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THE 2018-2020 MEDIUM TERM EXPENDITURE FRAMEWORK & THE 2018 BUDGET

[Foreword & Chapter 1]

I am pleased to present the 2018 - 2020 “Green Paper” which is aimed at linking Government’s medium term development goals, as tabulated in the Seventh National Development Plan (7NDP), to their budgetary implications within the current fiscal environment. In over seven [7] years, this is the first time that a green paper is being availed to the public for scrutiny, commentary, and refinement.

Following the implementation of Zambia Plus - The Economic Stabilization and Growth Program (ESGP), a number of positive developments have been attained in 2017. These include the reduction in the inflation rate from a high of around 23 percent in February, 2016 to 6.3 percent in August this year, the appreciation of the Kwacha against major currencies and higher growth projections for 2017 at 4.3 percent compared to the initial forecast of 3.4 percent. Nonetheless, challenges still exist on the fiscal front. These include, but are not limited to, the large stock of arrears, for which the Government has designed a medium-term-time-specific-arrears-dismantling-strategy so as to significantly reduce the stock over the medium term.

The 2018 – 2020 Green Paper focuses on sustaining economic growth and development through the continued implementation of the ESGP. The programme is aimed at restoring fiscal fitness and overall macroeconomic stability as a basis for setting a platform for higher inclusive growth, employment and wealth creation in the medium to long-term. In this regard, Government over the medium term plans to prioritize agriculture, mining, manufacturing and tourism as the strategic sectors for the creation of decent employment opportunities and inclusive development.

All stakeholders are therefore implored to scrutinize the 2018 - 2020 “Green Paper” and make constructive recommendations that will enable the finalization of the nation’s objectives over the next medium term period.

In line with the theme of the Seventh National Development Plan (7NDP) which focuses on an integrated multi-sectoral development approach of “accelerating development efforts towards Vision 2030 without leaving anyone behind”, the 2018-2020 Medium Term Expenditure Framework (MTEF) reflects Government’s commitment to ensure that the benefits of economic growth are shared equitably by all citizens. Therefore, Government will work on creating a diversified and resilient economy for sustained growth and socio-economic transformation driven, by among others, the agriculture, tourism, manufacturing and mining sectors.

The MTEF will focus on restoring fiscal fitness for sustained inclusive growth and development. This will be done by realigning spending and enhancing domestic resource mobilisation. Administrative measures are being put in place to strengthen efforts of improving domestic revenue mobilisation so as to meet the medium term revenue targets. This will be through the full implementation of various measures already commenced upon, such as installation of fiscal registers in the retail and wholesale sector and the forensic audit of VAT refund claims to reduce cheating and revenue leakages. Tax payer education campaigns will also be enhanced to encourage compliance, while the introduction and roll out of electronic payments will be followed through in order to limit cash transactions and enhance audit trails.

To complement the various efforts on mobilising revenues, the Government will also continue to engage with Cooperating Partners to increase the level of assistance from 2018 and beyond.

Monetary policy will remain focused on maintaining price stability to support sustenance of macroeconomic stability and thereby aid fiscal fitness, as a basis for higher growth and development.

Maintenance of debt sustainability will remain pivotal in the rebalancing of the Zambian economy. Government’s borrowing over the medium term, therefore, will be guided by the Medium Term Debt Strategy, soon to be published, so as to ensure that the country remains within sustainable debt levels. It is envisaged that the fiscal deficit will be reduced to no more than 3 percent of GDP by 2020.