ZIPAR

Zambia Institute for Policy Analysis & Research

CONSIDERATION OF THE 2022 ANNUAL PROGRESS REPORT ON THE IMPLEMENTATION OF THE EIGHTH NATIONAL DEVELOPMENT PLAN

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1. INTRODUCTION

This paper is the response of the Zambia Institute for Policy Analysis and Research (ZIPAR) to the request by the Parliamentary Select Committee provide a review of the 2022 Annual Progress Report on the implementation of the Eighth National Development Plan (8NDP). The 8NDP was assented to by Parliament around the mid of 2022 and therefore the review of the first year of its implementation is finally due. Anyhow, the annual progress report is for the year 2022.

The paper begins with the introduction in Section 1 and then an overview of the progress made in the implementation of the 8NDP is given in Chapter 2, hereafter. Chapter 3 assesses the progress made on the macroeconomic performance of the country while Chapter 4 considers the progress made on the respective Strategic Development Areas (SDAs). The review of the progress made on the Financing measures of the plan is discussed in Chapter 5, and thereafter, the conclusion and recommendations are furnished.

2. OVERVIEW OF THE 2022 ANNUAL PROGRESS REPORT ON THE 8NDP

The 8NDP was designed to unlock the country's immense prospects in all sectors of the economy for sustainable, holistic and inclusive national development with the aim of returning the country to the trajectory of its 2030 Vision of becoming a prosperous middle-income nation. But the plan also came at the time Zambia was at an extreme deflection from its long-term macroeconomic targets and social development outcomes. The country had become unsustainably laden with debt and slipped to the bottom of the credit rating having defaulted on debt, with limited development financing options at disposal, making credible development planning a huge challenge.

Against all odds, the country has made steady progress on the restoration of normalcy on the macroeconomic front coupled with greater discipline in the fiscal management. Most importantly, in the period under review, the economy gravitated towards and has sustained a positive growth path, exceeding target. Although the economy has sustained a positive growth path, the growth did not come from your ordinary growth sectors. Instead, the growth sectors groaned from liquidity squeeze which characterized monetary policy exertions designed to control inflation, bringing it down to the targeted single digit range and the immersion to stabilize the exchange rate which had suffered volatility. Contractionary monetary policy can have deleterious effects on growth and should be carefully exercised and watched. Total public and publicly guaranteed debt had increased by 3,2 percent by the end of the year due to the disbursement of already contracted loans. Domestic debt was the main source of development finance given the limited access to external finance.

Overall, fiscal discipline has been largely restored. Total revenue and grants were within the target range while to expenditures (including amortization) remained lower that targeted for the year under review. The underspending was mainly on account of lower spending on transfers, use of goods and services, and on debt servicing which was below target mainly due to the debt-service standstill. However, the fiscal deficit, at 7.8 percent of GDP was higher than targeted 6.7 percent of GDP.

The Economic Transformation and Job Creation SDA recorded an overall underperformance on with only around 46 percent of the targets completed and 17 percent partially completed. That is despite the SDA having almost 113 percent budget appropriation and 95 percent absorption rate indicative of formative challenges the transition of government. The strategy on *Improve agricultural production and Productivity* (the Agricultural Sector) dominated the appropriation of the SDA, receiving about ZMW 8.2 billion out of the total of ZMW 10.8 billion appropriated to the whole SDA. Most of the infrastructure related output targets were not met because of the policy stance to reduce on borrowing and exercise fiscal prudence. The reticent performance of the Economic Transformation and Job Creation is indicative of system performance bottlenecks and calls for bold economic reforms.

Under the Human and Social Development SDA, the 2022 Annual Progress Report (APR) presents a fair performance on the Education and Skills Development Outcome. A total of 53 output targets were achieved against a target of 86 representing an achievement of 62 percent. Under the Improved Health and nutrition outcome, there was a good performance with 85 percent of the targets being met: that is, 35 out of the 41 output targets being achieved. Equally under the improved water and sanitation development outcome, an achievement rate of 85 percent was recorded: that is, 11 out of the 13 targets achieved. The achievement under the development outcome of Poverty and Vulnerability Reduction, a fair 50 out of 79 targets were achieved represent 63 percent progression rate.

Under the Environmental Sustainability SDA, the Government achieved a fair result, completing 78 output targets against the total of 109 output target, represent 71 percent progression rate under two development outcomes. Nearly 90 percent of the budget allocation to the SDA were released in the year under review and a budget absorption of 99.6 percent was achieved. The issue of missing targets is also critical under this SDA. Therefore, the Government needs to set realistic annual targets and be able provide the financing required to achieve those targets. Having a strong institutional framework capable of supporting this agenda is vital and should thus be a priority target.

As a general observation, the APR makes reference to output targets under each of the outcomes but without there being an implementation plan for the 8NDP. This makes it difficult to ascertain where the stated targets are derived from and how well they fit with the aspirations of the 8NDP. An assumption is, however, made that they the targets align with the 8NDP through the integrated planning framework adopted by the Government where even annual Budgets feed into the objectives of the National Development Plans.

Further, in our previous presentation on the Overview of the 8NDP, we caution about some missing targets. Our analysis has shown that some of the programmes have no targets making it difficult to track progress. We recommend that the issue of missing targets is urgently remedied.

3. MACROECONOMIC AND FISCAL PERFORMANCE FOR 2022

Generally, the macroeconomic performance point to Zambia gravitating towards the path set out to achieve the Vision 2030 as outlined in the 8NDP. However, despite surpassing the economic growth target and managing to meet other macroeconomic objectives, the economy still faces substantial risks. For instance, further delays in the country's debt restructuring will impede its economic reforms and stifle economic growth going forward. Furthermore, although the fiscal outturn for 2022 (7.8 percent) was above target (6.7 percent), it was still less than the 9 percent outturn of 2021. This is an indication that Zambia is on the path of fiscal prudence. However, likewise, the delays in the country's sovereign debt restructuring, coupled with the fiscal and monetary tightening of the big economies will compromise Zambia's ability to mobilize and maximize resources, ultimately impacting its fiscal sustainability and macroeconomic stability.

1.1 Macroeconomic Performance

a) **Economic Growth:** The economy continued on a positive growth trajectory in 2022 despite multiple downside risks coupled with contractions in the Mining, Agricultural and Construction sectors. Against a growth target of 3.5 percent for 2022, Zambia's economy grew by 4.7 percent compared to 4.6 percent in 2021, with growth mainly attributed to a strong performance in the Education, Transport and storage, and information and communications technology sectors[1]. However, these growth drivers are not the typical priority sectors identified in the 8NDP (agriculture, tourism, manufacturing and mining). Generally, a growth rate of 4.7 percent is a sign of moderate economic recovery and resilience. However, the effect of the Russia-Ukraine war, the lingering effects of the COVID-19 pandemic, tighter global financial conditions, as well as the protracted debt restructuring talks continue to be major downside risks to this economic growth forecast.

b) **Inflation:** Annual Inflation has remained volatile and outside the 6-8 percent target range since 2019. The year-on-year inflation rate drastically declined from 22.1 percent in 2021 to 11.1 percent in 2022 driven mainly by relatively lower food and non-food prices. Food items, exchange rate pass-through and global shocks were the major drivers of inflation.

c) **Exchange Rate:** The Kwacha appreciated against the United States Dollar from an average annual exchange rate of K19.91 per US$ in 2021 to K16.91 per US$ in 2022. The appreciation was mainly supported by the high supply of foreign exchange and the positive sentiments following the approval of the IMF-ECF programme in August, 2022[2]. However, demand pressures intensified in the latter part of the year partly driven by low foreign exchange supply and the procurement of agricultural and petroleum products. The situation was exacerbated by negative sentiments arising from the delayed debt restructuring talks and ambiguity on the treatment of foreign based holders of domestic government securities[3].

d) **Lending Rates and Domestic credit:** The average lending rates in Zambia remained high averaging 25 percent despite the Central Bank maintaining the monetary policy rate at 9 percent throughout 2022. Compared to 2021 however, domestic credit more than doubled from 8.6 percent in 2021 to 18.7 percent in 2022. Although credit to public enterprises accounted for the highest percent increase, positive strides were also recorded in the private sector and private enterprises, evidenced by the increased lending to the manufacturing; mining and quarrying; wholesale and retail; transport, storage and communications; as well as agriculture sectors.

[1] Ministry of Finance (2023) Annual Progress Report on the Implementation of the 8NDP
[2] BOZ(2022). Annual Economic Report
[3] Ministry of Finance (2022). Annual Economic Report:2022

e) **External Economy:** Gross international reserves rose to US$3.1 billion (equivalent to 3.8 months of import cover) as at end-December 2022 from US$2.8 billion (equivalent to 4.4 months of import cover) as at end-December 2021. The increase in the reserves was mainly driven by receipt of the IMF Extended Credit Facility funds, increase in project inflows and improved mining tax receipts. However, the observed reduction in the months of import cover was due to the upward revision of the import value. Exports decreased by 10.5 percent to K197.2 billion in 2022 from K220.4 billion in 2021, mostly attributed to the fall in copper exports. Despite efforts to ramp-up Non-Traditional Exports (NTEs), Zambia's NTE's have remained subdued, recording 24.8 percent of total export value in 2022, against a target of over 30 percent [compare Table 2.1 and Figure 2.2 – discrepancy on NTE shares].

Table 2.1 Performance of Key Macroeconomic Indicators – 2022 as presented in the Annual Progress Report

No	Macroeconomic Indicator	Baseline	Target 2022	Actual 2022	Outcome
1	Real GDP growth	4.6	3.6	4.7	✓
2	GDP at constant prices (ZMW, millions)	144,090	147,525	150 927	✓
3	Nominal GDP (ZMW, millions)	181,276	309,659	504 477	✓
4	CPI inflation (end of period)	21.1	7	9.9	X
5	CPI inflation (annual average)	11.0	7	11.1	X
6	Share of NTEs earnings as % total export earnings	24.9	>30	24.8	X[4]
7	Trade balance (US$ billion)	-1.52	-0.177	422.9	✓
8	Domestic borrowing (% of GDP)	2.3	<2	41.6	X[5]
9	Domestic revenue to GDP ratio (%)	17.5	>18	20	✓
10	Overall fiscal deficit, including grants (% of GDP)	5.3	<3	8.1	X[6]
11	Gross international reserves (months of current cover)	>3	>2	3.8	✓
12	Share of non-mining to GDP (%)	78.3	>80	88.86	✓

Key:

✓ Achieved

X Not achieved

1.2 Fiscal Performance

a) Revenue performance: During the year 2022, total revenues and grants were recorded at K100,681 million, slightly exceeded the target of K100,683 million despite domestic revenue falling below target by 0.2 percent. This was on account of lower than projected VAT, Customs and Excise

[4] ZamStats Monthly Bulletin indicates 30.1%.

[5] The Baseline, Target and Actual need to be revised. Baseline should read 7.7%, Target 5.9% (or 5.2% in Budget Speech), and Actual 2.9%

[6] Baseline supposed to be 9%, Target 6.7% and Actual 7.8%

Duties, and Mineral Royalties which were below target by 10.1 percent, 15 percent and 18.6 percent respectively. ZIPAR notes that despite Government expanding the scope of goods subject to excise duty, this proportion of tax income still under performed by 16.1 percent. On the other hand, grants were 8.7 percent above target due to higher pledged remittances towards social and economic sector programmes. Overall, total revenue and grants were recorded at 21.6 percent of GDP and were within the target.

b) Expenditure performance: Expenditure (including amortisation) in 2022 was 18.4 percent below the budgeted target of K173 billion. The lower than targeted expenditure was due to lower expenditure on transfers and other payments and use of goods and services. Among the significant underpayments noted in 2022 was debt service, which was below target by 18.6 percent due to the external debt standstill. Particularly, external debt payment was 92.9 percent below target owing to the ongoing restructuring that is yet to be finalised. Whilst the halt in external debt service gives the Government much needed fiscal room, the debt restructuring still remains a key factor that many economic variables hinge on.

c) Overall Fiscal Performance: Overall, the fiscal deficit in 2022 was 7.8 percent of GDP, which was higher than the target of 6.7 percent of GDP. Although the fiscal outturn of 2022 was above target, it was still less than the 9 percent outturn of 2021. This is an indication that Zambia is on the path of fiscal prudence. However, in staying the course of fiscal consolidation and discipline, notable lines of over-expenditure will need to be in check, mainly financial transactions and non-financial assets (roads and capital projects) that were above target by 73 percent and 14.1 percent respectively.

1.3 Public Debt Position

Preliminary data showed that the total Public and Publicly Guaranteed debt position as at end December 2022 was US$27.14 billion from US$26.16 billion as at end-December 2021, showing an increase of 3.2 percent. In 2022, Central Government external debt increased by 7 percent to US$13.96 billion from US$13.04 billion in 2021. This increase was attributed to the disbursements of already existing project loans for on-going priority infrastructural projects mostly financed by multilateral institutions and bilateral creditors. With limited external sources for development finance in 2022, domestic sources continued to be critical for the Government. Domestic debt was largely used to finance budget support and domestic debt refinancing. Despite the country's domestic debt increasing from K193 billion recorded in 2021 to K210 billion in 2022, the 9 percent increase recorded in 2022 was much lower than the 48 percent change for 2021. Generally, in 2022, the rate of domestic debt accumulation substantially slowed down compared to 2021. We note that significant reduction in domestic borrowing by the Government would be key in freeing up credit on the domestic market thereby reducing the crowding out effect and ultimately supporting the growth of the private sector.

Despite positive reforms undertaken by the Government of Zambia, the delays in the country's sovereign debt restructuring compromise its ability to mobilize and maximize resources, ultimately impacting its macroeconomic stability and growth potential.

2 REVIEW OF THE IMPLEMENTATION OF THE 8NDP VIS-À-VIS THE STRATEGIC DEVELOPMENT AREAS (SDAS)

The 8 NDP has four Strategic Development Areas (SDAs) including: Economic Transformation and Job Creation, Human and Social Development, Environmental Sustainability, and Good Governance Environment. Each of the SDA is furnished with appropriate development outcomes and strategies. Generally, the Government recorded mixed results of progress on the SDA although the treasury release was above target. Economic Transformation and Job Creation SDA received most the resources i.e., ZMW 9.8 billion against the total SDA release of ZMW 10.8 billion. The following are, therefore, ZIPAR's specific comments on the reported progress on the respective SDAs.

2.1 Strategic Development Area 1: Economic Transformation and Job Creation

This SDA has three development outcomes namely: an *industrialized and diversified economy, enhanced citizenry participation in the economy*, and *a competitive private sector*. The economic transformation and job creation SDA underperformed, overall. The government had a total of 179 targets under the 87 programmes but only 76 were fully met and 31 partially met, representing 43 percent, 17 percent full and partial progress rate respectively. The dismal performance is despite the SDA having almost 113 percent budget appropriation and 95 percent absorption rate indicative of formative challenges of the transition of Government but it also reflects a challenge with respect to financial planning as the budgeted resource seemed inadequate to cover all the activities under the SDA.

The strategy on *improving agricultural production and productivity* (the Agricultural Sector) dominated the treasury appropriation to the SDA, receiving about ZMW 8.2 billion out of the total of ZMW 10.8 billion appropriated to the whole SDA. Further, it is observed that most of the infrastructure related targets were not met because of the policy stance to reduce on borrowing and exercise fiscal prudence. Notwithstanding, the reticent performance of the entire *economic transformation and job creation* SDA is indicative of systemic performance impediments and calls for more and bold economic reforms.

The performance on each of the three respective development outcomes is analyzed to the level of their strategies as follows:

2.1.1 3.1.1 Development Outcome 1: An industrialized and Diversified Economy

Overall, the Government did not meet the target on most infrastructure development strategies except for the *generation, transmission and distribution of electricity* strategy. There were also some considerable headways on the strategies for *enhanced management of petroleum products* and the *promotion of traditional and non-traditional minerals* programmes. However, on the target sectors of agriculture, manufacturing, and tourism, there was almost no change from the baseline values on all points despite having relatively well financed pointing to systemic inefficiencies which should urgently be resolved. There were also some missing targets on some of the strategies rendering assessment untenable. The missing targets need to be remedied.

Strategy 1 -: Increase agricultural production and productivity

In the agriculture sector, infrastructure development remained a challenge as most of the targets were not met and this was attributed to resource constraints and lengthy procurement processes. Procurement of livestock goods and services were more successful than capital expenditure procurements.

Under the farmer input support programme, fertilizer deliveries were reported at 100 percent of the contracted quantity while the other inputs were at 99 percent. However, there were considerable delays in the delivery of those inputs which negatively affected farmers countrywide. In terms of irrigation development, which is crucial in climate change adaptation, the target to construct five small earth dams was not attained due to the recurring challenge of resource constraints.

In the aquaculture sub-sector, the establishment of 60 fish management areas was not achieved. Further, the target to conduct 780 patrols was only 70 percent achieved as 550 patrols were conducted, instead.

Regarding research and development all but one target – to develop one animal health research programme were achieved. The inability to reach that target was because no funds were allocated.

Under extension services, the target to recruit 500 extension officers was not attained and was deferred to 2023 while the purchase of 200 motorbikes was only partially met after the procurement of 145 motor bikes and this was attributed to price fluctuations owing to depreciation of the kwacha.

In terms of farm blocks, infrastructure development remains a challenge as the targets to rehabilitate bridges and construct roads were not met. Generally, limited resources impeded attainment of targets in the agriculture sector as evidenced by the exhaustion of the funds released to the sector.

Strategy 2: Promote Traditional and Non-Traditional Minerals

It is commendable that most of the targets for mineral and petroleum exploitation and exploration were attained mainly due to timely availability of funds. However, the lack of targets for mineral beneficiation and value addition is concerning as this is a key step if the country is to reap benefits from the sector.

Regarding artisanal and small-scale mining development, the target to license 20 gold mining cooperatives was not met as no gold mining cooperative were licensed in 2022. Further, the issuance of gold panning certificates was suspended as gold miners were not formalized. In addition, the Mining Cadastre Department which issues certificates was closed due to the moratorium from 23rd February to 19th October 2022. It is commendable that Government exceeded its target with respect to registration of mining cooperatives.

Going forward, the Government must enhance sensitization of gold miners on the benefits that come with formalization and quicken the process of clearing the backlog of mining license applications that resulted from the closing of the Mining Cadastre Department in 2022.

Strategy 3: Promote value-addition and manufacturing

Under the target on value chain development, the measures to produce one livestock value chain, establish two provincial livestock aggregation centres as well as two provincial poultry aggregation centres were not achieved and this is concerning given the need for value chain linkages for the agriculture sector.

In terms of investment promotion, there was a notable growth of projected investment from US$3.3 billion in 2021 to US$8.6 billion in 2022. However, pledged investments are merely projections and therefore, until they are actualized, which is currently a challenge due to weak monitoring and evaluation systems, they are of less benefit.

Regarding Multi-Facility Economic Zones, it is noteworthy that one proposal was approved by Cabinet. However, responsible agencies must see to it that the Kalumbila District MFEZ is actualized as it has been on the cards for many years.

Concerning skills development, it is concerning that progress could not be reported due to the absence of mechanisms for comprehensive compilation of data. The development of this system must be expedited so that the Government can track progress in terms of skills training which is an essential element of economic transformation.

Strategy 4: Promote tourism diversification

Under this strategy, some measures relating to tourism product development such as the development of wildlife-based tourism products and classification and grading of accommodation establishments were not achieved due to slow processes of collaboration between the government and stakeholders, and the lack of compliance by tour operators respectively. Therefore, enhanced awareness on the benefits of classification and grading, providing support on the necessary criteria and enforcing compliance will be cardinal.

Regarding tourism promotion and marketing, the failure to meet the targets for domestic tourist arrivals is concerning and can be improved upon by strengthening promotion and marketing strategies as well as implementing a two-tier pricing mechanism.

With regard to wildlife management, there were delays in signing Tourism Concession Agreements (TCAs) due to lengthy processes and stages. Further, the lack of resources impeded the development of Game Management Plans (GMPs). To address these two challenges, the

Government must streamline and expedite the process of signing TCA's and prioritize the allocation of resources to support the various stages of the GMPs respectively.

Strategy 5: Improve Transport and Logistics

The report shows that the target of the Aviation Development Programme was missed despite works commencing and progressing considerably well. This was mainly attributed to excessive rainfall which disrupted works. However, the development of the Aviation Development Strategy was completed.

Under the Road Development and Maintenance Programme a quarter of the targeted works were achieved. Contractual constraints, national audits and backlogs on payment contributed to the reticent performance. On the other hand, the success achieved was attributed to the collaborative support of cooperating partners like the World Bank.

Under the Rail Development and Maintenance Programme, the Government set the target to procure 13 TAZARA locomotives but were unable to raise the funds.

Regarding the Inland Water Transport Development and Maintenance, the target to dredge 460 Kms of canals could not be met. However, there were no targets for the Inland Dry Ports Development; Trade Centre Development; and Warehousing Development Programmes making it impossible assess the progress made.

Strategy 6: Enhance generation, transmission and distribution of electricity

Notably, the target to increase electricity generation was met with the commissioning of two more units at Kafue Gorge Lower Hydro power station. Most of the targets regarding rural electrification were also met with the exception of a Public Private Partnership venture between the Rural Electrification Authority and Standard Microgrid Zambia (SMZ) whose negotiations prolonged, a reflection of the negative impact of bureaucratic processes in the sector.

The target to cumulatively increase the number of alternative and renewable energy projects implemented from 10 to 12 was not met due to the failure to reach financial closure. This is concerning considering the dominance of hydro-electricity generation in Zambia. Therefore, the Government must prioritize the allocation of resources to green and renewable energies which are essential for diversification of the energy mix.

Strategy 7: Enhance management of petroleum products

This strategy was devised by government to enhance the management of the petroleum sub-sector and leverages on three programmes. Under the Petroleum Pricing and Supply Management Programme, a target was set to achieve 30 percent private sector participation in 2022. Commendably, the target was exceeded as 100 percent private sector participation was achieved due to Government policy through S.I. No. 35 of 2021 which encouraged local participation in petroleum product transportation, as well as the decision to withdraw from procurement of petroleum products. However, concerns have been raised by stakeholders about the enforcement of S.I No. 35 of 2021 as the participation of local transporters in the sector remains low.

Further, the lack of target setting regarding infrastructure development and alternative fuel promotion programmes impeded the assessment of their performance and reflects the lack of prioritization of these measures

2.1.2 Development Outcome 2: Enhance Citizenry Participation in the Economy

The Government over performed on most the programmes under this development outcome with exception of the development of the industrial yards in designated districts and the empowerment of the women, youth and the people with disabilities under the strategy for the *promotion of local and diaspora participation in the economy*. However, some programmes such *promotion of financial inclusion* and the *participation of the people from the diaspora in the economy* could not be assessed for progress because there were no targets. The missing targets issue has to be remedied.

Strategy 1: Promote local and diaspora participation in the economy

Performance varied by programme with some programmes recording above target performance while others lagging to meet targets. Specifically, the programme to increase participation in reservation schemes outperformed target by 2,186 MSMEs and cooperatives, owing to introduction and implementation of schemes such as Commercial Cleaning, Poultry and Domestic haulage, among others. On the other hand, performance on preferential procurement programmes to increase participation of women and youth-owned companies in public tenders by 40 percentage points, to 60 percent, respectively, was dismal. No information is provided on actual performance but inadequacies in the legal framework to facilitate implementation of programmes have been cited as the major reason for this dismal performance.

A review of programmes to increase the participation of the diaspora in the economy is difficult as no targets were set. Finally, there was a significant underperformance on empowerment programmes for women, youth and persons with disabilities as only 70 businesses benefited compared to the target of 200,000. Efforts to strengthen the legal framework to facilitate programme implementation should be prioritized as this was cited as a major challenge inhibiting performance.

Strategy 2: Promote enterprise development

Under this strategy, performance was above target on most programmes on small and medium enterprise development. For instance, 106,479 annual returns were filed, exceeding the target of 90,000. Similarly, the target to register 18,550 business names with PACRA was exceeded as a total of 30,333 business names registered. This good performance was attributed to several factors, including availability of online payment systems as well as enhancement of PACRA's online registration system. However, there was underperformance in the programme to develop industrial yards, with only three (03) operationalized in Mongu, Kasama and Chipata, against a target of five (05).

Strategy 3: Promote technical, vocational and entrepreneurship skills

Overall, there was good performance under this strategy. For instance, TEVET skills development programmes recorded overperformance with 7,789 youths trained in entrepreneurship skills against a target of 2,000, constituting an overperformance of about 290 percent. Similarly, 5,437 youths were enrolled under the GRZ/ICOF Community Scholarship Programme. This good performance was attributed to several factors such as supportive initiatives like the Skills Fund and CDF Skills Bursary. In the same vein, programmes to up-skill and re-skill individuals on the future of work through sensitization overperformed by 224 percent with 1,944 individuals sensitized against a target of 600. The demand for productivity services was cited for this good performance. On the other hand, the target to establish three (3) youth resource centres as Youth Connect Hubs was not met. No reasons were given for this underperformance.

Strategy 4: Promote Financial Inclusion

Finally, it is difficult to review progress on financial inclusion programmes under this strategy as no targets were provided. Programmes under this strategy included Financial Education, Rural Finance Promotion, and Capital Markets Development.

2.1.3 Development Outcome 3: A Competitive Private Sector

The Government achieved greater progress on this development outcome. Critical product standards were developed, trade-based MoU were signed with trade partners. The Public-Private Dialogue Forum (PPDF) was established to remove business impediments but the modality of operation needs to be further explained.

Strategy 1: Promote productivity and product quality

Under the target on product standardization and quality assurance, virtually all the measures were achieved and this is commendable as quality assurance is crucial not only domestically but with respect to accessing export markets. Therefore, the Government must seek to have more scopes accredited with the Southern African Development Community Accreditation Services (SADCAS) and other international certification agencies to ensure that Zambian products can satisfy product quality requirements in export markets. Further, the Government must continuously engage its bilateral trade partners through SADC and COMESA to ensure that Zambian exporters do not face any restrictions relating to product standards especially that Zambia is growing its portfolio of scopes for international accreditation.

Strategy 2: Facilitate increased domestic and international trade

It is concerning that under this strategy, there were no targets regarding coordinated border management which is essential in facilitating trade. In addition, the targets to establish a commodity exchange platform and inter-country trade centre were not met and no reasons were provided for this status thereby reflecting the lack of prioritization of these measures which could provide a crucial link for exporters.

Under the target on international cooperation and economic diplomacy, it is noteworthy that Zambia saw significant increase in the number of MoUs signed in 2022. However, the Government must go a step further to report the progress on these MoUs through an effective monitoring mechanism. Regarding the target on business regulatory environment, the launch of the Public-Private Dialogue Forum (PPDF) is a welcome development. Future reports should provide information on how this institution is contributing to the removal of impediments for the business sector, especially Micro, Small and Medium Enterprises (MSMEs).

Strategy 3: Improve access to finance for production and exports

The target on providing credit guarantee to 100 beneficiaries does not offer a clear report on how many beneficiaries accessed the service beyond the mentioned ‘exposure to export finance.’ Reporting on progress is essential as the credit guarantee scheme is a critical element in solving the credit conundrum faced by most firms in Zambia.

Regarding capital markets development, it is commendable that the main target on sensitization was attained. According to the 2020 Finscope survey, the low use of capital market products in Zambia is attributable to lack of money to invest and lack of awareness on how capital markets work. Therefore, other measures relating to access to money must be set as targets in ensuing years of the 8NDP.

The lack of a target to provide alternative forms of financing is concerning considering that the business community has historically struggled to access finance from the existing financing mechanisms. Trade finance facilitation measures attained regarding linkage of exporters to export markets through trade missions are commendable and going forward, the Zambia Development Agency must facilitate more trade missions and exhibitions to expose exporters to markets.

1.1. Human and Social Development

The Strategic Development Area on Human Development has four development outcomes that relate to Education, Health, Water and Sanitation and Poverty Reduction. The performance of Develop Outcome 1 was fairly good as 86 percent of the output targets were achieved, the free education policy, the mass recruitment of teachers and the increased allocation of CDF were among the drivers of success. However, progress on Early Childhood Education (ECE) was slow as enrolments targets were not met, secondary school transition and completion rates remained below target emphasizing the need for continued investment in school infrastructure.

The performance of Development Outcome 2 on health was also fairly good as 85 percent of the output targets were met. The key drivers of success were the improved funding and disbursements to the sector. However, the total allocation to the sector at 8 percent of total spending was far below the 15 percent recommended by the Abuja Declaration, further, other targets could not be evaluated due to non-existent monitoring mechanisms while other targets relating to disease prevention and control could not be met due to low funding for mass campaigns and community sensitization.

Although 85 percent of the output targets under Development Outcome 3 on Water and Sanitation were met, the sector is heavily reliant on external support. The major driver of success was increased support from cooperating partners raising concerns over the sustainability of the sector.

The performance of Development Outcome 4 on Poverty and Vulnerability was fair as 63 percent of the output targets were met. Key drivers of success included social security reforms, increased beneficiaries under the Social Cash Transfer (SCT) programme and an increase in the transfer mount from K150 to K200. However, up to date information remains a major challenge. The impact of the programmes under this development outcome could not be ascertained in the absences of an up to date Living Conditions and Monitoring Survey. Further, a dated National Disability Survey also made difficult to target persons with disabilities.

2.1.4 3.2.1 Development Outcome 1: Improved Education and Skills

The performance of Education and Skills Development presented in the 2022 Annual Progress Report was fair. A total of 53 output targets were achieved against a target of 86 representing an achievement of 62 percent.

Strategy 1 - Enhance Access to quality, equitable, and inclusive education

a) **Early Childhood Education (ECE):** The ECE experience target of ensuring that 50 percent of Grade 1 entrants had ECE experience was not met. In 2022, only 29 percent of Grade 1 entrants had ECE experience, representing a significant gap in providing children with early schooling experience. Further, out of the 284,000 learners targeted to access ECE, only 69,750 had access representing an enrolment rate of 25%. The low target achievements highlight challenges in providing ECE services in the country. The Annual Progress report attributes this under achievement to inadequate infrastructure and long distance to ECE centres.

Despite inadequate infrastructure being identified as a key challenge, Government overachieved as it established 423 ECE centres in 2022 against a target of 270. While this achievement is commendable, this performance is difficult to assess as the full extent of the infrastructure deficit is not provided in the Annual Progress Report. Thus, it is difficult to access the level of infrastructure required to improve the ECE experience.

b) **Learner Competency in Numeracy and Literacy at Primary School Level:** In 2022, the Government targeted to ensure that that 50 percent of grade 1 learners were competent in numeracy. This target was achieved as the learner competency rate for numeracy was 56 percent. rate. Similarly, the target of ensuring literacy rates of 56 percent for grade 4 learners was nearly met as the learner competency in literacy stood at 55 percent in 2022.

c) **Pupil -Teacher Ratio (PTR):** In 2022, tremendous progress was made towards improving the PTR with the mass recruitment of over 30,000. A PTR target of 45:1 was set for 2022, however, at the end of the year a PTR of 58:1 was recorded. While the higher pupil teacher ratio indicates a shortage of teachers, it also highlights the success of the free education policy which resulted in 580,000 learners being added to the school system. The free education policy will continue to add pressure on the school system resulting in the need for continued recruitments and investment in school infrastructure.

d) **Adult Literacy:** Tremendous progress has been recorded in adult literacy. 673 Youth and Adult literacy centers against a target of 60 have been established enabling increased access to literacy programmes. This is in line with the aspirations of the 8NDP which aims to increase literacy for the population age group of 15-49 from 66% in 2020 to 85% and 90% for male and female respectively by 2026. The number of current adult literacy centers is not given in both the

8NDP and the Annual Progress Report. This notwithstanding, the recruitment of 31,093 learners in these centres surpassing target of 3,000 learners is an indication of growing awareness and participation in the programme.

Furthermore, the successful enrolment of 111,765 Out-of-School Children (OOSC) exceeded the target of 2,500, showcasing the positive impact of the Government's inclusive education policy. Overall, continued investment and support in these areas will help ensure equitable access to education and empower individuals with essential skills for personal and socio-economic development.

e) Secondary Education: Challenges were noted in meeting some targets related to secondary school completion rates. The grade 9 target rate fell way short of the target of 80% achieving only 37%. At grade 12, the achieved completion rate was 75% against a target of 85%. The identified reasons for the underperformance included high dropout rates and cultural and socio-economic barriers. It is expected that this trend will be reversed with introduction of free education. There is also need for concerted efforts to address pupil teacher ratio which and infrastructural gaps which if not attended to could have exacerbating effects on the progress made thus far. Therefore, the planned construction of 120 secondary schools which could not commence in 2022 is an important undertaking in addressing the challenges cited above[7].

f) Infrastructure Development Programme: Notable progress has been registered in meeting several targets under infrastructure development. The rehabilitation of 242,000 desks, procurement of 4,500 single-seater desks and 12,000 double seater desks were accomplished at 100%. This was important in improving the availability and quality of desks in schools. Additionally, the operationalization of 16 secondary schools which were at 80% completion rate is critical in closing the wide gap in secondary school infrastructure.

Overall, Infrastructure Development programme made significant strides in improving the physical infrastructure of educational institutions. However, further analysis is required to assess

[7] https://www.sh.gov.zm/wp-content/uploads/2022/09/EIGHTH-NATIONAL-DEVELOPMENT-PLAN-2022-2026-05-07-2022.pdf

the quality, accessibility, and sustainability of the infrastructure developed as well as any potential challenges or gaps that need to be addressed.

Strategy 2 - Improve Technical Education, Vocational and Entrepreneurship Training (TEVET) Programme **- TEVET Bursaries:** The target to award 6,500 TEVET bursaries was exceeded, as 19,196 learners benefited from the scheme. The performance was mainly on account of increase in the budget allocation and additional financing from the Constituency Development Fund (CDF). The enhanced support to access TEVET is critical for national development as technical skills were identified as one of the critical skills lacking from newly hired job seeker.[8]

Further, the target to train 4,000 learners through open and distance learning mode was also exceeded as 5, 702 learners were trained in 2022. However, further analysis is required to evaluate the effectiveness of the training programmes and the impact on learner's skills development, employment outcomes and overall contribution to the labour market. It is also important to ensure the that the training offered aligns well with industry needs and promotes entrepreneurship and innovation.

2.1.5 3.2.1 Development Outcome 2: Improved Health and Nutrition

The performance of programs under Improved Health and Nutrition Development Outcomes was fair as 35 out of 41 output targets were met representing an achievement rate of 85 percent.

Strategy 1 - Strengthening public health

a) Disease prevention and control: Key target under disease prevention and control programs were not met. The target for Voluntary Male Medical Circumcision (VMMC) coverage, Notification Rate for Tuberculosis and Breast Cancer screening were all not met. The performance was attributed to poor community sensitization which relied on mass campaigns that were not adequality funded. Government to prioritize health promotion as changing health seeking behavior is key to disease control and prevention.

b) Maternal and Neonatal Health care: While some targets were assessed and met under maternal and neonatal health care, the performance on the program output to increase the proportion of facilities meeting WASH and hygiene standards to 60 percent could not be

[8] 2020 National Skills Survey, ZamStats

ascertained. Similarly, the performance on the output program of health posts and centers with functional maternity wings to 39 percent could not be established. The main reasons advanced included the lack of assessments. Government must prioritize monitoring and evaluation to ensure the delivery of quality health care.

c) Family Planning Programme: the target under this programme was not met and the performance is attributed to inadequate awareness on family program. Failure to achieve the target increases risks especially in areas where child marriages and adolescent pregnancies are rife, which disproportionately affects the girl child and, also exacerbates intergenerational poverty in communities.

Strategy 2 - Increased Access to Quality Health Care

a) Infrastructure development: Infrastructure development output targets were met for 1st, 2nd and 3rd level hospitals. This reaffirms the Government's committed effort to ensuring the provision of quality health care service delivery.

b) Medicines and Medical Supplies: Under this programme, all eight (8) output targets to increase essential drugs and medical supplies, including the availability of vaccines were achieved. While this is commendable, especially with the increased budget allocation to the program, the sector continues to experience essential drug shortages, which is a major concern for the health sector. This is a recurring challenge in the health sector as the desired drug stock availability level of 80 percent has consistently not been met.

Strategy 4 - Strengthen Integrated Health Information Systems

a) Integrated Health Care Financing: the target under this programme was to maintain the health budget at 8 percent of total Government expenditure and this was achieved. In 2022, the budget allocation towards the health sector increased to K13.9 billion, which was 8 percent of the overall Government expenditure. However, despite this target being met, a target of 8 percent was not ambitious enough as it remains far below the 15 percent Abuja Declaration target for budget expenditure on health in any given year, to which Zambia is a signatory.

2.1.6 3.2.3 Outcome 3: Improved Water and Sanitation

The performance of Development Outcome 3 was fairly good, 11 of the 13 targets were met representing an achievement rate of 85 percent.

Strategy 1 - Improve access to clean and safe water supply

a) Infrastructure Development and Maintenance: The performance of this programmes was fair as some of the targets were met. A total of 2,169 boreholes were drilled against the target of 3,205 while 209 small piped water were constructed against a target of 100. Further, 2,905 boreholes were rehabilitated against of 2,825. The positive performance was attributed to additional support from Cooperating Partners.

Further, the target to connect 25,000 households to water supply network was exceeded as 45, 778 households were connected. This achievement was attributed to the availability of water connection materials and willingness to pay by communities for water connections. Despite the achievements, access to safe water supply and sanitation remains critical in the realization of sustainable livelihoods, and socio-economic development and thus, should be at the helm of the development process and the achievement of Vision 2030 in a country. Thus, the strategy does not make mention of improving the Non-Revenue Water (NRW) indicator whose challenges include physical losses, which occur due to loss of water through leakages during transmission from the main sources to distribution centers. The NRW deprives companies of revenues to help improve operations such as electricity costs for pumping. High NRW further negatively affects service provision to customers who need the basic resource.

Strategy 2 - Improve Sanitation Services

a) Sanitation and hygiene promotion: The target to have 250 villages with Open Defection Free (ODF) status was exceeded as 2,206 villages were reached. Further, targets under community sensitization on sanitation and hygiene promotion activities were exceeded with 897,397 people reached against the 25,000 stipulated target. The positive performance was again attributed to additional support from Cooperating Partners.

The WASH sector largely relies on external funding. In the 2022 National Budget, 73% of the Water and Sanitation Budget was funded externally. This entails that in the absence of external funding, very little goes toward infrastructure development in the sector. Investing in infrastructure is critical in addressing challenges that related to NRW, water and sanitation coverage and improving metering ratios. Therefore, while most of the targets have been met, the national budget allocation towards the sector needs to increase to ensure that provision of access to quality safe water and sanitation.

3.2.4 Outcome 4: Poverty and Vulnerability Reduction

The 2022 Annual Progress Report indicates that performance under reduced poverty, vulnerability and inequality outcome was fair as 50 of the 79 output targets were achieved. However, measuring the impact of these interventions remains difficult as poverty statistics are dated. As of 2015, 40.8 percent of the population were living in extreme poverty.

Strategy 1 - Improve social protection programs

The key interventions under the improving social protection programmes included reform and expansion of social security programmes.

a) **Reform:** Under social protection reform, three social security laws were reviewed against a target of just one representing over achievement. Efforts to expand social security coverage included an increase in the budgetary allocation by 16% to the Public Service Pension Fund (PSPF) from K 2 billion in 2021 to K 2.3 billion from in 2022. The increase was mainly targeted at dismantling the backlog in arrears owed to pensioners.

b) **Expansion:** However, plans to register 375 informal establishments with employment injury schemes were not successful as only 116 were registered. Efforts to improve the social protection system is commendable, however, the failure to fully include the informal establishments only stagnates efforts to provide social security to the informal sector where the majority of Zambians are employed.

Strategy 2 - Enhance Welfare and Livelihoods of Poor and Vulnerable People.

Key interventions under this strategy focused on the following programmes; the **Social Cash Transfer (SCT)** programme, the **Public Welfare Assistance Scheme (PWAS)**, **Disability Services**, **Food Security Support** and **Child Protection**.

a) **Social Cash Transfer programme:** Key achievements under the SCT programme included the increase in the in the transfer amount. The transfer amount increased from K150 to K200 per month while households with members that have severe disabilities received double this amount (K400). Despite an increase in the budget allocation and improvements in disbursements, a recent monitoring exercise revealed that some households were still receiving their payments late. These challenges were mainly on account of administrative efficiencies that delayed transfers between the Ministry Head Quarters and the districts.

b) **Public Welfare Assistance Scheme (PWAS):** The PWAS is an in- kind socioeconomic shock mitigation programme that targets poorest and most vulnerable people. The programmes reached less than half of its intended beneficiaries (7183 out of 16,000) on account of inadequate funding. Low community sensitization especially in rural area was also cited as one of the challenges that led to the low utilization of the programme.

c) **Disability Services:** Inadequate financing was one of the challenges cited under disability services. As a results, only 403 of the 978 targeted persons with disabilities (PWD) were provided with assistive devices. Insufficient data on the number of living persons with disabilities (PWDs) made it difficult to accurately target persons in need of social assistance. The most recent data is from the 2015 National Disability Survey. A robust and updated database is required to improve the targeting of PWDs, this is will also assist in adequality budgeting for disability services.

d) **Food Security Support:** The Food Security Pack (FSP) targets vulnerable but viable farmer households. In 2022, the FSP target was partially met as 263,700 households were reached against a target of 240,000. The performance was attributed to the increased price of inputs, which resulted in less-than-optimal number of targets being reached. To address this challenge, Government must invest in local capacity to produce inputs, this will cushion the Government from exchange rate fluctuations that affect budgeting.

2.2 3.3 Performance of Environmental Sustainability

Target Setting: During the year under review, a total of 109 targets were set to be achieved under the 30 programmes of the Environmental Sustainability SDA. Of the 109 targets, 78 were under development outcome 1, while 31 were under development outcome 2. Out of the 109, a total of

55 targets were met while 54 targets were not met, representing 50 percent targets met and 50 percent not met respectively.

Given that the targets were not made public at the beginning of the year under review, the only point of reference is the 2022 APR. This creates a problem in determining whether the reported targets were the actual targets set at the beginning of the year under review, and as to how the 8NDP really performed in regards to the Environmental Sustainability SDA. An example would be the targets set under programme on Disaster Response and Recovery. Several of the targets under this programme speak to events that occurred during the year under review and could not have been planned for at the start of the same year. Clarity is therefore needed from the Government as to the process of how targets are set and determined for review in this SDA.

Budget and Allocation: The 2022 APR shows that K433,199,712.55 was allocated to the Environmental Sustainability SDA for the year 2022. From this allocation K364,300,123.68 was released, with K363,150,489.68 utilised. This represents 99.6 percent utilisation of released funds, and 83 percent utilisation of total allocated funds.

The 2022 APR clearly shows that funding proved to be a defining factor in the failure to meet several of the set targets for the year under review. The 99.6 percent exhaustion of released funds is a clear indicator of the need to budget adequately for set targets under the Environmental Sustainability SDA. There was also a clear dependence on cooperating partners to meet the targets that were set out for the year 2022, which begs the question as to whether the planned targets were too ambitious or overdependent on the help of cooperating partners.

Given the foregoing, there is need for the Government to clearly define the targets it can achieve through domestic funding, and the targets that will require external and donor funding. This will help partners and the general public understand the task at hand and where priority needs to be placed in both resource allocation and mobilisation of revenue.

Omitted Programmes: Missing among the programmes with targets were the following:

(i) Institutional framework strengthening,

(ii) Technology development and transfer, and

(iii) Water catchment protection and conservation.

Notable among these is the first programme on Institutional framework strengthening. The strengthening of the institutional framework through the setting of effective policies and a legal framework is paramount to the success of the Environmental Sustainability SDA. This ensures that targets like those on environmental compliance can be achieved through effective implementation of quality controls and issuance of penalties for non-compliance. The low levels of compliance as reported in the 2022 APR speaks highly to the importance of strengthening Zambia's institutional framework, and tracking the progress made on this factor.

1. FINANCING OF THE 8NDP

Financing the 8NDP will require a total cost of K997.12 billion to implement, and this money will primarily be drawn from domestic sources. Domestic revenues are projected to be contribute 67.3 percent, domestic borrowing at 16.4 percent and 16.3 percent will come from external sources. This resource mix shows that the domestic resources will be the prominent source of financing of the 8NDP.

The 2022 APR shows that K40.33 billion was budgeted for the implementation of the 8NDP programmes, but only K38.39 billion was released representing a variance of -4.81 percent. Although the variance is relatively small, it shows that the not all set targets for the 8NDP in 2022 could be achieved. Indeed, according to the APR, a total of 594 targets were set to be achieved in 2022 but only 318 were met, 56 were partially met while 220 were not met. This underperformance is largely on account of lack of sufficient funds to facilitate the implementation of the 8NDP programmes.

In order to actualise the implementation of the 8NDP, there is need to increase domestic resources. However, some impediments to domestic resource mobilisation still continue to loom on the horizon as highlighted below:

1.1. Hard-to-tax Informal Sector

Zambia as with other African countries is characterised by a hard-to-tax informal sector. According to the 2020 Labour Force Survey (LFS), 73.8 percent of the total working population is in the informal sector, while 26.2 percent is in the formal sector as shown in

. This is not far from the African share of 85.8 percent. The dominance of the informal sector in Zambia is largely explained by the form income-generating activities and employment opportunities the sector offers to the unemployed. The informal sector is generally characterised by non-compliance to taxes. For instance, 94 percent of those employed in the wholesale and retail trade were informally employed - other service activities accounted for 87 percent while domestic workers accounted for 85 percent. Further, an important component in the wholesale and retail trade is Informal Cross-Border Trade (ICBT), which involves small-scale traders who carry goods across borders evading all regulatory requirements. This is most prevalent at Kasumbalesa on the border with the Democratic Republic of the Congo, Nakonde bordering Tanzania, Mwami in Chipata which borders Malawi, Livingstone which borders Zimbabwe and Kazungula bordering Botswana and Namibia.

Table 4.1: Formal and informal population employed by industry, 2020

	Formal		Informal		Total	
	Number	Percent	Number	Percent	Number	Percent
Total	**783,422**	**26.2**	**2,204,956**	**73.8**	**2,908,379**	**100**
Agriculture, forestry and fishing	84,868	12.6	586,893	87.4	671,761	100
Mining and quarrying	41,118	69.3	18,253	30.7	59,371	100
Electricity, gas, steam and air conditioning	5,080	88	690	12	5,770	100
Construction	20,718	12.9	140,044	87.1	160,762	100
Wholesale and retail trade	48,288	6.2	732,662	93.8	780,950	100
Real estate activities	1,855	11.9	13,675	88.1	15,531	100
Education	146,843	86.2	23,605	13.8	170,447	100
Arts, entertainment and recreation	4,925	37.9	8,069	62.1	12,995	100
Other service activities	16,649	12.9	112,266	87.1	128,915	100
Activities of households as employers	15,600	15.8	83,235	84.5	98,835	100
Activities of extraterritorial organizations and bodies	2,054	50.7	1,994	49.3	4,048	100

Source: 2020 LFS Report

1.2. Zero rating of VAT is not only limited to exports

Based on the principle of Value Added Tax, all goods and services that are exported are zero rated and this is based on the destination principle. However, the current practice shows that zero-rating under the VAT system is not limited to exports only but includes other zero-rated supplies in the domestic market, thereby comprising the VAT base.

1.3. Fiscal Incentives

The Zambian government like other African governments has overly complicated its tax legislation and rules, thereby increasing compliance costs. These stem from many factors which include tax exemptions and fiscal incentives, which seemingly undermine domestic resource mobilisation efforts. For instance, the sectoral differentiation of Company tax (CIT) rates has been a feature of the Zambian tax system for quite some time. These rates currently range between 0 percent to 40 percent. The challenge with multiple CIT rates is that they cause the system to generate distortions and makes it prone to rent-seeking, avoidance, and contribute to the erosion of the tax base and undermine fairness in the sense that a disproportionately heavier tax burden is placed on the sectors with higher tax rates.

Partial estimates of tax gaps and the impact on revenue of tax expenditure provisions have been made in Zambia in the last decade:

- ZIPAR (2014) found that uncollected personal income tax for eligible self-employed and paid employees amounted to 6.7 percent of GDP in 2010 (or 40% of the tax liability)[9].
- IGC (2016) determined that the VAT gap reduced from an estimated 3 percent of GDP (50 percent of VAT liability) in 2009 to approximately 2 percent of GDP (30 percent of the VAT liability) between 2010 and 2011[10].
- JCTR (2011) estimate revenue forgone due to customs tax expenditures alone at ZMW1,493 million (rebased) or equivalent to 1.9 percent of GDP in 2009, with 25 percent attributable to COMESA and SADC trade protocols.
- IMF (2012) estimate the total revenue forgone from all taxes except personal and corporate income tax at ZMW589 million in 2010, ZMW1191 million in 2011, ZMW1502 million in

[9] Nalishebo, S. and Halwampa, A. (2014). Uncovering the unknown: an analysis of tax evasion in Zambia. Zambia Institute for Policy Analysis and Research, Working Paper No. 18

[10] Alexeev, M. (2016). Estimating the Value Added Tax (VAT) Gap in Zambia: 2009-2011, The International Growth Centre, Policy Brief, August 2016

2012. This is equivalent to 0.8% of GDP in 2010, 1.3% of GDP in 2011 and 1.4% of GDP in 2012.

1.4. Capacity Constraints

The capacity of human resource is indisputably acknowledged as a critical factor in the mobilisation of domestic revenues. Human resource capacity constraints mainly take the form of low staffing levels, let alone the absence of competent technical, professional, adequately trained and experienced staff. This is further fuelled by the absence of a system to retain these highly qualified staff. The different human resource challenges faced can be broken down as follows:

- Lack of funding for tertiary education and compliance to educational standards by education providers.
- Lack of competencies in technical and professional functions. This is especially rife in skills such as drafting laws, tax policy implementation, auditing and forensics skills, research, data collection and knowledge of processing, transfer pricing, magistrate's interpretation and asset recovery and management.
- Poor funding for tertiary education. There is inadequate local support for capacity building with a view to improving the scope and quality of training services available.
- Compliance of educational standards. There is weak enforcement of compliance of the educational standards, for instance, forged educational certificates, examination leakages and credibility of some qualifications.

Strategies to Increase Domestic Resource Mobilisation

(i) The Government needs to devise mechanisms to tax the informal sector. One practical way is to leverage on ICT services, such as using mobile money to trace transactions and capture the informal sector. Further, the expanded CDF is another mechanism that Government can use to formalise the informal sector and bring them onto the tax platform.

(ii) The Government needs to rethink the fiscal incentives. For instance, there is need to harmonise the CIT, as this will help fairness and economic efficiency and result in reduction of administration burden.

(iii) The growing tendency of the non-issuance if tax invoices especially by small to medium tax payers and use of non-compliant manual cash register is passage for tax evasion. Therefore, there is need to aggressively roll out fiscal devices for VAT registered vendors.

(iv) The Government needs to expand the digitalisation of collection of fees and charges through the Government Service Bus Platform. This will increase the collections of non-tax revenues, more especially from user fees and fines.

2. CONCLUSION AND RECOMMENDATIONS

The annual progress report on the implementation of the 8NDP shows a mix of results, with fair to good progress being made on the macroeconomic and fiscal management, on the human and social development SDA, and the environmental protection SDA. However, concerning the economic diversification and job creation SDA, the progress was very sluggish.

On the macroeconomic and fiscal management, it is apparent that the country is set to get back on the path to fulfilling the aspiration of becoming a prosperous middle-income country by 2030. However, growth still remained fragile for as long as debt restructuring remained elusive. The huge debt over-hang has the potential to reverse all the country's development gains has made this far, by limiting development financing options and stifling critical development programme spending.

Considering that the treasury had released nearly all the resources budgeted for the various programmes and the absorption rates remained high, the conclusion on the recorded underperformance, therefore, is that the 8NDP is another subject of unsatisfactory planning whereby, development programming is largely incongruous with the financing circumstances of the country. Most of the infrastructure related outcomes were unmet mainly due to the inelasticity of domestic revenue mobilization from which most development programmes were to be funded. In the SDA's where progress was better, there was heavy reliance on external financing which poses a sustainability risk.

The activity monitoring and evaluation mechanism functions of the Government need to be enhanced to ensure value for money because at present, it clear from the APR that resources have been spent but the outcomes are way below expectation in some areas.

2.3 Key recommendations

1. Realign development programming to the development financing space available;
2. Improve on programme monitoring and evaluation framework of the 8NDP by furnishing the appropriate targets and ensuring the requisite data is captured. This will also require increased investment in the digital reforms of the Government;
3. Introduce new reforms to make targeted growth sectors returns responsive to financial stimulation and quickly ongoing reforms in the mining and agricultural sectors;
4. Enhance domestic revenue mobilization measures to cover the financing gaps on the infrastructure investment programmes of the 8NDP; and
5. Finally, stay the course on fiscal prudence and allow scope for growth in the macroeconomic management of the country.