6 Billion through domestic and external concessional financing. This will include a revision of the annual borrowing plan for 2024.





# **FOUR**

## **Observations**



Firstly, TI-Z would like to note the transparency Government has displayed in announcing the supplementary budget. Further, the realignment of resources can also be taken as possible Government responsiveness to how funds are being absorbed by MPSA's. However, from the submission made by the Hon. Minister of Finance and National Planning, all the drivers of the need for a Supplementary budget stem from the poor 2023/2024 rain season which brings to light a number of concerning issues including the failure by Government to take meteorological forecast into account for effective planning and budgeting, the lack of resilience in the Zambian energy sector through the lack of a diversified energy mix, and lack of food security resilience.

However, before the concerns related to the drought are discussed, it is important to mention that the assertion by the Minister on the drought as the main driver of the Supplementary budget may not necessarily be accurate. According to the Supplementary budget, external debt repayment stands at 34.8% of the total supplementary budget while dismantling fuel arrears stands at 36.3%. This implies that 71.1% of the total supplementary budget is going towards debt repayment in real terms leaving only 28.9% to support other interventions. This gives the impression that even if there had been no drought, this supplementary budget would have still been brought forward.

The 2023/2024 drought was reported by the Zambia Meteorological Department under the Ministry of Green Economy and Environment in October 2023 (Zambia Meteorological Department, 2023) and yet nothing in the 2024 Zambia National Budget enacted in December of 2023 reflected any response to this situation. Further, there was no publicity campaign by the Ministry of Agriculture or the Ministry of Green Economy and Environment for public awareness or to prepare citizens on how to approach the farming season.

The emergency drought response outlined in the Supplementary Budget have been allocated ZMW 8.3 Billion representing 19.8% of the Supplementary Budget out of which Social Cash transfer has been allocated ZMW5.2 Billion. The concern arising from this is that there has been no mention of enhancing administration, monitoring and accountability systems on the implementation of the drought response. According to the Auditor General's Report for the 2022 financial year, Social Cash Transfer had an underspend of 22.7% or ZMW462.6 million out of the ZMW 2 Billion that was allocated and released that year (OAG, 2023). In addition, there were a number of irregularities cited in the report including failure to avail disability cards for beneficiaries, irregular inclusion of civil servants as beneficiaries, delayed banking of uncollected transfers and unauthorized payments amongst others. The supplementary budget also mentions the introduction of "food for work " and "cash for work." This raises concerns about the selection criteria that will be employed in the execution of these initiatives.

As observed in the submission on Supplementary Budget, 9.1% of the revenue will come from additional domestic revenue including forfeited assets. It has been observed that through SI No. 10 of 2024 there has been the establishment of a department for the management of forfeited assets but there is need for the development of guidelines and regulations for transparency and accountable management and disposal of forfeited assets.

Although the move by Government to raise 41% of the revenue for the Supplementary Budget through savings on workshops and other operations is commendable, it has also been noted that only 10.3% will come as support from cooperating partners leaving 39.6% or ZMW 16.6 Billion to be raised from additional domestic and external borrowing. This leaves the threat of further straining the already stressed private sector and threatens our goals for sustainable public debt management.

In addition, the concessional loans of 39.6% are going to be used to partly clear a combined debt burden of 71.1% of the Supplementary budget. This approach of borrowing from Party A in order to assist in payments to Party B is not sustainable and clearly demonstrates the nation's debt distress.



# **FIVE**

## **Recommendations**



Having made the observations of the 2024 Supplementary Budget outlined by the Minister of Finance and National Planning to the National Assembly, TI-Z makes the following recommendations:

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**1**

.Government must ensure stronger budget credibility, transparency and accountability in public finance management as well as greater avenues for public participation in the supplementary budget development processes.

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**2**

.There is need for Government to pursue a more sustainable approach to addressing debt repayments rather than further borrowing in order to avoid the nation finding itself with even worse credit ratings. Government must also indicate when the amendment to the annual borrowing plan shall be tabled before parliament in line with the Public Debt Management Act.

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**3**

.There is need for Government to enhance administrative and accountability mechanisms for the drought response and Social Cash Transfer to avoid the administrative and financial irregularities as seen in the 2022 financial year.

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**4**

.There is also need for CSO and Citizen monitoring mechanisms for the drought response and Social Cash Transfer to spot and report maladministration and financial irregularities.

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**5**

.There is need for Cabinet Office to coordinate more effective responses to early warning assessments from the meteorological department and factor their implications into various Ministry operations and national planning and budgeting decisions.

## 6

There is need to enhance efforts by Ministry of Agriculture in food diversification and security

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## 7

.There is need for Ministry of Energy to ensure full implementation of the Renewable Energy Strategy and Action Plan for greater energy security and diversification of Zambia's energy mix.

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## References



Ministry of Finance and National Planning (2024) 2024 Supplementary Estimates of Expenditure N. 1 of 2024.

Office of the Auditor General (2023). Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31st December, 2022.

Zambia Meteorological Department (2023). Rainfall forecast 2023/2024 Season



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