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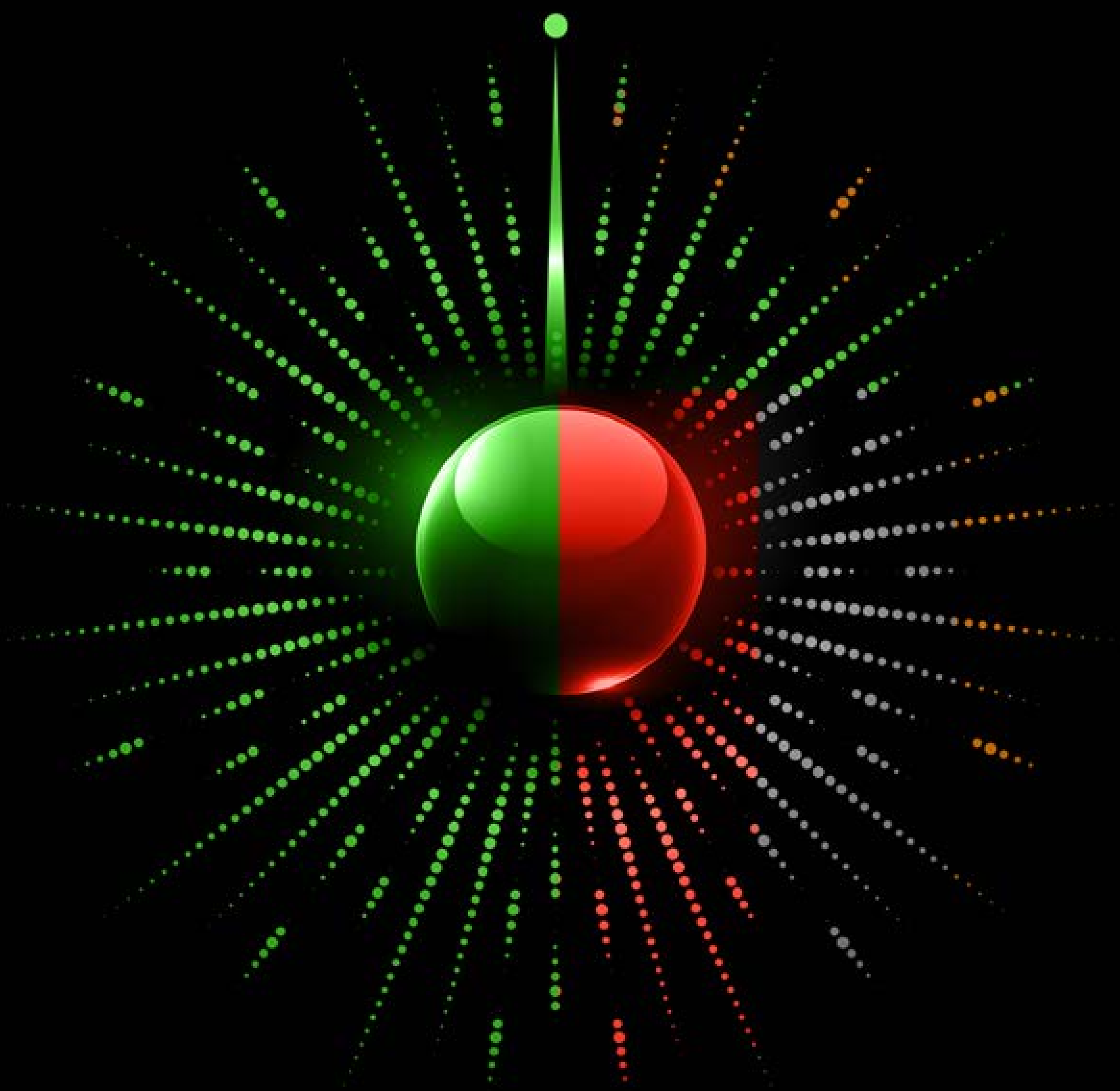

Zambia Budget 2025

Resilience, Recovery and Stability

MAKING AN IMPACT THAT MATTERS since 1845

Contents

Executive Summary

The Finance and National Planning Minister, Dr. Situmbeko Musokotwane, announced the 2025 national budget on Friday, September 27, against a backdrop of an exceptionally challenging year for Zambia.

Globally, economic growth has been constrained, decelerating from 3.3% in 2023 to a projected 3.2% in 2024. This slowdown is attributed to factors such as weaker growth in major economies, geopolitical tensions like the Russia-Ukraine war and the Israeli-Palestinian conflict, climate change impacts, and relatively tighter financial conditions.

Closer to home, Zambia has endured its most severe drought on record, resulting in significant socioeconomic challenges. Food insecurity, prolonged power outages, and limited access to clean water have become pressing issues. This drought was rightly declared a national emergency and the Government deserves recognition for its efforts to provide humanitarian aid to those most in need, in the form of social cash transfers and similar initiatives.

While Zambia's economy has shown resilience in the face of a number of global and local challenges, certain macroeconomic indicators have presented mixed results:

- Inflation has risen over the past year, reaching 15.6% at the end of September 2024 due to various factors including drought-induced food price increases and a weaker Kwacha. To combat inflation, the Bank of Zambia has implemented tighter monetary policies, including progressively raising the Monetary Policy Rate and the Statutory Reserve Ratio.

- Zambia's economic growth is projected to slow from 5.4% in 2023 to 2.3% in 2024, primarily due to the drought's impact on agriculture and energy production. On the positive side, however, the economy is expected to rebound in 2025, with a projected GDP growth rate of 6.6%, underpinned by recovery in the agriculture and mining sectors, as well as continued growth in information technology, hospitality, and construction. Considering Zambia's population growth rate is estimated at 3%, its pleasing to see enhanced ambition in Government's GDP targets going forward.

- Despite increased lending rates, private sector credit growth remains robust, expanding by 36.9% in July 2024. The banking sector remains resilient with adequate capital, liquidity, and asset quality.

Despite these challenges, Zambia has made significant strides in fiscal discipline which have been a shining beacon for our prospects in 2025 and beyond. These include:

- On the energy front, the Government has enhanced its focus on climate-resilient energy solutions (e.g. the new 300MW plant in Maamba and other solar based solutions), which is commendable.

- Given the importance of the mining sector to Zambia's economy, during the year, the Government prioritized reviving the industry by resolving the challenges at key mining operations (i.e. Konkola Copper Mine and Mopani Copper Mine), attracting fresh investment into green field mining operations (e.g. at Mingomba), and encouraging mineral exploration by launching the aerial geological & geophysical mapping of the country. With these efforts, the country's mining sector is poised for substantial growth in the coming years.

- The Government's external debt stock excluding publicly guaranteed debt increased marginally by 4.1% to USD 15.17 billion by June 2024. Publicly guaranteed debt decreased slightly (by 1.3% from USD 1.41bn as at December 2023 to USD 1.39bn as at the end of June 2024). Domestic debt shrank 3.1% to K225.5 billion due to tight liquidity conditions. A significant reduction in Government bills to suppliers by year-end is anticipated. The overall deceleration in the country's debt contraction rate, is a pleasing metric.

- Gross international reserves increased to USD 3.9 billion by July 2024, equivalent to 4.3 months of import cover, denoting the country's enhanced ability to withstand external shocks, which is commendable. We note, however, that economic experts, including the IMF, postulate that that on account of Zambia's vulnerability to climate shocks and over reliance on a mono commodity, copper, an enhanced import cover of around 5 months, would be more optimal (refer to page 18 of the IMF Country Report No. 22/292 of 2022), which seems within reach.

With this context, we would like to present Deloitte's 2025 National Budget Analysis under the banner of *"Resilience, Recovery and Stability"*. This booklet provides a thorough analysis of the budget, examining its key priorities, potential outcomes, and challenges. I wish you happy reading, and as always, please feel free to get in touch with us for any clarifications, further information, or other support.

Humphrey Mulenga
Country Managing Partner
Deloitte Zambia


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Economic Commentary - 2025 National Budget

Macroeconomic Landscape

"... Global Growth Remains Resilient and Anticipated to Remain Steadfast

1. On Friday, 27th September 2024, Dr. Situmbeko Musokotwane, the Minister of Finance and National Planning, presented the proposed 2025 National Budget to the National Assembly. Next year's National Budget aims to address the social and economic impacts of the severe drought experienced in 2023/24 rainy season by promoting economic recovery while promoting growth to improve livelihoods of Zambians. Additionally, the budget aims to enhance economic resilience to climate change and external shocks. Given the foregoing, the theme for the 2025 National Budget is **"Building resilience for Inclusive growth and improved livelihoods"**.

   In his speech, the Minister acknowledged resilient global growth despite geo-political tensions and on-going conflicts in the Middle East and the Russia-Ukraine war. Global growth is projected to be 3.2% in 2024, slightly lower than the 3.3% achieved in 2023, even lower than the 3.5% achieved in 2022. Sustained global growth, amidst tight global liquidity conditions, is being driven by strong aggregate demand resulting from increased household spending due to improved real incomes as global inflation moderates, higher government expenditures in advanced economies, and a reduction in supply-side constraints that have supported global production expansion. Sustained global growth has contributed to higher commodity prices, including copper, Zambia's main export earner, thereby bolstering economic growth in commodity-dependent economies. For example, between 2021 and 2023, copper prices averaged US $8,876.60 per ton, compared to US $6,237.90 between 2018 and 2020, and in 2024, prices have surged to an average of US $9,117.80 year-to-date.

   Looking ahead, global growth is projected to remain stable at 3.3% in 2025, supported by expanding aggregate demand stemming from easing monetary policies in advanced economies. In turn, strong growth in advanced economies will keep commodity prices high, leading to relatively stronger growth among commodity exporting countries such as Zambia. Furthermore, the expected improvement in global liquidity will facilitate increased capital flows to emerging market economies that have so far struggled with limited access to global capital markets. Consequently, we anticipate greater investor optimism, which will further bolster economic growth.

.. 2024 is economically proving difficult for Zambians but the future looks bright

2. Locally, the budget notes the following severe challenges affecting the Zambian economy and ultimately impacting the 2025 National Budget:
   - The Zambian economy is expected to ***slow down significantly in 2024*** due to the adverse effects of the drought during the 2023/24 rainy season. The drought severely impacted agricultural production and further hampered hydro-electricity generation, which Zambia relies on for 84% of its electricity supply. This has resulted in electricity load management across the country, negatively affecting productivity across all sectors. On the demand side, higher inflation due to low grain supply has eroded people's real incomes, leading to less household spending. As a result, Zambia's GDP growth is projected to slow down to 2.3% in 2024, down from 5.4% in 2023. While the slowdown is expected across all sectors, agriculture and energy sectors will be hit the hardest.

   - Mining production has continued to face challenges, and this is expected to worsen as a result of inconsistent power supply. ***Copper production has steadily*** declined over the past three years, falling from a peak of 881 000 Metric Tonnes ("MT") in 2021 to 698 000 MT in 2023. The decline in copper production has adversely impacted our copper export earnings which have dropped by circa US $ 2billion to US $ 6.6billion in 2023 compared to US $8.4 billion in 2021. The decline in copper earnings, combined with raising import volumes, has resulted in Zambia's current account balance shifting from a surplus of 12.4% of GDP in 2021 to a deficit of 2.0% in 2023. This has exacerbated pressure on the Zambian Kwacha, which has depreciated by more than 58% since December 2021.

   - Inflationary pressures have escalated owing to rising food prices compounded by the weakening of the Zambian Kwacha. Inflationary pressure started building up in July 2023, initially in response to the depreciation of the Kwacha. However, in recent months, inflation dynamics have largely been linked to higher prices of staple foods, emanating from the adverse effects of the drought on the agricultural sector. Annual inflation accelerated from 9.8% in June 2023 to close the year at 13.1% as at end-December 2023. In 2024, inflationary pressures have continued escalating reaching with annual inflation rising to 15.6% as at end-September 2024. To fight inflation, the Bank of Zambia has kept its Monetary Policy stance tight, raising the policy rate to 13.5% from 11% and the Statutory Reserve Ratio to 26% from 17%.

   - Although the New Dawn Government has made significant strides in its fiscal consolidation efforts, the fiscal deficit remains wide and continues to expose vulnerabilities to the fiscus. The fiscal deficit has consistently narrowed from 13.8% of GDP in 2020 to 5.7% in 2023. It was projected to narrow further in 2024 to 4.8% but expenditure pressures arising from efforts to mitigate the crisis caused by the drought as well as its negative effect on revenue collection will see the fiscal deficit widen to 6.4% in 2024. Fiscal consolidation remains a key component informing government's overall fiscal stance to support an Extended Credit Facility (ECF) arrangement from the IMF. Fiscal consolidation targets agreed under the IMF's ECF requires government to cut down on 'wasteful' expenditure enhancing

- As a consequence, the 2025 national budget seeks to narrow the fiscal deficit to 3.1% of GDP in the next financial year.

- Government has finalized 75% of the debt restructure process after agreements with the Official Creditors Committee ("OCC") and Eurobond holders were concluded. Although the level of total public debt indebtedness remains high at 133% of GDP, the debt restructure has helped to create fiscal space through reduced debt service in the next three years. This will give breathing space to government to implement reforms to enable the country to meet its debt service obligations. In value terms, external debt stood at US $15.2 billion as at end-June 2024 compared to US $14.6 billion at end-December 2023, an increase of 4.1% due to disbursements from IMF under the ECF arrangement and other Multilateral Development Banks ("MDBs") as well as further accumulation of arrears. Government's debt service will remain high as it stood at 53.2% of Revenue and will remain high once the authorities start external debt service obligations next. To avoid accumulation of more external debt and as a commitment made under the Extended Credit Facility ("ECF") arrangement, Government is no longer using non-concessional commercial external debt instruments to finance the deficit as it is now relying more on domestic borrowing and concessional loans from MDBs as well as grants.

- High levels of inflation, high credit risk, tight monetary policy by Bank of Zambia and crowding out effects of the Government's reliance on the domestic capital market for budget financing has kept the cost of credit significantly high compared to other markets. Interest rates have risen to an average of 28.7% in August 2024 from an average of 26.6% in December 2023. Because of the high cost of borrowing, many private sector players, especially SMEs are locked out of the credit markets, hindering the New Dawn Government's objective of a private sector led economy.

- On a positive note, Zambia's Foreign Exchange Reserves have increased to circa US $3.9 billion (4.3 months of import-cover) in July 2024 from US $3.3 billion (3.7 months of Import-cover) as at end of December 2023. This improvement is largely attributed to the US $570 million disbursement by the IMF under the ECF arrangement. This improvement occurred despite the deterioration in the country's external balance due to the declining exports amidst rising imports. Although the Foreign Exchange (FX) reserves have improved, there is need to enhance them to 5 months of import cover given the country's exposure to climate change shocks and lack of diversification due to reliance on copper exports.

... Economic Environment is Challenging. How is the Budget Responding to it?

3. As earlier outlined, 2024 is a significantly challenging year for Zambia's economy and presents a worrying situation. Overall, growth momentum has slowed down significantly, with first half growth rates of 2.2% and 1.7% in Q1 and Q2 of 2024, respectively, compared to 4.0% and 5.3% during the same period in 2023.

4. The current economic environment poses a challenge to social and economic gains that have been achieved thus far and requires appropriate and decisive responses. To minimize short-term challenges, the Minister indicated that Government is responding through mitigating the energy situation by importing electricity from Mozambique, Namibia, and South Africa. Further, Government will continue

supporting and improving the living standards of the vulnerable through social safety nets such as Social Cash Transfer and Cash for Work programs.

5. The 2025 National Budget presents the following macroeconomic objectives:

- Attain real GDP growth of 6.6%
- Lower inflation to the medium-term target of 6-8%
- Maintain International Reserves at 3.0 months of import cover
- Increase domestic revenue to 21.3% of GDP
- Reduce the fiscal deficit to 3.1% of GDP
- Limit Net Domestic borrowing to 1.9% of GDP

... How is Government Planning to Achieve these Objectives?

... On the supply side, a number of initiatives are proposed in the Budget

6. To achieve these objectives, the Minister proposed a number of measures across various sectors to promote economic diversification and enhance economic resilience. ***Firstly,*** the Minister reiterated that Government will continue sustaining a positive investment climate in the mining sector to keep existing investors as well as attract more investors into the sector. He further cited the re-opening of Konkola Copper Mines and Mopani Copper Mines, which were handed back to the private sector. Other old mines that have been resuscitated include shaft 28 in Luanshya; Lubambe Mine with an investment of US $300 million; Kalengwa Mine in Mufumbwe with an investment of US $ 200 million; Kitumba mine in Mumbwa; and US $ 2 billion investment in Mingomba open pit mine. Further, the minister indicates in addition to sustaining investment climate, the Government has launched a country-wide high-resolution aerial geophysical survey to generate reliable and updated data information the country's mining potential.

We expect mining production, especially copper, to improve in the coming years once all key investments in various mines outlined above are completed. This will be supported by Government commitments to keep the mining tax regime unchanged despite strong commodity prices on the international market. Stability of the mining tax regime has been cited as a major roadblock to attracting new investment in the mining sector. However, it is my view that the actions outlined by the Minister may have limited impact on mining production within a year's period owing to long-term nature of mining project implementation and the ongoing energy challenges which have hampered mining activities.

7. ***Secondly,*** the Government remains committed to mechanizing the agriculture sector to improve productivity and insulate the sector and economy to effects of climate change. In his speech, the Minister affirmed government's resolve to stick to the Comprehensive Agriculture Transformation Support Program ("CATSP") which has seven components, namely, irrigation, mechanization, financing, farm blocks, extension services, input support, agro-processing, and infrastructure development. In order to Insulate the sector against the effects of climate change, Government has allocated K2.3 billion to construct 947 new boreholes and rehabilitate 500 and construct 12 new dams and rehabilitating 14. Furthermore, the Minister has re-affirmed that Government's position to enhance governance of the Farmer Input Support Programme ("FISP") and ensure only eligible people benefit. Government

also proposes measures to increase agricultural hectarage under farm blocks.

In the fisheries sector, Government has proposed to enhance availability of fingerlings by constructing new hatcheries and greenhouses which will increase production of fingerlings to 460 million in 2025 from current 433.4 million. In the livestock sector, on the other hand, Government will prioritize disease control and prevention as well as introducing better animal breeds for the farmers.

These measures are anticipated to improve productivity in the agriculture sector which in turn would enhance agriculture production. More importantly, we expect the agriculture sector to become increasingly resilient to climate change over the coming years thereby insulating the economy to shocks. However, the proposed measures are more likely to have stronger impact in the medium-term than in the near-term and hence the desired impacts on 2025 growth may be limited.

8. ***Thirdly,*** the Minister reiterated Government's commitments to diversify the country's energy portfolio which is highly dependent on hydropower for its supply. This has continued to expose the country to climate shocks such as the recent drought which has left the country in near darkness with dire impacts on the economy. To encourage households who can afford to generate their own electricity, Government is implementing the net-metering system to allow households to supply excess power to the National Grid. Additionally, the construction of an additional thermal plant at Maamba Collieries to produce 300 MW and several other solar power projects earmarked for construction at strategic locations, are underway to mitigate the power crisis in the short to medium term. In the short-term, power importation and solar energy interventions will mitigate the negative effects, but this will not be enough to wipe the deficit. Additionally, ongoing investments will impact the economy positively in the short run at the implementation stage. In my view, in addition to efforts being implemented, there is need to also tap into the country's geo-thermal potential. The country can learn from countries which form part of the great rift valley that have deployed geo-thermal energy solutions such as Kenya and recently Tanzania. Furthermore, there is need to enhance hydro-power generation in the northern region which has abundant water resources and boasts a much better rainfall pattern compared to the southern region where most of power generation facilities are located.

9. ***Fourthly,*** In the manufacturing sector, the Minister announced Government's commitment to make Zambia a manufacturing hub through utilizing the concept of Multi-Facility Economic Zones ("MFEZ"). In recent years, the MFEZ concept has been a key driver of the manufacturing industry in Zambia. For example, the Lusaka South MFEZ has 30 fully operational companies and 21 are at construction phase whereas total pledged investment stand at US $1.6 billion. The Minister informed the house that government is in the process of establishing MFEZs for beef in Kafue flats and crop production in Kafulafuta, Lufwanyama, Masaiti and Ngabwe districts. In the short-term, the Manufacturing sector will continue to bear the effects of load-shedding and may take a couple of years to recover fully. However, we expect recovery in energy supply, agriculture production and the actualization of investment

pledges to continue driving the growth of the sector in the medium-term.

10. For ***Small & Medium Enterprises (SMEs)***, the Minister of Finance acknowledged their importance in job creation and ultimately poverty alleviation. The Minister acknowledged that SMEs continue to face challenges in accessing to realize their potential. To address these challenges to accessing finance, Government has proposed to increase the allocation under the Zambia Credit Guarantee Scheme to K851.7 million in 2025 from K386 million in 2024. Additionally, Bank of Zambia (BOZ) will roll out a support facility where it will give financial institutions funds for on-lending to businesses and households at concessional rates to mitigate effects of the energy deficit and drought. Further, BOZ is working with the private sector to establish a credit guarantee scheme to enable access to finance for SMEs.

    Though the measures proposed are a step in the right direction, there is more the country needs to do to ensure that SMEs have sustained access to credit. There is need for BOZ to accelerate the implementation of BASEL III so that insurance and guarantees become eligible for capital relief. This will enable Banks to use risk mitigating measures to get capital relief and boost their appetite for SME lending. At the moment, Banks are less willing to lend to SMEs because of their higher default risk and moreover insurance/ guarantees do not offer any capital relief and only affects their costs through higher provisioning under new forward looking accounting rules.

11. In his speech, the Minister reiterated Government's commitment to promoting growth of the Information, Communication and Technology (ICT) through policy and infrastructure support. Infrastructure provision will further enhance ICT penetration and continue to support the growth of the sector. Governments drive to ensure that most of its services are offered online as well as financial institutions achievable ambition of a cashless society will continue to buttress the growth of the ICT.

... Initiatives in Social Sector to Drive Short-term Growth

12. In the short-term, growth prospects will be driven by aggregate demand which will come through Government's significant allocation of resources to the social sectors which directly impacts household expenditure. ***Social safety nets*** such as social cash transfer, cash for work programme, Food Security Pack, and Pension allocation places resources directly in the hands of consumers for immediate expenditure. Hence, we expect such initiatives to boost aggregate demand directly and ultimately support growth.

... Are Objectives Achievable? Yes, or No?

13. Proposals in the 2025 Budget coupled with previous policy pronouncements provides positive grounds for strong growth in next fiscal years. However, I expect these measures to have strong impact in the medium-term than in 2025 as most of the pronouncements require time for them to bear fruits. So, ***for 2025***, we still ***expect positive growth*** but well below the budget target of 6.6%, supported by recovery in agriculture production and energy sector on the supply side while on the demand side we expect the allocations to the social sectors to boost demand for goods services and ultimately.

14. Moreover, ***I do not expect electricity generation*** to quickly turnaround in 2025 to support other sectors. Expert estimates suggest this may need 2-3 rainy seasons of good rains to fill water reservoirs at various

electricity generation plants to support full capacity operations. Other obstacles to growth include tight monetary policy which has led to higher cost of borrowing, which potentially may hinder the recovery of the private sector from this climate change disaster.

15. In the medium-term, we are optimistic that economic growth will benefit significantly from the proposed policies as well as other measures being implemented. I expect these measures to support growth levels of 6% above driven by recovery in ***mining, a resilient agriculture, strong manufacturing base and strong household expenditure.***

16. Going forward, we expect inflation to remain elevated due to a weaker Kwacha and supply deficit for staple foods. However, it is anticipated that inflation pressure will start declining by mid-2025 as the new agriculture crop come on stream during 2024/25 harvest season. Even then, we expect inflation to still remain above the upper target of the BoZ medium-term target of 6-8%.

17. The country will continue maintaining its FX reserves position during the rest of 2024 and into 2025. This will be aided by ongoing International Monetary Fund ECF arrangements which will help boost reserves when disbursements are made as well as strengthening of the external position due to a mild recovery in copper production amid elevated copper prices.

18. With regards to fiscal balance, the Minister will face significant challenges to attain this objective in 2025. The current economic slowdown will result in a number of companies posting losses on their operations and these may become deductible against future profits. Additionally, we expect indirect taxes (VAT, excise duty, fees) to decline due to diminishing consumer spending. Hence, a much wider fiscal deficit is expected given the much lower revenue projected due to economic challenges. In other words, the GDP growth assumed for revenue is much more optimistic.

19. As a consequence of a wider fiscal deficit and the fact that government's external borrowing is restricted to concessional financing, I expect government to rely more on domestic financing to meet its financing gap. Hence, achieving a 1.9% domestic financing gap while maintaining the level of expenditure will prove to be difficult. ”

Patrick Mumbi Chileshe
PhD, CFA, FRM
Economist
28 September 2024

Sector Analysis

Economic Transformation And Job Creation

Agriculture, Livestock and Fisheries

The agricultural sector remains the mainstay of the Zambian economy with a significant contribution to employment and potential GDP. However, the sector continues to be dominated by smallholder farmers that have yet to realize their full potential due to low productivity, inadequate mechanization, limited market access and low participation in value addition that promises higher returns. The sector remains susceptible to the adverse effects of climate change and farmers continue to incur post-harvest losses.

Government's proposed budgetary interventions build on the Comprehensive Agriculture Transformation Support Programme (CASP) strategies that it has been implementing in the last two years. The budget proposes to:

- Continue promotion of irrigation by constructing dams. Through the 2025 budget, five new dams will be constructed in Katete, Kashambana, Nkeyema Kalomo, Mulobezi and Pemba.
- Continue implementation of the FISP but improve on efficiency and targeting by migrating to the e-voucher system.
- Continue livestock diseases surveillance, stocking and restocking programmes aimed at increasing the quality and quantity of the cattle herd in the country.
- Continue establishment of new hatcheries for fish fingerlings.

K15.4 B

budgeted to Agriculture, Livestock and Fisheries

Forecasted increase in livestock production to 7 million by 2027

Aimed increase of fingerling production from K433.5 m (current) to K460 m in 2025

"It is impressive that government has continued to be consistent in its interventions aimed at enhancing agricultural productivity and creating resilience against climate change through the promotion of crop irrigation as well as improving the stocks of livestock and fish across the country. However, some of the continuing policy measures such as aggressive implementation of CASP by deploying extension workers and lowering the cost of inputs for the revival of the sector remain undone. In addition, the budget allocations have continued to be lop-sided with FISP and the strategic food reserve respectively 60.4% and 15.6% of the sectoral budget.

While investment in FISP is critical for short term food security, evidence shows that the programme has failed to address the problems of low productivity, large post harvest losses, and address poverty among the many beneficiaries. In addition, promoting efficient and targeting the

Agriculture, Livestock and Fisheries

FISP beneficiaries through the e-voucher system will require government to invest not only in improving mobile phone connectivity in many unserved rural areas but also helping them to access mobile phone devices. This will reduce the reliance of several households on one mobile number that exposes the system to corruption.

Looking ahead, it is important that government balances its budgetary priorities by improving funding to equally critical areas of the sector such as addressing the market access problems that continue to impede agriculture investment especially in remote areas. Further, government should invest in more initiatives on research and development and post-harvest loss reduction, value chain developments complemented by out grower schemes that have potential to support government's diversification and equitable growth agenda.

Finally, it is laudable that government will invest in constructing new dams in areas that are already productive rather than new farm blocks. This will undoubtedly improve resilience to drought induced climate problems. However, these efforts will need to be supplemented by building capacity among farmers to ensure that they adopt climate change smart agriculture while enhancing productivity through commercialisation. ”

Dr. Dale Mudenda, Economist and Researcher at University of Zambia

Mining

The mining sector continues to be a major driver of the economy, accounting for 17 percent of 2024 of GDP as of June 2024. Copper production in the first half of 2024, increased by 6.2 percent to 346,747 metric tonnes from 326,408 metric tonnes produced in 2023 during the same period under review. This is consistent with the strategy the Government introduced when they came into power in 2021 and aligns with the target of three million tonnes of copper production.

Government established three (3) steps to attain the target of three million tonnes of copper production. These steps aim to revive the mining industry following the difficult conditions being experienced by the Zambian economy and will help to establish a strong economy:

Firstly, to re-open mining companies that were locked up in legal disputes. Through this step, Konkola Copper Mines and Mopani Copper Mines have been revived.

Secondly, improving the mining investment climate. This has been achieved noticeably from the following:

- Implementation of production expansion projects by First Quantum Minerals and Lumwana Copper Mines;
- Revival of Shaft 28 in Luanshya, a mine that had been abandoned for nearly two decades, and will create 3,000 jobs;
- Expansion of Lubambe Copper Mines with an initial investment of US $300 million;
- Kalengwa Mine, in Mufumbwe which will be coming on board with an initial investment of about US $200 million;
- Opening of a copper mine in Kitumba in Mumbwa District which will create 2,500 jobs; and
- Investment of a total of US$2 billion at the recently commissioned Mingomba Mine project in Chililabombwe. This will create over 1,000 jobs.

The tax regime has remained unchanged, creating further stability for this critical sector.

Thirdly, encourage mineral exploration: the Government has launched a country-wide high-resolution aerial geophysical survey which will generate reliable and updated geological information to support investment in greenfield projects and expansion of brownfield projects. Government will also continue to encourage explorations of hydrocarbons such as oil and gas to help unleash areas of new investments for the country.

The above will create an increase in jobs and foreign exchange earnings in the next few years.

Furthermore, Government will this year formalise trading in gold and is currently establishing gold marketing centres with pilot projects in Mumbwa and Rufunsa districts.

> ***"Despite the limited reforms, government needs to continue managing the mistrust between the public and mining firms and concerns of mines not paying their fair share of the taxes. This will require government to continue strengthening capacity in its tax authority and support institutions to ensure compliance and transparency in the sector."***
>
> *Dr. Dale Mudenda, Economist and Researcher at University of Zambia*

Government target to increase copper production to three million tonnes

Investment of US$ 2 billion to Mingomba Mine

Energy

The current crippling energy crisis is primarily due to dependence on hydropower which accounts for 84 percent of total power generated. Due to the drought, the current generation capacity has significantly reduced to around 1,225 megawatts against the installed capacity of 3,811 megawatts, causing severe shortage of electricity. In a bid to urgently address the power deficit, the Government has taken a multi-pronged approach, and this include the following measures:

- Importing power from other countries, notably Mozambique, Namibia, South Africa and Zimbabwe;
- Promoting the use of off-grid solutions such as industrial generators and solar systems. These are being installed in markets, public hospitals and schools;
- Encouraged the construction of an additional thermal power plant in Maamba to double capacity to 600 megawatts by next year;
- ZESCO and private investors are investing in several solar power stations at several strategic locations, including in Chisamba 100 megawatts, Choma 50 megawatts, Kasama 100 megawatts, and Kariba 100 megawatts;
- Implementation of the net-metering initiative to encourage consumers to generate power and supply excess to the national grid. Further, the Government launched Energy Single Licensing System to streamline the licensing process, aimed at reducing the period applicants take to obtain licenses and permits for energy projects; and
- To increase access to electricity in rural areas, Government will continue implementing the Rural Electrification Programme. So far, 131 Grid Development and 38 Off-Grid Renewable Energy Projects have been completed. The Rural Electrification Authority is currently operating 12 mini grids resulting in 2,095 connections. By the end of the year, 15 new solar projects will be completed and will result in 3,421 connections.

To mitigate the impact of the drought on the agriculture and energy sectors, the Bank of Zambia will soon roll-out a support facility. Funds will be provided to eligible financial institutions to on-lend to non-financial businesses and households operating in these sectors at concessional interest rates. In addition, the Bank of Zambia has been collaborating with the private sector to establish a credit guarantee scheme to enable affordable credit to micro, small and medium enterprises.

"Looking ahead, the government initiatives to diversify the sources of power are commendable. The use of PPP and encouragement of independent power producers will also reduce the financial stress on the national power utility that also remains indebted. However, given the previous power pricing between ZESCO and IPPs and loss-making power pricing by ZESCO to consumers, the policy measures could be put in place to encourage the IPP to directly supply power to large commercial consumers especially mines at the market price rather than ZESCO continuing to subsidizing them. In the face of increased off-grid solutions such as solar systems, government should adopt a decentralized energy planning to incorporate local councils."

Dr. Dale Mudenda, Economist and Researcher at University of Zambia

Forecasted 15 new solar projects to result in 3,421 conections from 2,095

Bank of Zambia to roll-out support with funds to eligible financial institutions

Transport and Logistics

The Government acknowledges that the transportation sector is vital for unlocking economic transformation and remains committed to enhancing transport infrastructure.

Through this commitment Government has recorded recent developments in the following areas:

- 210 kilometres Chinsali-Nakonde Road is at 98 percent, with completion target by end of 2024.
- Secured funding from Cooperating Partners for the rehabilitation of 162 kilometres of the Chinsali-Mpika Road.
- Completed the Rehabilitation design review of the 238 kilometres of road network from Serenje to Mpika through the Transport Corridor for Economic Resilience Project.
- Rehabilitation and upgrading the 71 kilometre Monze-Niko Road and rehabilitation of the Lusaka-Mongu Road from Tateyoyo Gate to Katunda/ Lukulu Junction, covering 87- kilometres.
- Rehabilitation of the 88 kilometre Batoka-Maamba Road.
- Concluded negotiations with Millenium Challenge Corporation for Grant financing of US$458 million to rehabilitate and maintain the 222 kilometre Chipata-Lundazi Old Magodi road and 116 kilometre Landless-Mumbwa Road.
- Through the adopting of the Public Private Partnership (PPP) mode of financing, seven projects have been signed with a total coverage of 838 kilometres. Among them, the following have been embarked on:

i. The Chingola-Kasumbalesa Road that has just being completed and is operational.
ii. The Lusaka-Ndola Dual Carriageway, including the rehabilitation of the Masangano-Fisenge-Luanshya Road, earmarked to be completed in 2026.

- 4,806 kilometres of feeder roads have been graded, rehabilitated or maintained across the country of which 2,980 kilometres were graded and maintained under the Constituency Development Fund, and the rest under the Improved Rural Connectivity Project
- Government signed a Memorandum of Understanding with China and Tanzania to modernize the TAZARA Railway, aiming to increase its capacity from 500,000 to 2.5 million metric tonnes annually.

Further, Government aims to accelerate the acquisition of an additional grant financing for the long-term rehabilitation of the railway system from Chingola to Livingstone, and continue the discussions with the with Cooperating Partners for possible support with rail wagons and locomotives.

> ***"The rebalancing of expenditure on transport from previous bias towards urban roads to trunk roads and rural roads is commendable. The proposed investment in the rail networks will assist to shift some of the bulk cargo from road to rail ways which is important in reducing tear and wear of the road infrastructure. However, as previously noted, government should expedite the establishment of innovative financing models that allow for citizens participation such as an infrastructure development fund Further emphasis should be placed on developing climate change resilient infrastructure especially in rural areas. These developments must also help to remove restrictive transport policies such as night driving bans that slow down businesses and constrain growth."***
>
> *Dr. Dale Mudenda, Economist and Researcher at University of Zambia*

TAZARA railway modernization expected to increase capacity to 2.5 million metric tonnes annually

US$ 458 m from MCC grant financing to rehabilitate roads

Tourism

Robust marketing as well as effects of waiver of visa fees have continued to have a positive impact on the tourism sector. The country saw an increase 21% in international arrivals to 732,732 compared to 2023.

To continue with this growth in the sector, Government intends to:

- Further boost tourism, plans are underway to operate the Victoria Falls Border for 24 hours.
- Continue to collaborate with neighbouring countries in the development of Transfrontier conservation areas to conserve biodiversity and promote integrated transboundary management with agreements with Malawi, Mozambique and Zimbabwe having been signed.

Government's commitment to support the development of tourism infrastructure at Kasaba Bay, Liuwa Park and the source of the Zambezi River through the US$100 million Green, Resilient and Transformational Tourism Development Project has commenced with feasibility studies. Construction works are scheduled to commence in 2025.

K1.3 billion has been allocated for the development of tourism infrastructure, wildlife conservation and tourism marketing.

> ***"The measures to diversify tourism destinations from the dominance of the South to the Western and Northern circuity by developing the requisite infrastructure by government is commendable. This measure could help to increase the length of stay of international tourisms. Government must not also lose sight on continued development and marketing of other equally important tourism attractions and implementation of a single a single licensing system and a two-tier system to promote domestic tourism."***
>
> *Dr. Dale Mudenda, Economist and Researcher at University of Zambia*

Manufacturing

Government's industrial policy objective is to transform Zambia into an industrialized country where the manufacturing sector accounts for a significant share of GDP. To achieve this, the budget laid out several measures to boast manufacturing in the country.

To promote growth in the sector, Government will continue to develop and support multi facility and special economic zones. Most notably, the Lusaka South Multi Facility Economic Zone attracted a total of $1.6 billion from over 30 companies and created about 16,000 jobs. 21 companies currently at construction stage have created 8,450 jobs. In addition, the Jiangxi Multi-Facility Economic Zone in Chibombo has attracted investment more than US $40 million in the production and recycling of batteries and manufacturing of copper cables, creating more than 400 jobs.

Furthermore, the Government with the goal to become an export hub for beef and crops, is in the process of establishing special economic zones for beef in the Kafue Flats and crop production in Kafulafuta, Lufwanyama, Masaiti, Mpongwe, and Ngabwe districts.

Government made the following key pronouncements that are intended to enhance the performance of the manufacturing sector:

- Reopening of Zambia - China Mulungushi Textiles in August 2024 with a planned investment of US $170 million and expected to create more than 500 jobs. The development will be done in four phases;
    1. Phase I - printing of fabrics and garments,

Manufacturing

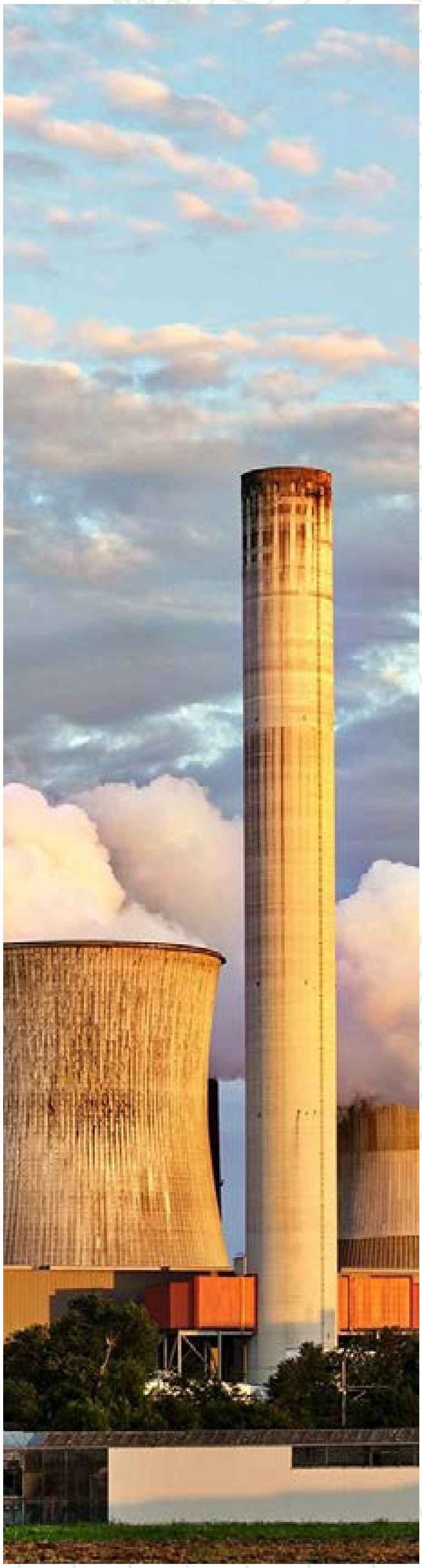
2. Phase II - solar panel assembly,
3. Phase III - installation of a spinning facility and a 20-megawatts solar power plant and
4. Phase IV - development of the cotton value chain and will include engaging small-scale farmers through an out-grower scheme.

- Production of fertilisers - the country moved from being a net importer to net exporter of urea exporting over 19,000 metric tonnes of fertiliser in 2023 and this year more than 91,000 metric tonnes will be exported to neighbouring countries. Further, construction of a urea plant with a production capacity of 300,000 metric tonnes per annum is expected to be commissioned by early 2025 making Zambia self-sufficient in fertiliser and creating about 2,000 additional jobs.

21 companies currently at construction stage have created 8,450 jobs

"The government efforts to accelerate industrialization is laudable. However, efforts aimed at increasing research and development and development of appropriate skills, especially in the face of digitization of economies, remains critical to the future of the sector. In addition, unstable macroeconomic, general trading environment that fails to control counterfeit products and poor performance of the agriculture sector remains disenabling to the manufacturing sector. It is important for government to continue developing requisite skill with a long-term horizon (where need be, import them), stabilize the macroeconomic environment and providing targeted incentives to generate an industrial revolution. Further, the extension of MFEZs to agriculture in the face of low budget allocation to the sector remains to be seen. The strategic policy could explore facilitating such as zones throughout grower schemes aimed at promoting value addition."

Dr. Dale Mudenda, Economist and Researcher at University of Zambia



Small and Medium Enterprise Development

The policy measures included in this year's budget on the MSMEs are a continuation of prior year promises, such as increasing access to loans through Citizens Economic Empowerment Fund and development of industrial yards across the country. In addition, government has through the central bank devised financial support facility for lending to the MSMEs. The Funds will be provided to eligible financial institutions to on-lend to non-financial businesses and households operating in these sectors at concessional interest rates.

"The government interventions especially the creation of a support fund through the central bank is laudable. However, assessing risk and financing MSMEs often presents challenges to many financial institutions. It should be noted that these financial interventions must be complemented by capacity and business development strategies that can enable MSMEs to grow into large producers. In addition, banks managing these funds require capacity building to understand the MSMEs. Some policy strategies should incentivise large firms especially mines to build capacity and source the intermediate inputs such as spare parts from government supported MSMEs. Further, government should not lose sight that part of the failure to access markets by MSMEs arise from the supply side constraints. Therefore, market linkages and aggregation support should still be considered in its policies that set the incentives and business infrastructure for MSMEs."

Dr. Dale Mudenda, Economist and Researcher at University of Zambia

Information and Communication Technology

Information and communication Technology is one of the key sectors on which the recovery of the economy in 2025 is premised. The sector has seen active mobile cellular subscriptions increase from 20.1 million to 21.9 million, and penetration rates per 100 inhabitants from 102.4 to 109.2 in the corresponding period. To accelerate the digitalization of the economy, Government plans to;

- Install 237 Starlink kits in youth resources centers, agriculture camps, and border facilities among other to improve public service delivery. So far out of the 525 kits procured, 288 are planned to be installled by end of 2024, in 109 post offices, 23 in youth resource centres, and in all 156 constituency offices.
- Repurpose 50 post offices into Digital Transformation Centers in 2025 to offer access to digital tools, internet services, and training programs. This is in addition to the 123 digital transformation centers that would be established by end of 2024, of which 48 are already established.
- Continue investing in the communication and technology infrastructure across the country by constructing 202 towers by end of 2024 at an estimated cost of K409 million for 171 and the remainder constructed by the private sector. This will ensure that citizens in rural areas are connected to the socio-economic services through mobile phones and other electronic devices.
- Fourth mobile network operator commenced operations in August 2024 and has committed to invest US$400 million expected to create more than 450 jobs.

Science, Technology and Innovation

Science, technology, and innovation continues to play a key role in the success of key sectors of the economy. Government will continue to prioritise investment in research and development to enhance the country's innovation capacity. This will help sustain the progress that has been made in this area and make certain long-term growth. Investing in science, technology, and innovation is important in achieving economic growth through industrialisation, and diversification across key sectors.

To promote entrepreneurship, nature start-ups and accelerate the growth of tech-based businesses, innovation hubs and incubators have been established.

"Government's establishment of innovation hubs and incubators to nurture start-ups and promote entrepreneurship for economic growth is commendable. However, given the high skills mismatches and the digital economy requirements, it will be prudent for policy makers to promote strategic reskilling and skills development for the emerging country. This may require investment in trainers both locally and abroad and possibly establishing a technology city that encourages research and development of ICTs and technology-based products and services."

Dr. Dale Mudenda, Economist and Researcher at University of Zambia

Human and Social Development

Education and Skills Developement

The Government is committed to continue improving access to quality education through infrastructure development, teacher recruitment, curriculum development and provision of teaching requisite. This is evidenced in the allocation of K31.5 billion of the budget towards the Education sector.

Key activities the Government intends to undertake include but not limited to the following:

- Constructing of 166 secondary schools and 480 early childhood education centres across the country for completion by the end of 2025.
- Recruitment of 2,000 teachers to improve the teacher-pupil ratio.
- Increase the allocation to the School Feeding Programme to K534.4 million in 2025 to keep learners in school and improve learning outcomes.
- Implementation of the new national education curriculum, which will promote life-long learning, entrepreneurship, and practical skills required by industry.
- Procure desks in public schools using CDF to improve the learning environment for learners.
- Construction of 58 hostel blocks across eight public universities with a total bed capacity of 9,280, and constructing additional university infrastructure at Chalimbana, Mukuba, Nkrumah, and Palabana universities to further improve the learning environment in public universities.
- Expansion of TEVET infrastructure, particularly in rural areas to enable technical education accessible by all citizens.
- Construction of the Chapula Polytechnic centre in Lufwanyama in partnership with Kagem Mining Limited.
- Construction of Training institutes and student hostels which are equipped with state-of-the-art training equipment.

K31.5 B

budgeted to Education

Increased allocation of School Feeding Programme to K534.4 m in 2025

Expansion of TEVET infrastructure particularly in rural areas

Health

As the health of the people remains a key priority in the development agenda, Government will continue providing quality and affordable healthcare services by employing health personnel, providing drugs and medical supplies, and developing infrastructure, especially in rural areas.

Key pronouncements from the 2025 budget aimed at improving the health sector include the following:

- Recruitment of 2,000 frontline qualified health personnel in 2025 to improve quality of service in Government Health facilities.
- Completion of the construction of the state-of-the-art hospitals equipped with modern medical facilities across the country such as the 800-bed space King Salman Bin Abdulaziz Specialised Hospital for women and children scheduled for completion in 2025.
- Construction of additional 30 maternity annexes across the country under CDF to improve maternal healthcare.
- Capacitating local health facilities to perform specialized treatment to mitigate the cost of repatriating of patients abroad.
- Construction of the Ndola and Livingstone Cancer Treatment Centres and modernising the Cancer Diseases Hospital in Lusaka.
- Implementing digital inventory management systems to track medicines from procurement to dispensing to prevent theft of medicines and always create availability of medicines and medical supplies.
- Roll out the Smartcare Pro System in public health facilities to improve patient care and enhance record management.

To achieve the above measures, Government has proposed to spend a total of K23.2 billion on the health sector accounting for 10.7% of the total budget.

K23.2 B

budgeted to Health Sector

30 martenity wards to be constructed under CDF

Implementation of digital inventory management systems

Water and Sanitation

Following the current devastating drought effects on water supply and sanitation, Government has committed 1.4% of its total budget to Housing and Community Amenities of which ZMW 2.3 billion, representing 77.1% of the budgeted amount, is to be allocated to water supply and sanitation infrastructure. Not only has water been highlighted as a fundamental need, but it has also been noted as a pillar to an inclusive economy with improved livelihood. To improve the availability of water, the following initiatives are to be implemented:

- To ensure that adequate water is available for domestic use, livestock and irrigation, the Government intends to construct 12 dams, rehabilitate 14 dams, and maintain 385 dams in 2025. This adds to the 16 dams constructed, 12 rehabilitated, and 770 maintained across the country since 2022, and expected to harvest at least 15.7 million cubic meters of water to benefit 2 million people for domestic use, livestock, and irrigation.

- For purposes of increasing access to clean and safe water, the Government has targeted the construction of 947 boreholes as well as the rehabilitation of 500 boreholes. Further, the Government intends to implement 500 piped water schemes. This adds to the 2,277 boreholes constructed, 3,025 rehabilitated, and 365 piped water schemes constructed across the country and benefiting over 902,490 people since 2022.

- In line with the Food Security and Drought Response Plan rolled out in April 2024, the Government plans to construct 1,835 water points in 2025 to support water utilities, livestock, and wildlife. In a bid to boost access to clean water, 81.7% of the water points have been allocated to piped water schemes in rural areas. The remaining water points will cater for commercial water utilities (6%), livestock (8.2%) and wildlife (4.1%).

- Under the Integrated Small Towns Water Supply and Sanitation Project, the Government plans to finalize works in Western Province that are currently at 78% completion. The project has been completed in Luapula, Muchinga and Northern provinces expected to benefit over 900,000 people.

- To achieve Government's goal of improved sanitation and mitigation against waterborne diseases, the Government plans to complete the ongoing construction of 155 waterborne sanitation facilities in health centers, markets, schools, and bus stations. Additionally, the Government is targeting the construction of an additional 100 water facilities in 2025.

1.4% of total budget committed to Housing and Community Amenities

Construction of 1,835 water points in 2025 to support water utilities, livestock and wildlife

Social Protection

Government will continue to implement social protection in a continued bid to improve the living standards of the poor and those affected by the drought as it aims to impact 13.9 million people in the communities.

This will be archived through continued implementation of the following programmes:

Social cash transfer: increase in the number of beneficiary households and an additional K200 per month for a period of 12 months starting June 2024 is being received by the beneficiaries. Government is further providing the Drought Emergency Social Cash Transfer of K400 per month to 952,570 households that have become vulnerable as a result of crop failure for a period of 12 months until June 2025.

Cash for Work: this programme is being implemented to target vulnerable households not covered by the Social Cash Transfer programme and is currently being implemented in 123 constituencies in 87 districts.

In addition to the above, Government will also continue to keep girls in school and empower women under the Girls Education and Women's Empowerment and Livelihoods Project. The project will be expected to support 262,444 girls.

Government has also committed to continue dismantling the pension arrears and implementing the partial withdraw of pension benefits to help improve people's livelihood and empower individuals for their immediate investment needs.

To achieve the above, an allocation of K16.2 billion has been proposed towards social protection.

K16.2 B

budgeted to Social Protection

Government to provide the Drought Emergency Social Cash Transfer of K400

Government committed to continue dismantling the pension arrears

Environmental Sustainability

Ensuring environmental sustainability continues to be a challenge for Zambia as a country and Government acknowledges this. The current devasting effects of climate change events on the economy have demonstrated the importance of environmental sustainability.

To this effect, the Government has committed **K1.5 billion** representing 0.7% of the 2025 total budget towards environmental protection. These funds will be used to further grow the National Green Growth Strategy and create an inclusive economy whilst preserving the environment.

To build resilience against climate change events, Government will undertake the following.

- Expand, modernize, and maintain metrological equipment such as the automatic weather stations that have been installed in all the 116 districts.
- Digitalize climate data records to increase access to weather-related information.
- Scale-up provision of meteorological information for use in the aviation, agriculture, water, and energy sectors as well as in disaster risk management.

K1.5 B

budgeted to Environmental Sustainability

Expansion, maintenance and modernisation of metrological equipment in all 116 districts

Environmental sustainability budget represents 0.7% of the 2025 of the total budget

Good Governance Environment

Fiscal Policy

The strategy on Fiscal Policy has been driven by the natural disasters brought about by climate change. Government has made a deliberate effort to establish a stabilisation fund to secure resources required to meet disasters given the frequency and intensity of climate change induced shocks. Identified sources of these funds include channeling revenues derived from mineral royalty in excess of the projection to this fund. Government is also working with the Development Finance Institutions to access contingent financing to be immediately available when a natural disaster occurs.

Domestics Resource Mobilization

The Government continues to view domestic resource moblisation as critical to its effort to increase revenue collection. To achieve this, Government plans to continue to implement policies and administrative interventions to broaden the tax base and curb revenue leakages. In the prior year budget, the Government placed great emphasis on strengthening compliance and improving trade facilitation. This saw the roll out of the Smart Invoice System in December 2023 which is aimed at optimizing revenue collection and seal leakages. It is important to note that all eligible VAT taxpayers are required to register by 30 September 2024, failure to which the Zambia Revenue Authority will not recognize any invoices issued outside the system. To reinforce compliance, the Zambia Revenue Authority has restructured its operating model, making use of enhanced data analytics and compliance risk management which are aimed at making it more efficient and effective in tax administration. Government reaffirms its aim to further strengthen tax and non-tax administration through continued automation of processes, including the integration of the Zambia Revenue Authority systems to the Government Service Bus and other third parties. With regards to the commitment to improve trade facilitation pronounced in last year's budget, the Government has implemented the Coordinated Border Management at Kazungula and Chirundu One Stop Border Posts and this action is to be rolled out to other border posts such as the Katima Mulilo. The benefit is that the number of regulatory agencies at border posts is now limited to six, resulting in improved processing efficiency.

The Government in collaboration with Local Authorities intends to implement measures that will enhance revenue collection. These measures include integrating systems, building capacities, reviewing, and amending existing laws, and reassigning responsibilities for the collection of revenues.

Channeling of revenues from mineral royalties to stabilisation funds

Eligible tax payers required to register with Smart Invoice System by 30 September 2024

Debt Management

In June 2024, the Government successfully restructured its Eurobonds. The official announcement regarding the completion of the restructuring of USD 3 billion worth of Eurobonds was made by the Ministry of Finance on 12 June 2024. The restructured bonds were issued and are trading on the international market. The efforts towards servicing the restructured bonds are already in progress, with the first payment made in June this year.

On the debt owed to the official creditors, the Government has reached an agreement with France on the terms of the bilateral agreement to implement the MoU signed regarding debt restructuring with its individual official creditors. The aim is to complete the formalities required for execution with the intention to use this agreement as a model for further negotiations with other creditors.

With regards the debt restructuring with other commercial creditors, the stages of negotiations are as follows:

1. Paramount and Huawei Technologies.
    - Concluded negotiations and executed agreements.
2. Industrial and Commercial Bank of China and China Development Bank
    - Agreements have been reached in principal amounting to a total of USD 1.5 billion. Both were subject to scrutiny by the International Monetary Fund ("IMF") and Official Creditor Committee for the Comparability of Treatment and successfully met the requirements and the next step is to finalise for execution.
3. Nedbank and ZTE Technologies
    - Agreements reached in principal and making progress in finalising the agreements for execution.
4. Other commercial creditors
    - The Government is in active engagement, and these are at different stages of negotiations.

Due to the successful restructuring, Government will be liable to a payment of USD 599 million in 2025 in comparison to the total debt payable that was expected for 2025 amounting to USD 8 billion demonstrating a positive impact on the debt restructuring programme.

In the current budget, K37.3bn has been allocated to service domestic debt, whilst K16.7bn to external debt and K5.7bn to dismantling of arrears.

K37.3 B

budgeted to domestic debt

K16.7 bn allocated to external debts and K5.7 bn to dismantling of arrears

Government will be liable to a payment of USD 599 m in 2025 from the initial USD 8 bn

Decentralization

In its continued effort to transfer functions to the local authorities, the Government in 2025, plans to transfer with the respective resources the functions of, livestock, fisheries, agriculture, community development, and social welfare services. This will add to the eight already transferred to local authorities this year.

The CDF allocation will increase by 16.7% in 2025 to K5.6 billion from K4.8 billion in 2024. The allocation to each constituency increases to K36.1 million from K30.6 million. Whilst K3.3 million is earmarked for treating feeder roads.

To continue to support the growth and improve process associated with CDF, the Government enacted the Constituency Development Fund Act, 2024. The new Act is expected to;

- Streamline the approval process;
- Expand the participation of marginalized group such as the women, youth and persons living with disabilities; and
- Accelerate the update of CDF through alignment of the new ACT and the CDF guidelines.

The Government further recognises the need to enhance the management and monitoring of CDF. This will be done with the support of Cooperating Partners to implement a robust information, communication, and technology system.

“The idea of increasing spending at local levels is important for equitable development and poverty reduction. However, there are a few concerns regarding firstly the equity of allocation to constituencies. The unform allocation does not take into account the population, multidimensional poverty levels and the resource needs of the area. Some regions, especially urban areas are significantly well to do compared to previously neglected rural constituencies that remain vulnerable.

To achieve equitable growth and development, wGovernment needs to revise the allocation formulae and rebalance the regional allocations to be more equity aligned to various factors. The Government should therefore develop a systematic intergovernmental fiscal allocation policy framework formula. Secondly, experience has shown that most constituencies have failed to absorb he current allocations. Increasing the CDF without capacity building and easing the procedures for accessing the funds will merely slow down developments as other needy areas remain starved of resources.”

Dr. Dale Mudenda, Researcher & Head of Economics Department at University of Zambia

K3.3 M

budgeted for treating feeder roads

CDF allocation will increase by 16.7% in 2025 to K5.6 billion from K4.8 billion

State Owned Enterprise Management

A supervisory and performance monitoring framework has been developed for state-owned enterprises. The framework provides guidelines on the following but not limited to, financial reporting, borrowing, capitalization, Board appointments and dividend declaration.
Further, the Government will revise existing state-owned enterprise policy to strengthen the regulatory framework, reduce fiscal risks and costs by establishing fiscal discipline rules.

Monetary Policy

The country has experienced pressure over the past year, Inflation rose to 15.6 % in September 2024 from 13.1 % in December 2023. The Government's medium term target inflation range remains 6-8 percent.

The Government resolve is anchored on the forward-looking monetary policy framework centred on the Policy Rate and this will remain as the main indicator of the monetary policy stance.

To reinforce the role of the Kwacha as legal tender in domestic transactions, currency regulations will be issued once consultations with stakeholders are concluded in line with the provisions of the Bank of Zambia Act, 2022.

Financial Sector Policy

Government confirmed that the Financial Stability Committee whose mandate include formulating macroprudential policies to achieve and maintain financial system stability was operationalised in April 2024 in line with the Bank of Zambia Act, 2022. The Bank of Zambia will establish a deposit protection fund in 2025 whose aim is to safeguard depositors in the event of insolvency.

Financial Inclusion

In March 2024, Government launched the National Financial Inclusion Strategy II covering the period 2024 to 2028. The strategy reiterates Government's commitment to improving utilisation of financial services in rural areas and financial inclusion for women and micro, small and medium enterprises. Further, Government targets to achieve 85 percent financial inclusion by 2028 from 69.4 percent recorded in 2020. A Finscope survey will be conducted by Government in 2025 to find out the attainment of financial inclusion targets.

To improve financial inclusion, Government is moving towards cashless economy based on the existing digital platforms. As the result it will repel and replace the National Payment Systems Act, 2007 to align it with the current payment systems landscape which has changed significantly. Bank of Zambia will also extend the operating hours for the RTGS with a 6-month pilot set to commence on 1st October 2024. This move is aimed at supporting a 24-hour digital economy.

External Sector Policy

Government plans to maintain a flexible exchange rate by accumulation of reserves, purchasing of gold locally and providing the required market support to avert foreign exchange volatility. As a way of enhancing foreign exchange earnings, government plans to implement the following:

- Ease of private sector entry into new markets;
- Promote diversification of exports; and
- Maintain foreign investment flows

The Exports Proceeds Tracking Framework ("EPTF") which was implemented in January 2024 has enhanced data capture of export earnings and helped reduce substantially net outflows. It is in this regard, in 2025, the Government through the Bank of Zambia will enhance EPTF to include services and imports.

Risk Management

As the country experiences droughts, the importance of having a strong risk management system, that will aid in identification of future threats such as climate changes and pandemics is cardinal. Government has therefore enhanced its integrated risk management in all public programmes.

To improve fiscal transparency and budget credibility, Government has developed a Fiscal Risk Statement whose aim is to address factors that may affect the performance of the National Budget. Fiscal Risk Management Framework which will lead to the implementation of the statement will be developed by the end of 2024 and will outline the roles and responsibilities of ministries, provinces and agencies in the fiscal risk management cycle.

Monitoring and Evaluation

The monitoring and evaluation systems implemented by Government will be enhanced and reinforced at all governance levels to enable appropriate tracking of annual budget outputs. To support decision making, planning, monitoring, evaluation and reporting, Government has launched and deployed an Electronic Monitoring System.

Government targets to achieve 85 percent financial inclusion by 2028

Government via the BoZ to enhance EPTF to include services and imports.

Taxation Changes

The taxation and other changes as contained in the Budget Speech and the Zambia Revenue Authority ("ZRA") publication "The 2025 Budget Highlights" are summarised below.

The measures will come into effect on 1st January 2025, subject to Parliamentary approval. The Commissioner General of Zambia Revenue Authority has also clarified that some of the measurers shall be implemented based on the Minister's pronouncement.

Direct taxes

Corporate Income Tax

- Introduce an Advance Income Tax of 15% on remittances and exports exceeding US $2,000 or its equivalent for transactions made without a valid Tax Clearance Certificate.

- Increase the corporate income tax rate from 15% to 20% on profits realised from export of non-traditional products and value addition to copper cathodes.

The term "Non-traditional products" as currently defined by the Income Tax Act means anything produced or manufactured in Zambia, excluding minerals, electricity, services or cotton lint exported without an export permit from the Minister responsible for Commerce, Trade and Industry.

- Increase the bands for presumptive tax on operators of public service vehicles for the carriage of persons by 20%. This is detailed in the table below:

Vehicle Sitting Capacity	Current Tax Per Annum (ZMW)	Proposed Tax per Annum
64 seater and above	12,960	15,552
50-63 seater	10,800	12,960
36-49 seater	8,640	10,368
22-35 seater	6,480	7,776
18-21 seater	3,320	5,184
12-17 seater	2,160	2,592
Below 12 seater	1,080	1,296

**The above bands were last increased by the same rate in 2022*

The following key housekeeping measures have been proposed under the Income Tax Act, 1966 (as amended):

- Increase the list of transactions where a Taxpayer Identification Number ("TPIN") is required.

A TPIN will be required for purposes of account opening and holding with water utility companies, mobile money operators, mobile network operators and internet service providers, National Health Insurance Management Authority, National Pension Scheme Authority. A TPIN will also be required for the purpose of membership registration, subscription, and renewal with professional bodies as well as registration of title deeds with the Local Authorities.

- Introduce a mandatory requirement for a Tax Clearance Certificate to obtain any licence issued by a government ministry, department or agency as well as obtaining finance from any institution registered under the Banking and Financial Services Act.

- Introduce a due date of not later than 2 days before the date prescribed for the respective items of income or category of tax for Withholding Tax

Corporate Income Tax *(continued)*

agents to remit the taxes to theZambia Revenue Authority (the "ZRA").

- Introduce a penalty for a Withholding Tax Agent for not remitting the withheld taxes before the due date.
- Provide Clarity that the 5 – year period of incentives for a Special Purpose Vehicle (SPV) carrying out a Public Private Partnership ("PPP") Project should begin when profits are first declared followed by the four years after.
- Provide for a waiver of penalties charged on the under-estimation of provisional tax.

Currently, the Income Tax Act allows for the waiver of penalties for various offences, but not for the under-estimation penalties irrespective of the circumstances giving rise to the under-estimation. The proposed measure will grant the Commissioner General authority to waive the under-estimation penalty if satisfied with the reasons.

Property Transfer Tax

- Introduce a requirement to produce a general Tax Clearance Certificate when transferring property.

The measure is intended to ensure that a general compliance check is conducted before any property transfer is approved. The general Tax Clearance Certificate will be expected from both the buyer and the seller and will be an additional requirement to the transaction specific Tax clearance certificate.

- Introduce the definitions of a Copy Right, Industrial Design, Patent and Trademark by referencing to the relevant Zambian laws.

Indirect Taxes

Value Added Tax

The following housekeeping measures have been proposed under the VAT Act:

- Restrict input tax claims or credits to invoices issued using the Electronic Invoicing System (the "Smart Invoice system") and invoices issued by taxpayers exempted from the use of Smart Invoicing.
- Allow the Commissioner General of the ZRA to exempt suppliers from using the Smart Invoice system.

At this point, details are yet to be provided on the categories of Taxpayers that will be exempt from issuing tax invoices using the Smart Invoice system. There is a general expectation that the core banking systems for banks should be exempted from the requirement to integrate with Smart Invoice.

- Specifically provide for the Commissioner General of the ZRA to waive penalties where the current legislation has not provided such authority.
- Provide clarity on when the seventy-two (72) hours starts to count for registered taxpayers relating to the upload of transactions which were manually uploaded under Regulation 5(3) of VAT (Electronic Invoicing System) Regulations.
- Provide a uniform validity period relating to the recorded manual invoices to provisions under Regulations 6 and 5 of the VAT (Electronic Invoicing System) Regulations.
- Provide under Regulation 10, a clause for any other reason relating to notification to the Commissioner General by a taxpayer that ceases to use the approved invoicing system shall be done when a taxpayer discontinues the use for any reason.

Currently, there is a requirement for a taxpayer to notify the Commissioner General of the ZRA to deactivate the approved invoicing system within 30 days from the date of cessation of business. However, this measure seeks to provide clarity that taxpayers should provide reasons to the CG where they wish to discontinue the use of the electronic invoicing system other than in the case of cessation of business.

- Clarify under Regulation 11 of the VAT (Electronic Invoicing System) Regulations that an approved invoicing system registered on Smart Invoice for use by a specific taxable supplier should not be transferred to a third party.

Customs and Excise Duty

- Introduce a 5% Selected Goods Surtax on imported printed paper products and packaging materials under HS Code 4819.20.00.

- Introduce a 20% Selected Goods Surtax on imported garden hose pipes of the following dimensions:

HS Code	Description	Current tax (%)	Proposed tax (%)
3917.21.20	Garden hose of an internal diameter not exceeding 30.00mm	0	20
3917.21.90	Other	0	20
3917.22.20	Rigid, of an internal diameter not exceeding 203.00mm		20
3917.22.90	Other	0	20
3917.23.20	Rigid, of an internal diameter not exceeding 30.00mm	5	20
3917.23.90	Other	0	20

- Introduce an automatic annual excise duty adjustment indexed to the average inflation rate for the preceding year which shall be capped at 20% on tobacco and tobacco products, fuel and used motor vehicles.

- Introduce excise duty at the rate of 10% on the betting amount.

- Increase excise duty on non-alcoholic beverages to K1 per litre from the current K0.60 per litre.

- Key housekeeping measures that have been proposed under the Customs and Excise Act and the Customs and Excise (General) Regulations, 2000 include:

» Amend the Customs and Excise Act to increase penalty fee for anyone who fails to lodge a declaration for goods prior to importation from 1,667 fee units (currently at ZMW664.00 to 10,000 fee units (ZMW4,000.00).

» Amend Section 32 B1(d) of the Customs and Excise Act to provide for the clearance of goods at any time prior to the arrival of goods in Zambia.

» Amend Section 184 of the Customs and Excise Act to provide for the Commissioner General to make rules relating to the conditions applicable to a person authorised to transact business on behalf of another.

» Amend Section 162 of the Customs and Excise Act to provide for an appeal to be made on seized goods, additional methods of serving a seizure notice and the period for which a determination on the seizure can be made by the Commissioner General.

» Provide circumstances under which a motor vehicle temporarily imported and declared on an Integrated Border Declaration Form (IBDF) or a Custom Import Permit (CIP) Form may be finally cleared for home consumption.

» Amend Section 171A of Customs and Excise Act to suspend user accounts for Customs clearing agents and their principals with outstanding obligations.

» Amend Sections 108(10) and 32B(2) of the Customs and Excise Act to align the number of days

Customs and Excise Duty *(continued)*

for payment after an assessment from 5 days to 3 days.

» Amend Sections 139D(6) and 32B(2) of the Customs and Excise Act to align the number of days for payment of duty within 3 days after issuance of a notice of assessment.

» Align Section 32B(2) of Customs and Excise Act with Regulation 14(2) of the Customs and Excise (General) Regulations on the number of days for payment of duty within 3 days after the issuance of a notice of assessment.

» Align Section 32B(2) of Customs and Excise Act with Regulation 19 of the Customs and Excise (General) Regulations on the number of days for payment of duty within 3 days after the issuance of a notice of assessment.

» Align Section 32B(2) of Customs and Excise Act with Regulation 52 of the Customs and Excise (General) Regulations on the number of days for payment of duty within 3 days after the issuance of a notice of assessment.

» Amend the First Schedule to the Customs and Excise Act to increase the fee units for duplications and cancellations of Bills of Entry from 5,000 (currently at ZMW2,000) to 10,000 (ZMW4,000).

» Amend Section 62) of the Customs and Excise Act to reduce the number of days from fifteen to ten within which warehoused goods can be entered for consumption, re-warehousing or export after the expiry of the one year.

» Align Section 2 of the Customs and Excise Act with that of the Tax Appeals Tribunal Act 2015 in respect of the definition of "Tribunal".

» Align Section 86 of the Customs and Excise Act with that of the Tax Appeals Tribunal in respect of the name Revenue Appeals Tribunal.

» Recast the term "Revenue Appeals Tribunal" to "Tax Appeals Tribunal" under Section 99 of the Customs and Excise Act.

» Align the period within which a person can appeal to the Tax Appeals Tribunal on valuation assessments under Section 86(4) of the Customs and Excise Act. To that provided for in clause 5 of the Tax Appeals Tribunal Rules.

» Extend the working hours at Victoria Falls to twenty-four (24) hours.

» Designate Zombe as Customs House and Mpika a port of entry for goods imported by pipeline. Further, designate Mpika as a warehousing port.

» Introduce simplified Trade Regime with a value threshold of exported goods aligned to that of imported goods (US$2,000) for which an entry can be dispensed with as the Commissioner General may prescribe.

» Provide for the payment of thirty(30) fee units (ZMW12) for entry of goods for export under a simplified trade regime.

» Provide a period of fifteen (15) days for which goods entered for in-bond carriage by rail to a customs area or another customs office inland, shall be entered for consumption or warehousing.

» Provide for a general penalty for offenses committed by a licensed manufacturer of excisable goods under Section 155 of the Customs and Excise Act.

» Subdivide the following subheadings in accordance with the recommendations from the Customs Co-

Customs and Excise Duty *(continued)*

peration Council:

a. 2903.89.00 (Other halogenated derivatives of cycanic, cyclenic or cycloterpentic Hydrocarbons).

b. 2909.30.10 (Other Aromatic ethers and their halogenated, sulphonated, nitrated or nitrosated derivatives not in bulk) and 2903.30.20 (Other Aromatic ethers and their halogenated, sulphonated, nitrated or nitrosated derivatives not in bulk)

c. 2915.90.00 (Other Saturated acyclic monocarboxylic acids and their anyhydrides, halides, peroxides and peroxyacids, their halogenated, sulphonated, nitrated or nitrosated derivatives)

d. 2930.90.10 (Other organo-sulphur compounds – In bulk) and 23930.90.20 (Other organo sulphur compounds – Not bulk) in accordance with the recommendations made by the Customs Co-operation Council.

» Separate Harmonized System (HS) Codes for Soya Bean Cake and Soya Husks.

» Include electrical energy (of not more than 100KW) as one of the goods that can be produced for personal and domestic use without a license and without

Non-Tax Revenue Measures

payment of duty.

- Amend the Mobile Money Act to move the responsibility of administering the Act from the Bank of Zambia to the ZRA.
- Introduce a fee of K1,500 on occupational safety and health training offered by the Ministry of Labour and Social Security.
- Introduce fees for mine safety and examinations.
- Increase geological survey fees.
- Increase fees for foreign artists from K1,778, irrespective of the country, to K5,000 and K15,000 for artist from SADC and non-SADC countries respectively.
- Categorise the art promoter licence into international, local,

Category	Proposed License fee (K)
International Artist Promoters	20,000
Local Artist Promoters	5,000
Venue and exhibition Promoters	1,500

- Introduce licensing fees for crop variety, basic and certified seed sales, and parental lines sales as follows:

	Category	Proposed unity cost
1	Crop variety licensing (Royalties)	3% of net sales of certified seed for crop hybrids.
		2.5% of net sales of certified seed for open-pollinated varieties
2	Basic and certified seed sales	Cereals K35 per kg
		Legumes K45 per kg
		Cassava cuttings K110 per bundle
		Sweet potato vines K35 per bundle
3	Parental lines sales	K150 per kg

- Introduce a fee of K2,500 for resident permit holders who stay outside Zambia for more than six months in line with international practice.

Conclusion

The 2025 national budget, presented within a context of heightened public anticipation, aligns with previous fiscal plans in its emphasis on economic transformation and job creation. However, it introduces a more pronounced focus on growth and recovery, with the ultimate goal of enhancing the standard of living for Zambians. This strategic direction will likely resonate with the public, particularly in light of the recent challenges faced by many citizens, including prolonged power outages and food insecurity.

In light of the widespread challenges confronting the energy sector, which have rippled through other sectors, the Government has enhanced its focus on climate-resilient energy solutions, which deserves commendation.

This drought is not an isolated event, and future droughts are likely. As the Minister notes in his speech, experts have issued warnings over decades about the risks associated with Zambia's overreliance on hydropower and the need to have a more diversified energy mix. On the bright side, the depth of the current energy challenge perhaps presents a unique opportunity to turbo charge the measures needed to attract private sector investment into alternative energy sources, by implementing cost reflective tariffs, whilst guaranteeing affordable power to the most vulnerable in our society.

The six macroeconomic goals that the Government has set for 2025 are:

- Boosting economic growth by targeting a real GDP growth rate of 6.6%;
- Curbing inflation, with the aim to reduce it to a range of 6% to 8%;
- Strengthening reserves by maintaining international reserves at a level equivalent to at least 3 months of imports cover;
- Increasing domestic revenue to 21.3% of GDP;
- Reducing fiscal deficit to 3.1% of GDP; and
- Limiting domestic borrowing to 1.9% of GDP.

Dr. Musokotwane's speech emphasised the Government's aim to create a favorable climate for investment, job creation, and improved living standards. While acknowledging the current economic challenges, the ambitious budget is rooted in leveraging Zambia's resource potential and resilience, consistent with the 2024 National Budget's theme *"Building resilience for inclusive growth and improved livelihoods"*.

Appendices

Appendix 1: Statistics

Economic Indicator	2024	2023	2022	2021	2020
Nominal GDP (US$ bn)	29.87	28.4	29.2	22.1	18.1
Nominal GDP (K bn)	642	557	494	442	333
Real GDP Growth (% p.a)	2.3%	5.4%	5.2%	6.2%	-2.8%
Inflation, Period End (% p.a)	15.6	13.1	9.9	16.4	19.2
Central Bank Policy Rate (% end of period)	13.5	11.0	9.0	9.0	8.0
External Debt Stock (US$ m)	2024	2023	2022	2021	2020
Debt Stock	15 173	14 573	13 960	12 738	13 041
Monthly Average Weighted Government Bonds Rate (%)	2024	2023	2022	2021	2020
January	23.5	22.2	22.5	32.4	31.4
July	23.3	25.5	22.2	31.3	32.3
December	n/a	23.5	22.2	22.5	32.4
Commodity Exports	2024e	2023	2022	2021	2020
Copper Production (Metric Tonnes "000")	797	699	764	804	869
Average Copper Prices (US$/ Tonne)	8 300	8 490	8 822	9 295	6 174
Exchange Rates	2024	2023	2022	2021	2020
Average (K / 1 US$)	25.9	20.2	17.0	19.9	18.3
Average (K / 1 ZAR)	1.40	1.10	1.04	1.36	0.97
Population	2024	2023	2022	2021	2020
Population (Millions)	19.7	19.6	19.4	18.9	18.4

N/A - Not Available
e - estimate
Source: 2020 - 2025 Budget Address, Bank of Zambia, ZamStats, MoFNP Annual Reports

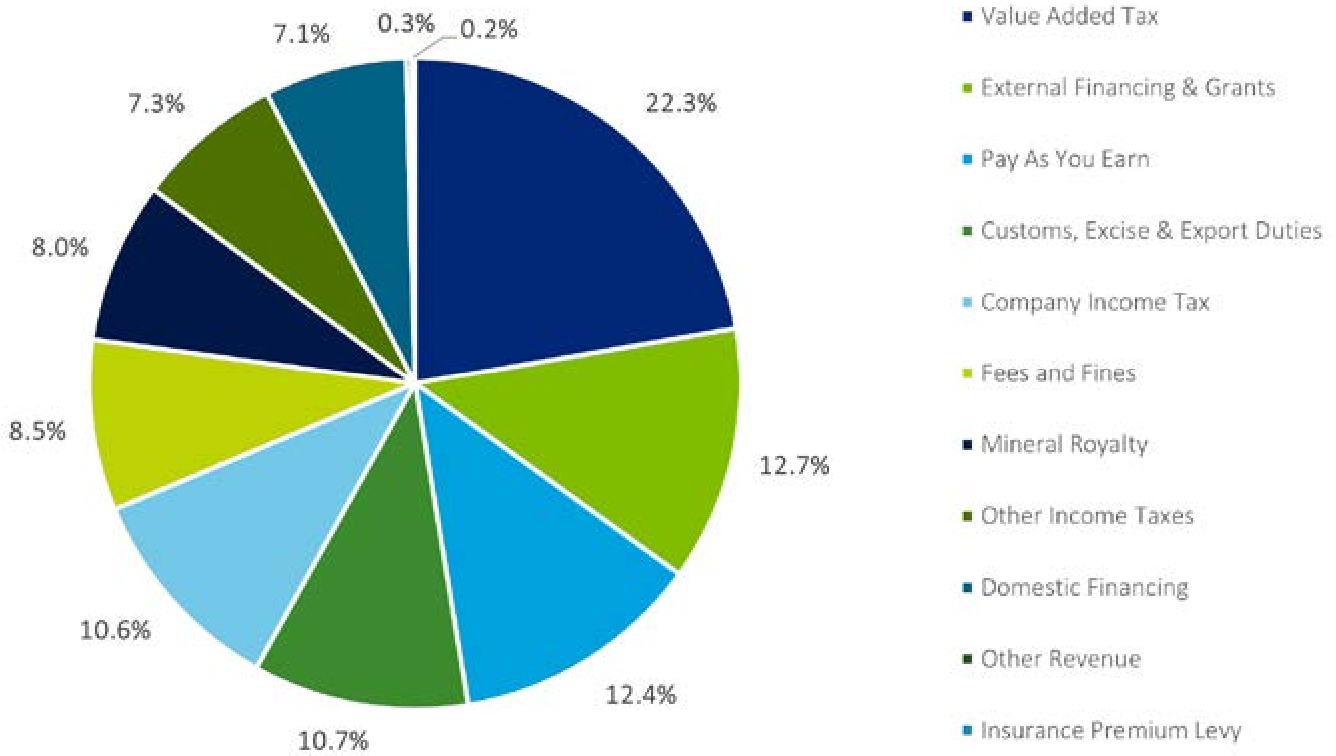
Appendix 2: 2025 Budget Summary

Revenue	2025 Budget K' million	2024 Budget K' million	2023 Budget K' million
Value Added Tax	48 341	36 362	29 209
External Financing & Grants	27 558	20 449	40 103
Pay As You Earn	26 985	23 715	19 319
Customs, Excise & Export Duties	23 262	16 895	13 920
Company Income Tax	22 950	25 681	21 196
Fees and Fines	18 474	12 414	8 517
Mineral Royalty	17 355	10 004	8 986
Other Income Taxes	15 875	11 927	9 912
Domestic Financing	15 359	16 329	15 576
Other Revenue	576	3 863	373
Insurance Premium Levy	370	253	211
Total Revenue	**217 105**	**177 892**	**167 322**
Expenditure			
General Public Services	73 815	58 930	66 172
Economic Affairs	48 714	39 756	35 013
Education	31 493	27 355	23 189
Health	23 167	20 906	17 395
Social Protection	16 161	9 672	8 128
Defence	10 321	9 922	8 149
Public Order & Safety	8 406	6 756	5 188
Housing & Community Amenities	2 989	2 651	2 584
Environment Protection	1 480	1 451	1 060
Recreation, Culture & Religion	559	493	444
Total Expenditure	**217 105**	**177 892**	**167 322**

Source: 2023 to 2025 Budget Address

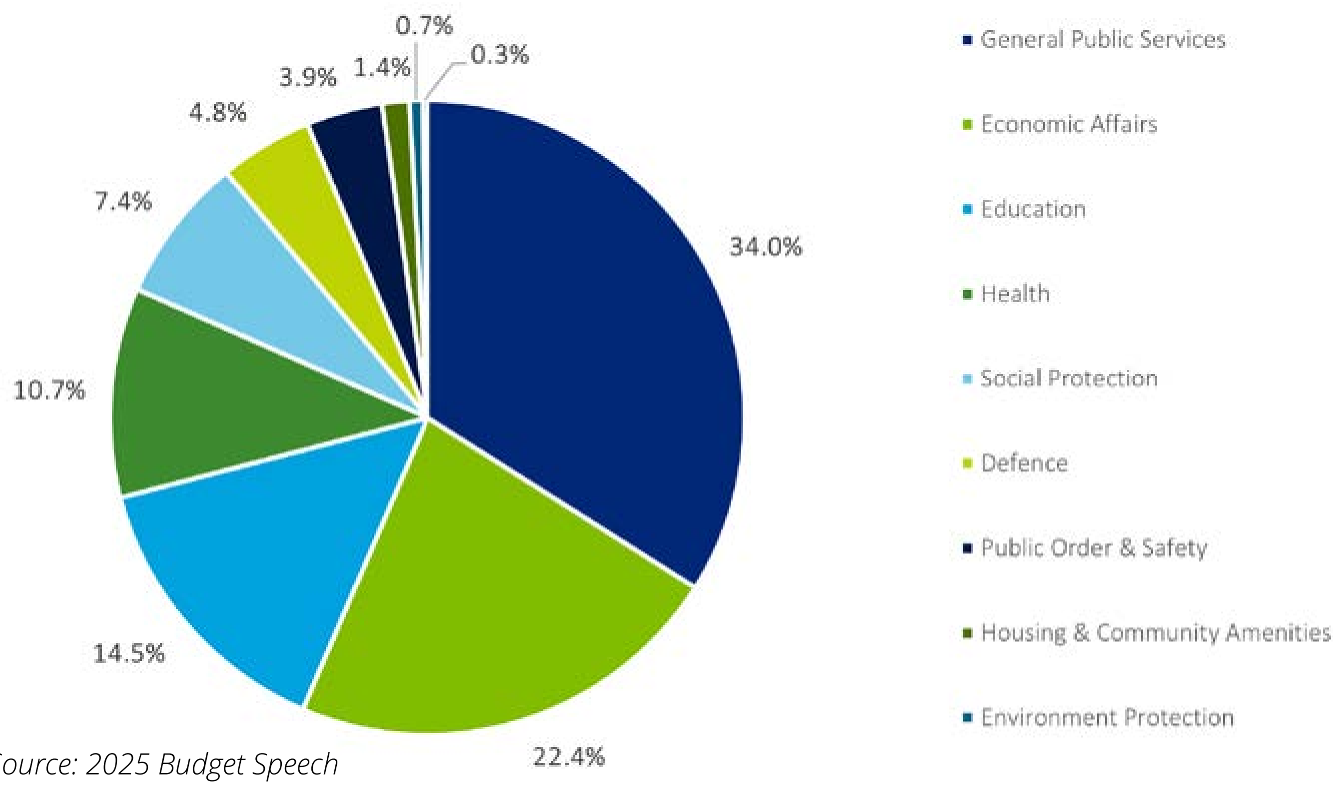
Appendix 2: 2025 Budget Summary *(continued)*

2025 Budget Contribution to Revenue



Source: 2025 Budget Speech

2024 Budget Contribution to Expenditure



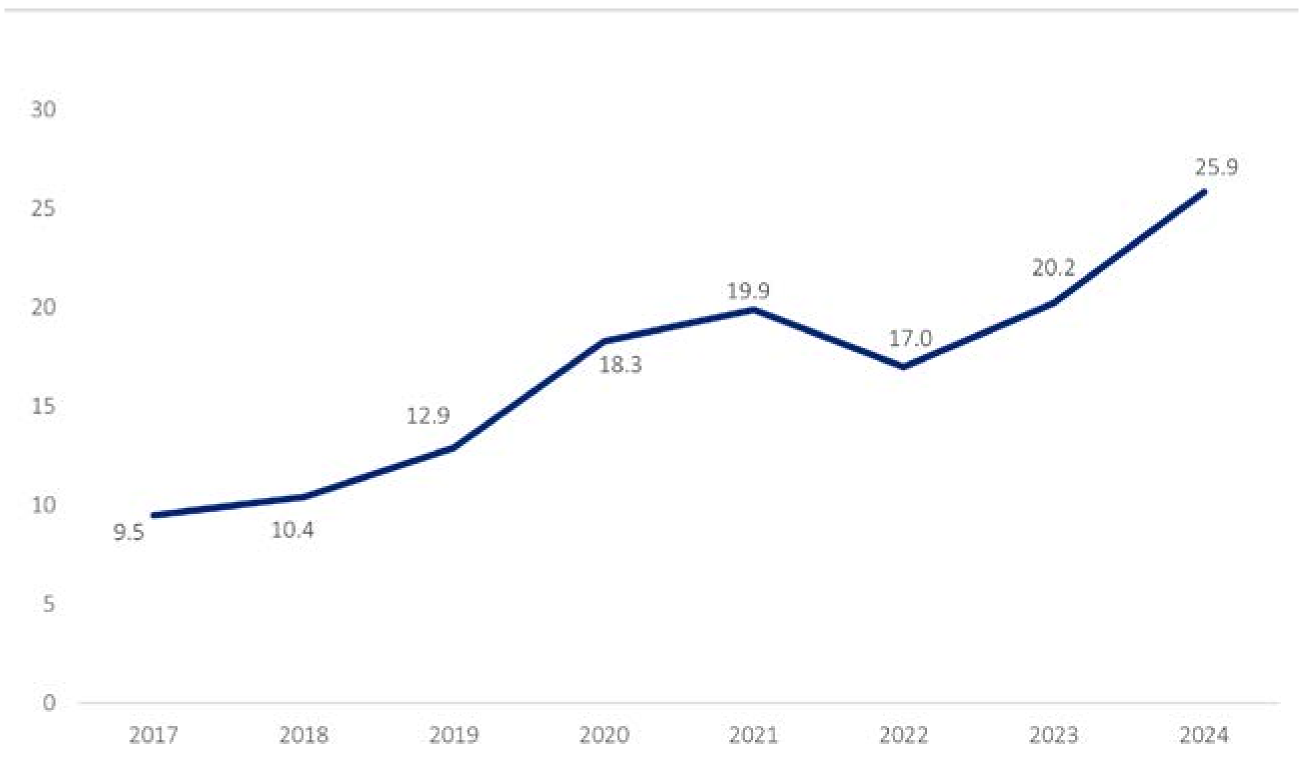
Source: 2025 Budget Speech

Appendix 2: Graphical economic trends

Inflation and Real GDP Growth Rate (%)

Source: MoFNP, ZamStats

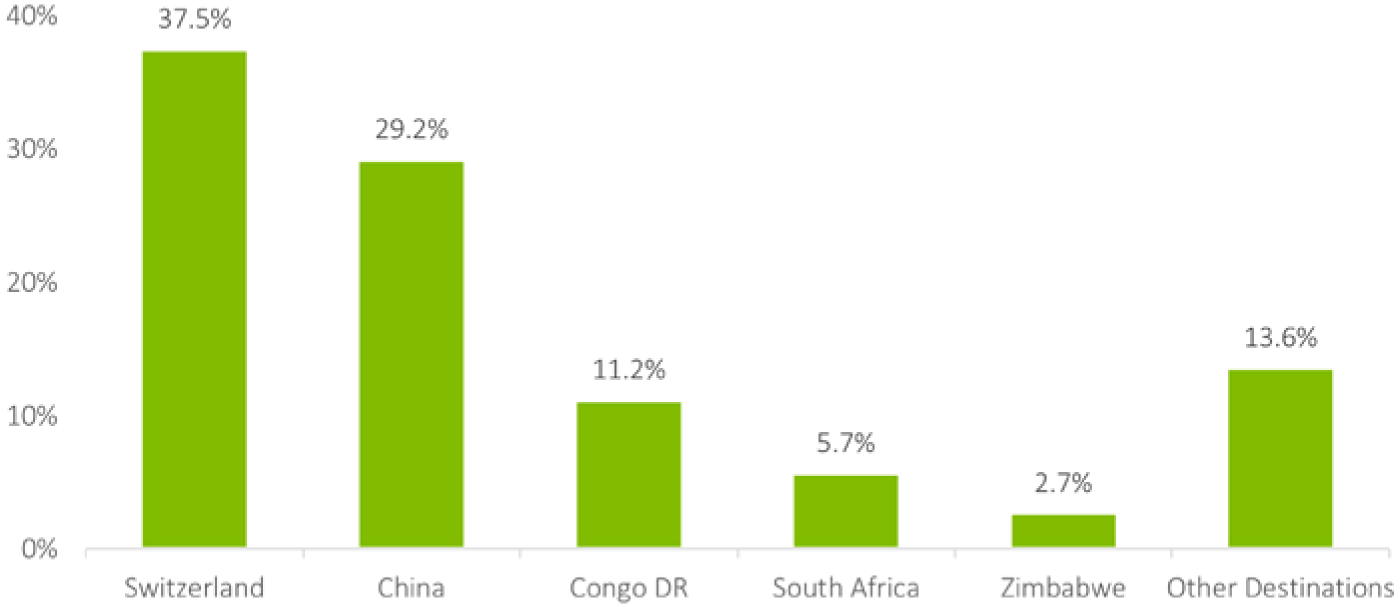
Average Exchange Rate (K/US$)



Source: Bank of Zambia

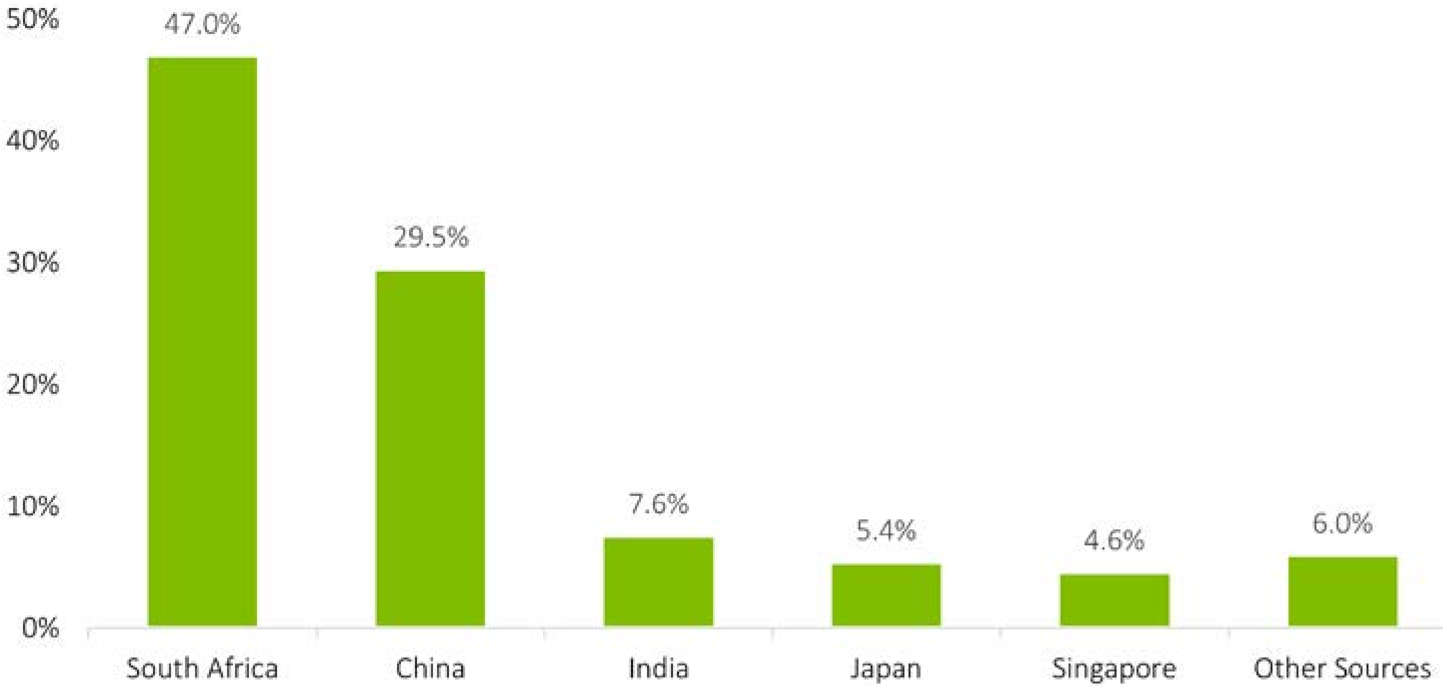
Appendix 3: Graphical economic trends *(continued)*

2024 Export Destination (%)



Source: ZamStats

2024 Origin of Imports (%)



Source: ZamStats

Appendix 4: 2024 vs. 2025 expenditure budget by function

Comparision of Budget Expenditure by Function 2024 and 2025 (continued)				
	2024 Budget	2025 Budget		Absolute change
	K'million	K'million	y/y % change	K'million
General Public Services	58,930	73,815	25	14,886
O/w Domestic Debt	32,906	37,335	13	4,429
External Debt (Interest and Principal)	6,012	16,664	177	10,653
Dismantling of Arrears	6,864	5,675	(17)	(1,189)
Mobile Voter Registration & Elections	-	317	-	317
Local Government Equalisation Fund	1,449	1,449	-	-
Compesantion Fund	703	773	10	70
Defence	**9,922**	**10,321**	**4**	**399**
Public Order and Safety	**6,756**	**8,406**	**24**	**1,650**
O/w Intergrated National Registration Information System (INRIS)	250	218	(13)	(32)
Economic Affairs	**39,755**	**48,714**	**23**	**8,958**
O/w Agriculture, Fisheries & Livestock Interventions	13,826	15,405	11	1,579
O/w Farmer Input Support	8,561	9,271	8	710
Strategic Food Reserve	1,680	2,366	41	686
Road Infrastructure	8,337	11,984	44	3,647
O/w Rural Roads	-	271	-	271
Farm Block Development, Irrigation & Extension Services	598	-	(100)	(598)
Animal Disease Control	499	-	(100)	(499)
Constituency Development Fund	3,836	5,625	47	1,789
O/w Feeder Roads Maintenance (Fuel)	-	511	(100)	(2,880)
Community based projects	2,880	-	(100)	(956)
Youth & Women Empowerment Funds	956	-	68	520
Tourism Sub Sector	769	1,290	-	-
Provincial Aerodromes Infrastructure	701	701	121	466
Credit Guarantee Scheme	386	852	(100)	(392)
Empowerment Funds for SME's	392	-	128	204
Aerial Geological & Geophysical Mapping	160	364	(100)	(150)
Public Sector Credit Facility	150	-	-	-
Rural Electrification Programme	-	-	-	-
Boarder Infrastructure	-	-	-	-
Environmental Protection	**1,451**	**1,480**	**2**	**30**
Housing and Community Amenities	**2,651**	**2,989**	**13**	**337**
O/w Water Supply and Sanitation Infrastructrue	1,949	2,312	19	363
O/w Construction and rehabilitation of Dams	443	-	(100)	(443)

Appendix 4: 2024 vs. 2025 expenditure budget by function *(continued)*

Comparision of Budget Expenditure by Function 2024 and 2025 (continued)				
	2024 Budget	2025 Budget		Absolute change
	K'million	K'million	y/y % change	K'million
Health	**20,906**	**23,167**	**11**	**2,261**
O/w Drugs and Medical Supplies	4,951	4,951	(0)	(0)
Health Infrastructure	1,395	1,919	38	524
O/w Construction of Mini Hospitals	240	-	(100)	(240)
Electronic Health Records System	120	-	(100)	(120)
Medical Equipment	-	718	-	718
Recreation, Culture and Religion	**493**	**559**	**13**	**65**
Education	**27,355**	**31,493**	**15**	**4,138**
O/w School Grants	1,863	2,252	21	389
School & University Infrastructure	1,585	2,581	63	996
Higher Education Scholarship Board	1,234	-	(100)	(1,234)
Constituency Development Fund	943	-	(100)	(943)
O/w Secondary Schools & Skills Development Bursaries	943	-	(100)	(943)
Equipping of TEVET Institutions	70	-	(100)	(70)
Skills Development Fund	-	-	-	-
Social Protection	**9,672**	**16,161**	**67**	**6,489**
O/w Social Cash Transfer	4,118	8,270	101	4,152
Public Service Pension Fund	3,873	4,173	8	300
Cash for Work Programme	-	2,000	-	2,000
Food Security Pack	1,261	1,207	(4)	(54)
Local Authorities Superannuation Fund	400	400	-	-
Grand Total	**177,892**	**217,105**	**22**	**39,214**

Appendix 5: 2024 vs. 2025 revenue and financing

Comparison of Revenue and Financing 2024 and 2025	2024 Budget K'million	2025 Budget K'million	y/y % change	Absolute change K'million
Total Tax Revenues	**114,579**	**137,414**	↑ **20**	**22,835**
Income Tax	61,322	65,810	↑ 7	4,488
Value Added Tax	36,362	48,341	↑ 33	11,980
Customs and Excise	16,774	22,446	↑ 34	5,672
Export duties	121	408	↑ 237	287
Non-Tax Revenues	**26,535**	**36,774**	↑ **39**	**10,240**
Mineral Royalty	10,004	17,355	↑ 73	7,350
Domestic Revenue	**141,114**	**174,188**	↑ **23**	**33,075**
Foreign Financing and Grants	20,449	27,558	↑ 35	7,108
Domestic Financing	16,329	15,359	↓ (6)	(970)
Total Revenue and Financing	**177,892**	**217,105**	↑ **22**	**39,214**

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