



Budget Analysis – Ministry of Infrastructure, Housing and Urban Development

1. INTRODUCTION

The Zambia Institute of Chartered Accountants is a professional membership body whose function among others is to advise government on matters of economic and national development. As requested, the Institute wishes to submit its comments on the 2025 National Budget presented to the Parliament on Friday, 27th September 2024 by the Minister of Finance, *Hon. Dr. Situmbeko Musokotwane, MP*, under the theme ***“Building resilience for inclusive growth and improved livelihoods”***. As directed by the Clerk of the National Assembly, the thrust of our comments is on the Ministry of Infrastructure, Housing and Urban Development. What we are presenting are our views on the proposed allocation to the Ministry of Infrastructure, Housing and Urban Development.

1.1 We are privileged to be invited to make oral and written submissions to the Committee on Transport, Works and Supply on the 2025 budget for the Ministry of Infrastructure, Housing and Urban Development.

2. MANDATE

The Ministry of Infrastructure, Housing and Urban Development Provide oversight over the designing, procurement, construction, maintenance, rehabilitation and management of public infrastructure and housing as well as urban development in accordance with government Gazette Notice No. 1123 of 2021.

3. SUMMARY

The 2025 budget estimates of expenditure for the Ministry is K622.5 million from the total budget of K217.1 billion. The Programmes have been fully aligned with the strategic development areas identified in the Eighth National Development Plan (8NDP) and the Ministerial Strategic Plan, the Ministry of Infrastructure, Housing, and Urban Development will channel its financial resources to actualize its mandate through the implementation of five key programmes namely; Housing Development, Public Infrastructure Development, Government Asset Management, Property Management Services as well as Management and Support Services.

Allocation by Economic Classification

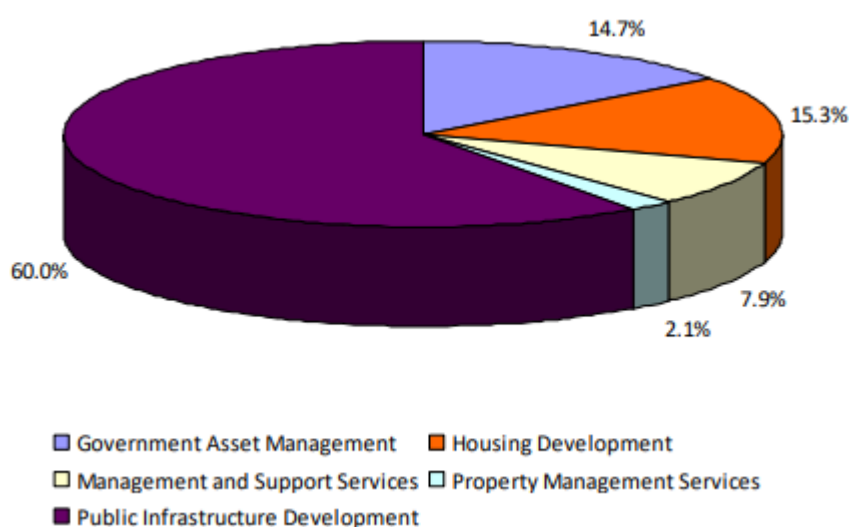
No	ECONOMIC CLASSIFICATION	2023 APPROVED BUDGET (K)	2024 APPROVED BUDGET (K)	2025 BUDGET ESTIMATE (K)
21	Personal Emoluments	59,828,534	65,436,916	70,037,191
22	Goods and Services	76,081,214	66,154,339	59,484,874
26	Transfers	144,514,519	144,514,519	144,514,519
31	Assets	411,756,907	386,263,464	348,467,734
	Head Total	692,181,174	662,369,238	622,504,318

Comments

The budget summary estimates by economic classification shows that K70.0 million (11.3 percent) has been allocated for Personal Emoluments, while K59.5 million (9.6 percent) has been apportioned for Use of Goods and Services. Additionally, K144.5 million (23.1 percent) has been allocated to Transfers to cater for the National Housing Authority, Road Development Agency, National Council for Construction, Improved Rural Connectivity Project (IRCP) and the Kazungula Bridge Authority. Further, a sum of K348.5 million (55.9 percent) has been dedicated to Assets for capital expenditure purposes within the Ministry.

Allocation by Programme

PROGRAMME/SUB-PROGRAMME	2023 BUDGET	2024 BUDGET	2025 BUDGET
	Approved	Approved	Estimate
2121 Housing Development	111,912,145	101,927,234	95,806,322
1001 Rural and Urban Housing	18,726,329	33,789,234	34,887,695
1002 Real Estate and Housing Finance	1,022,106	900,000	900,000
1003 Social Housing Development	59,791,710	40,938,000	33,448,627
1004 Settlement improvement	32,372,000	26,300,000	26,570,000
2122 Public Infrastructure Development	414,205,522	389,688,572	373,501,159
2001 Road Infrastructure Development	136,054,064	135,720,520	135,720,520
2002 Other Public Infrastructure Development	274,853,083	250,669,677	234,482,264
2003 Construction Sector Regulation	3,298,375	3,298,375	3,298,375
2123 Government Asset Management	86,885,176	92,890,632	91,303,806
3005 Public Infrastructure Maintenance	86,885,176	92,890,632	91,303,806
2124 Property Management Services	12,980,016	13,444,115	12,840,539
4001 Government Valuation	8,867,690	8,553,267	8,890,539
4002 Property Management	4,112,326	4,890,848	3,950,000
2199 Management and Support Services	66,198,315	64,418,685	49,052,492
9001 Executive Office Management	3,931,348	5,104,048	5,167,553
9002 Human Resources and Administration	43,564,703	37,067,179	21,394,183
9003 Procurement Management	2,768,895	3,416,081	3,180,977
9004 Financial Management Systems - Auditing	2,346,989	2,870,741	4,044,359
9005 Financial Management - Accounting	4,168,275	5,216,182	5,236,577
9006 Planning Policy and Coordination	7,998,105	9,564,454	7,498,843
9007 Monitoring and Evaluation	1,420,000	1,180,000	1,620,000
9010 Information Management	-	-	910,000
Head Total	692,181,174	662,369,238	622,504,318



The budget allocation by Programmes shows the Ministry's 2025 Budget has been allocated towards the implementation of five (05) programmes. The Housing Development Programme has been allocated K95.8 million (15.3 percent). In addition, an allocation of K373.5 million (60.0 percent) has been allocated to the Public Infrastructure Development Programme. Further, K91.3 million (14.6 percent) has been allocated to the Government Asset Management Programme. The Property Management Services Programme has been allocated K12.8 million (2.1 percent). Lastly, the Management and Support Services Programme has been allocated K49.1 million (7.9 percent).

Allocation to Public Infrastructure Development

PROGRAMME/SUBPROGRAMME	2023 BUDGET	2024 BUDGET	2025 BUDGET
	Approved	Approved	Estimates
2122 Public Infrastructure Development	414,205,522	389,688,572	373,501,159
2001 Road Infrastructure Development	136,054,064	135,720,520	135,720,520
2002 Other Public Infrastructure Development	274,853,083	250,669,677	234,482,264
2003 Construction Sector Regulation	3,298,375	3,298,375	3,298,375
Programme Total	414,205,522	389,688,572	373,501,159

The Public Infrastructure Development Programme has been allocated K373.5 million for the implementation of three (03) Sub-programmes. Of this amount K135.7 million has been allocated to the Road Infrastructure Development Sub-programme with the majority of the resources channelled to the Road Development Agency. Additionally, K135.7 million has been allocated to Other Public Infrastructure Development Sub-programme. This allocation will facilitate the completion of construction of ongoing construction projects in the newly created districts and provincial centres and other projects of special interest. This includes the completion of multiple projects, encompassing seven (07) district administration office blocks, three (03) district civic centres, five (05) police stations, two (02) post offices, and 120 low-cost housing units. Further, the Ministry will complete several activities, such as the construction of two (02) Provincial Police Headquarters in Choma and Solwezi Districts, a Provincial Auditors General's Office in Chinsali, and a Provincial Drug Enforcement Office in Kabwe district, among others. The Construction Sector Regulation Sub-programme has been allocated K3.3 million for the regulation of construction sector in the country. These efforts signify the Ministry's commitment to advancing infrastructure development in all the provinces of Zambia.

Comments

We commend the government for taking these initiatives. Infrastructure is key to promoting economic growth.

In the same vain, we urge government to allocate resources in a matter that reflects the priorities set out in the Eighth National Development Plan (8th NDP) particularly with respect to housing. The 8th NDP states under Strategy 4 (Increase Access to Decent and Affordable Housing) that:

“To increase access to decent and affordable housing for all, the Government will facilitate the provision of affordable housing finance, provide incentives for private sector participation and promote investments in research on alternative building materials and technologies. Consequently, during the Plan period, the housing deficit is expected to reduce from 1,539,000 in 2021 to 1,378,000 housing units in 2026.”

Zambia's urban population is growing at a rate of 4.2% per annum and is also rapidly urbanising. Addressing the housing backlog requires a multi-faceted approach, including increased investment, streamlined regulatory processes, and innovative housing solutions. There is need for larger scale investment in affordable housing, including resolving regulatory obstacles and driving partnership with the private sector.

4. OTHER COMMENTS ON INFRASTRUCTURE DEVELOPMENT

4.1 Agriculture, Livestock and Fisheries

- To strengthen disease surveillance and control, the government is investing in biosecurity checkpoints, quarantine stations, and regional and district laboratories. Laboratories will be operationalised in Chipata and Choma, partial operationalization in Isoka and Mongu, and ongoing construction in

Kasama, Ndola, and Solwezi. The procurement and distribution of equipment for these laboratories are also underway.

- To reduce dependence on rainfed agriculture, Government prioritizes irrigation development. This includes continuing existing schemes and constructing five new dams in Katete, Nkeyema, Kalomo, Mulobezi, and Pemba districts.
- Government has emphasized the need for farm block development to increase agricultural output and attract investment. This involves demarcating land, establishing infrastructure, and promoting commercial farming practices.

We commend the government for taking these initiatives. We expect these policies to influence private sector investment decisions.

4.2Energy

In a bid to urgently address the power deficit:

- Government has encouraged the construction of an additional thermal power plant in Maamba to double capacity to 600 megawatts by next year.
- New solar power stations are being developed in Chisamba (100 MW), Choma (50 MW), Kasama (100 MW), and Kariba (100 MW) through collaborations between ZESCO and private investors.

These steps are aimed at boosting energy production, encouraging renewable investments, and enhancing electricity access across Zambia. We support the Ministers proposals as stable and Sustainable energy sector is critical for fostering growth in the economy. However, we would like to see a properly managed solar initiatives strategy. This should encompass environmental protection as we forge increased solar usage. We wouldn't want to see huge tracks of land cleared for solar projects which will negate interventions to limit destruction of forests. The

Ministry of Green Economy and its agencies must take interest in applications for solar plants to see how the environment may be protected. It may be prudent to involve the citizenry who already have roof surface areas to a greater extent than new projects that will have to clear land afresh and then enhancement of net metering mechanisms could be enhanced. We can learn from nations that have done this with great success. We should avoid looking at one big environmentally destructive project but involve citizens so that net effect to the environment is at the lowest.

We note that the long-term stability in energy supply will also require a review of our national electricity tariffs. The energy sector requires the implementation of a sustainable tariff policy. A sustainable electricity tariff policy should be designed to ensure the long-term financial viability of the electricity sector while promoting environmental sustainability, social equity, and economic efficiency. Such a policy will balance various objectives, including:

- 1. Cost Recovery:** Ensuring that the revenues generated from electricity tariffs cover the costs of generating, transmitting, and distributing electricity, including the maintenance and expansion of the infrastructure. This should apply to both Zesco and Independent Power Producers (IPPs).
- 2. Environmental Sustainability:** Encouraging the use of renewable energy sources and energy-efficient technologies by setting tariffs that reflect the environmental costs of electricity generation and incentivize cleaner energy production.
- 3. Social Equity:** Providing affordable electricity access to all segments of society, including low-income households, through targeted subsidies or tiered tariff structures that charge higher rates for higher consumption levels.

- 4. Economic Efficiency: Promoting efficient electricity consumption and investment by setting prices that reflect the marginal cost of supply and sending the right price signals to consumers and producers.**
- 5. Regulatory Stability: Establishing a clear and transparent regulatory framework that provides certainty to investors and allows for the adjustment of tariffs based on changes in costs, demand, and other factors.**
- 6. Innovation and Investment: Encouraging research and development in new technologies and infrastructure by allowing for a reasonable return on investment for utilities and IPPs.**
- 7. Demand-Side Management: Implementing tariffs that can help manage electricity demand, such as time-of-use pricing, which charges higher rates during peak demand periods to encourage consumers to shift their usage to off-peak times.**

4.3 Transport and Logistics

- The government is committed to completion of construction of the 210 kilometres Chinsali-Nakonde Road which started in 2018 and will be completed by the end of 2024. In addition, Government has secured funding from Cooperating Partners for the rehabilitation of 162 kilometres of the Chinsali-Mpika Road.
- Government is committed to rehabilitate 238 kilometres of road network from Serenje to Mpika. The design review process has been completed and works will commence in 2025.
- Government is rehabilitating and upgrading the 71 kilometre Monze-Niko Road. Works commenced in 2023 and are scheduled to be completed in 2025.
- Rehabilitation of the Lusaka-Mongu Road from Tateyoyo Gate to Katunda/Lukulu Junction, covering a distance of 87 kilometres commenced in August this year and works are scheduled to be completed in 2026.

- The Government concluded negotiations with Millennium Challenge Corporation, for a grant financing of US \$458 million. The funds will, among others, be used to rehabilitate and maintain 222 kilometre Chipata-Lundazi Old Magodi Road and 116 kilometre Landless-Mumbwa Road.
- Government is committed to upgrading and rehabilitating 22 kilometres of urban roads in Lusaka and Sinazongwe this year. In 2025, Government will upgrade and rehabilitate more urban roads in Choma, Kitwe, Luanshya, Lusaka, Mazabuka, Ndola, Sinazongwe and Solwezi.
- Government remains committed to PPP's mode of financing; through the PPPs mode, it has signed seven Projects with a total coverage of 838 kilometres. So far, the Chingola-Kasumbalesa Road is completed and is operational while works on the Lusaka-Ndola Dual Carriageway, including the rehabilitation of the Masangano-Fisenge-Luanshya Road, are progressing very well and are earmarked to be completed in 2026 ahead of schedule. Works on the Katete-Chanida Road, Mufulira-Mokambo Road and the Ndola Mufulira Road and access road to Sakania are on course. Further, mobilisation and early works on the 85 kilometres of the Lumwana-Kambimba Road in Northwestern Province will commence in the last quarter of 2024.
- Government has signed a Memorandum of Understanding with the Governments of China and Tanzania to rehabilitate and modernise TAZARA Railway infrastructure and equipment. Once rehabilitated, tonnage on the railway line will increase to 2.5 million metric tonnes from the current half a million metric tonnes per annum.
- Over 4,800 km of feeder roads are being maintained or rehabilitated to enhance rural connectivity.

We support the Ministers proposals as the transport sector plays an important role in economic growth. It facilitates commerce and trade in goods and services as well as the movement of people. We would also urge governments to ensure

supervision of road infrastructure managed by councils. There is a lot of equipment that has been bought by Councils and the net effect of the value add must be tracked. We should have a situation where equipment has been procured and not being used or is in a state of disrepair for prolonged periods of time.

We also urge the prioritisation of agricultural linked road infrastructure in balance with urban roads. In this regard, we support government drive to rehabilitate feeder roads. The rehabilitation must ensure that the feeder roads usable throughout the year. We note that agriculture linked infrastructure is critical as it ensures the following;

- 1. Market Access: Good road infrastructure allows farmers to transport their produce to markets more efficiently, reducing travel time and costs. This is particularly important for perishable goods, which need to reach markets quickly to maintain their quality and value. This should be combined with investment in product storage facilities, including cold storage.*
- 2. Input Supply: Roads facilitate the movement of essential inputs for agriculture, such as seeds, fertilizers, and machinery, from suppliers to farms. This helps farmers to enhance their productivity and adopt modern farming techniques.*
- 3. Price Stabilization: Improved transportation networks can help stabilize prices by reducing the cost of moving goods and by connecting surplus-producing areas with deficit ones, thus balancing supply and demand across different regions.*
- 4. Rural Development: Road infrastructure can stimulate rural development by providing better access to education, healthcare, and other social services, which can improve the quality of life for rural populations and potentially reduce the urban-rural divide.*

5. *Investment Attraction: Reliable road networks can attract investment in agriculture and related industries, such as agro-processing, by providing investors with confidence that they can access markets and supply chains.*
6. *Information Flow: Roads also facilitate the flow of information, enabling farmers to access market information, extension services, and new technologies, which can lead to better decision-making and increased competitiveness.*
7. *Emergency Response: In the event of agricultural diseases, pests, or natural disasters, a good road network is essential for a timely response to prevent or mitigate losses.*
8. *Employment Opportunities: Construction and maintenance of road infrastructure create employment opportunities, which can provide an alternative source of income for rural communities.*
9. *Reduction of Post-Harvest Losses: Efficient road infrastructure reduces the time it takes to transport produce from the farm to the point of storage or sale, which can significantly reduce post-harvest losses.*
10. *Enhanced Food Security: By improving the efficiency and reliability of food supply chains, road infrastructure contributes to food security, ensuring that food products can reach all parts of a country, including remote areas.*

4.4 Small and Medium Enterprise Development

- Government has completed the construction of industrial yards in Chipata, Kasama, Kitwe, Lusaka, Mansa, Mongu, Ndola, and Solwezi. So far, 108 SMEs and 38 cooperatives have been onboarded and are operating in the yards. The construction of the second phase of yards is earmarked to commence in 2025 and will focus on constructing industrial yards in the remaining three provinces which are Central, Muchinga and Southern.

Although this is commendable, government must also look at resuscitating existing industrial yards in Lusaka, Copperbelt and other areas to ensure economic activity is revived. Some infrastructure just needs rehabilitation and would help expand manufacturing rather than putting all money in new constructions.

4.5 Education and Skills Development

- The government is committed to address the challenge of accommodation in public universities, Government is constructing 58 hostel blocks across eight public universities with a total bed capacity of 9,280.
- To address the issue of classroom overcrowding and inadequate facilities, the government is investing heavily in education infrastructure.
- The government prioritizes expanding TEVET infrastructure, particularly in rural areas, to make technical and vocational education more accessible.
- The government, in collaboration with Kagem Mining, has commenced the construction of a polytechnic in Lufwanyama.

We commend the government for these proposals as they will lead to significantly improvement of education outcomes in the long term. Education help raise productivity and creativity, as well as stimulate entrepreneurship and technological breakthroughs and the proposals will help reduce income inequality in the long term.

4.6 Health

- The Government has constructed Seven modern Level-1 Hospitals and 279 other health facilities nationwide.
- The 800-bed King Salman bin Abdulaziz Specialised Hospital is expected to be fully completed and operational by 2025.

- The government is enhancing maternal health services by constructing 123 maternity annexes, with plans for 30 more in 2025.
- Efforts to reduce medical evacuations include the expansion of specialized local treatment capabilities, such as heart surgeries at the National Heart Hospital and the construction of cancer treatment centers in Ndola, Lusaka, and soon in Livingstone.

We commend government for these proposals as the health sector is critical to the wellbeing of the nation and economic growth. We also urge government to accelerate the rollout of technology solutions to manage the medicine supply chain as the disconnect between the supply of drugs and their availability to patients in health centres remains a challenge. Government must also look at equipment in most hospitals which is non-operational. Citizens in the country have to depend on private institutions to have many tests done to get medical attention. This is very inconveniencing and expensive to the citizens.

4.7 Water and Sanitation

- The Government has allocated funds for constructing 12 new dams, rehabilitating 14, and maintaining 385 existing dams in 2025.
- In 2025, the Government plans to construct 947 new boreholes and rehabilitate an additional 500.
- The Budget sets a target of constructing 500 new piped water schemes in 2025.
- In response to the severe drought experienced, the government allocates funds for the construction of 1,835 new water points across the country.
- To mitigate waterborne diseases and improve sanitation, the government sets a target of constructing an additional 100 waterborne sanitation facilities in 2025.

We have noted with concern that most water utility companies are not able to provide adequate water to the towns they serve. Water is said to be unavailable in many settlements posing a health risk for the citizenry. Government must try to put more resources into water reticulation and help revive water utility companies to vibrance and charge economic fees for the service.

5. CONCLUSION

We believe that the Budget is a necessary fiscal tool to create positive contribution to economic growth and poverty eradication. We have noted that the 2025 Ministry of Infrastructure, Housing and Urban Development Budget has created a conducive environment for the private sector to thrive in employment creation and contribute to the growth of our economy. It remains that supervision of all budgeted projects is critical to ensure timely and efficient implementation. This will help expand the reach in subsequent budgets and avoid wastage on repeat jobs.

Finally, we would like to thank the government for listening to the submissions from ZICA on different issues.