The 2023 National budget has covered the 8NDP through its four (4) pillars: Economic Transformation and Job Creation; Human and Social Development; Environmental Sustainability; and Good Governance Environment. In this regard, the macroeconomic objectives set in the budget are a breakaway from the broad and long-term objectives to be attained under the 8NDP by 2026.

Most of the macroeconomic objectives set for 2023, especially those speaking to GDP growth, inflation, international reserves, and domestic resource mobilisation are modest and look attainable. Given that the economy is estimated to grow by 3 percent in 2022, inflation is already at single digit, international reserves are already hovering around 3.5 months of import cover, the 2023 targets for growth, inflation, and reserves are highly likely to be attained. Zambia had a tax to GDP ratio of 19.7 percent in 2021 and given the fact that in 2022, the Zambia Revenue Authority (ZRA) have attained and exceeded their mid-year revenue collection targets, the country is set to achieve the set goal of collecting at least 20.9 percent of its GDP in tax revenue.

Planned expenditure for 2023 is projected to decline by 3.3 percent to K167.3 billion from K173 billion. Domestic revenues are projected to increase by 13 percent to K111.6 billion from the previous K98.9 billion. Financing is estimated to register a 27 percent decline to K54 billion from K72.4 billion while Grants have slightly reduced to K1.7 billion from K1.8 billion. Allocations to General Public Services as a percent of the total budget which increased to 49.9 percent in 2022 from 48.3 percent in 2021 is projected to reduce to 39.5 percent in 2023, largely attributable to a reduction in external debt service to K18.2 billion from the K51.3 billion envisaged in 2022. On the downside, the budget points that allocations to debt servicing do not account for the possibility of Zambia securing debt relief through the current debt restructuring process under the G20 Common Framework but offers no contingent plan for the use of resources that may be freed up via debt relief. To enhance transparency and accountability, there will be a need to establish and publicize this plan. Expenditure on defence, public order and safety has remained generally the same averaging 4.7 percent and 2.6 percent of the total budget over the past three years.
Overall, the national budget allocations for 2023 demonstrate better spending not only on social sectors but on the agricultural sector. It is encouraging that the government has shown commitment to financing the construction of irrigation infrastructure in the 2023 national budget since it would help sustain agricultural productivity outside of the rainy season.

Social protection has benefited from expanded allocation. This is expected to provide some cushion and relief to the poor and vulnerable. However, the cost of living is also expected to rise on account of the increase in fuel and electricity prices resulting from the elimination of subsidies. To mitigate against this more effectively, there is need for better targeting of beneficiaries of various social protection programs.

**ANALYSIS & CONCLUSION**

Increased production through promotion of local and foreign investment is critical for stimulating economic growth. This however must be pursued carefully taking into account the effects of the current debt stock. Strict adherence to fiscal discipline measures and implementation of the Public Debt Management Bill (PDMB) in debt acquisitions remain key determinants for the success of debt sustainability agenda.

Budget deviations should be avoided at all cost to sustain the gained credibility and ensure continuity of the IMF Extended Credit Facility (ECF) Program.

Reduced domestic borrowing over the medium term will help restore liquidity. This may lead to inflationary pressures. To combat this inflation, the government will need a suitable policy mix to avoid demand pull inflation.

Enhancing domestic resource mobilization must remain key priority. The use of the Electronic Fiscal Devices does provide opportunities for enhancing tax compliance and can lead to more revenues. Government must however, aim to achieve higher compliance through aggressive enforcement. Government must also be cautious with the use of lower tax rates to induce compliance.

Moving towards the harmonization of the tax rates is welcome but more importantly, revenue authorities must strengthen tax compliance and fight against tax evasion.

There is need to address the high cost of living. In the short term, government must work towards stabilizing the economy. In the medium and long term, boosting local production will be cardinal.

The measure taken to encourage investments in projects that have environmental benefits is good. Reducing the interest rate on returns for green bonds will attract investment. A clear definition of “projects with environmental benefits” is important for this purpose. Otherwise, this has a potential to cause confusion on account of comprehensive definition. Government should consider using Rio markers to identify environmental projects.

While the expenditure towards the education sector has improved, there is need to address the specific challenges that the sector faces. Free education policy does expose every child to the opportunity of attaining education. However, there still are various challenges faced especially in the rural parts of the country where children must walk long distances before they could get to school where they are not guaranteed of finding a desk to sit on. Further, there still exist shortages of specialized teachers to attend to children with special needs. Government must look into these issues.

**RECOMMENDATIONS**

- There is need to address the high cost of living. In the short term, government must work towards stabilizing the economy. In the medium and long term, boosting local production will be cardinal.
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