



2008 Post - Budget Brief

By
Civil Society for Poverty Reduction

February 2008

INTRODUCTION

Civil Society for Poverty Reduction (CSPR) is a civil society poverty network of over 140-member organisations. These organisations are primarily concerned with reducing poverty and its impact on vulnerable groups within Zambia. As part of its strategy to contribute to poverty reduction and pro-poor development in Zambia, the CSPR network undertakes policy analysis activities covering key aspects of poverty reduction. Therefore, given that CSPR focus is mainly on poverty reduction issues, our comments on the 2008 Budget will be mainly on those aspects that directly address this.

OVERVIEW OF THE 2008 NATIONAL BUDGET

At face value, the theme of the 2008 National Budget, 'Unlocking Resources for Economic Empowerment and Wealth Creation', appears to relate more to macroeconomic aspects rather than poverty reduction. CSPR is concerned that Government has failed to recognize poverty reduction as one of its macroeconomic objectives in this year's budget. Government's intention to 'unlock resources' admittedly does demand macroeconomic stability and positive economic growth but this must be translated into improved delivery of quality and essential services and more generally, improved standard of living for the people.

The Budget gives no indication of resources being 'unlocked' for the poor who make up the majority of the rural population. If we are to take the assumption that unlocking resources for economic empowerment and wealth creation will also encompass the rural population, CSPR is of the view that emphasis should then be placed on poverty reduction programmes that build the rural population's capacities to enable them be more economically productive. Agreeably, rather than becoming merely consumptive in nature, CSPR would like to see a situation where more poverty reduction programmes result in the rural population participating in economically productive activities. This would mean enhancing the capacity of the poor as producers, improving their accessibility to assets, credit, social amenities and markets.

The statistics from the Living Conditions Monitoring Survey of 2006, as highlighted by the Minister of Finance and National Planning in his Budget speech, indicate that 80% of the rural population is below the poverty line while in urban areas the corresponding

figure is 34%. Considering this huge disparity in poverty levels between the country's rural and urban areas, we expect government to set parameters for equitable redistribution of these resources it hopes to 'unlock'. The satisfactory realization of the redistribution of resources and the promotion of rural livelihoods, are vital for the overall poverty reduction as they have positive implications on a country's economic development.

On the whole, CSPR feels that the government should aim for poverty reduction and this should be achieved with a deliberate focus on rural development as the basis. Government should also stay committed to the MDG promises, which include halving poverty by 2015.

BUDGET EXPENDITURE

(i) Social Sectors

Health and Education are two sectors that are critical to the fight against poverty. CSPR is concerned that the 0.8 % and 0.4 % nominal increments in the allocation to the health and education sectors respectively would not positively impact on the multiple problems the two sectors are currently going through. However, the pronouncement by government to alleviate some of the problems in these two sectors through infrastructure development and recruitment of teachers and medical personnel is indeed praiseworthy. In addition to these measures, there are certain conditions that government needs to pay attention to if it is to achieve quality service delivery, these are highlighted below.

The Health Sector

The Health sector continues to face difficulties due to inadequate funding among other factors. The increment in allocation of K1, 586.6 billion or 11.5% of the budget though higher than the 2007 allocation of 10.7%, unfortunately continues to fall short of the 15% Abuja Commitment of which Zambia is a signatory. The 11.5% allocation is not adequate to address the challenges that face the sector, particularly with the high incidence of HIV/AIDS related diseases.

Of the total allocation, government stated that they have allocated K113.5 billion for procurement of essential drugs and further K24.7 billion has been provided for recruitment of 1,700 health workers. Given the performance of government in spending resources in 2007, there is no guarantee that the entire allocated amount would in fact be released and spent. We therefore request that the allocated resources are released in a timely manner for immediate action.

The Education Sector

In his Budget address, the Minister of Finance and National Planning indicated that government in 2007 recruited and placed 10,600 teachers in various schools in the country. Our concern is to whether government put in place good conditions for recruitments and retention of these teachers. We recognise that even though there are more trained teachers than the number employed, there is currently an acute shortage of teachers particularly in rural and remote schools due to the conditions in place. In this view CSPR would like to learn how government plans to absorb and retain the 5,000 teachers that will be recruited this year. As government recruits 5,000 teachers this year, our advice to government is to focus on improving conditions for recruitments and developing retention schemes. The commitment to improving housing for teachers should be carried through as this would add to the success of the recruitment and retention process. The government needs to also see the importance of improved personnel emoluments for social service providers. That is in order to improve morale of workers and improve the retention of trained staff.

Water and Sanitation

CSPR appreciates the critical role of rural and urban water supply and sanitation issues within the poverty reduction agenda. The network fully understands the implications of these matters on health, which consequently impacts on labour production and productivity, particularly agriculture. The nature and distance of rural water source also impacts on the productivity of women (who are particularly key players in the country's agricultural production process) by either reducing or increasing their time spent on drawing water which affects their availability for other productive labour demands. CSPR therefore feels that if the country has to make meaningful progress in this sector, particularly progress in meeting the MDG target of improving the proportion of people

having access to safe water, then more capital investment is needed particularly in the rural water and sanitation sub-sector through increased funding. The K399.4 billion allocated in the 2008 budget fails short to enable us make meaningful progress in meeting the MDG target by 2015.

(ii) Social Protection

CSPR feels that Government's allocation of K577.7 billion (4.2%) of the 2008 budget to social protection is a positive development compared to the 3.8% allocated in the 2007 budget. CSPR wishes to commend government for making provisions for payments of arrears to pensioners. This provision would alleviate the suffering of those that committed their productive lives to serving the public. We call on government in future, to make such payments at the time of separation to ensure that retirees get their dues when these still have a strong purchasing power.

While noting government's commitment to complete payment of pension arrears, CSPR questions why other social protection programmes such as the care for the aged, persons with disability, orphaned and vulnerable children should lie low in priority. The allocation of the budget to other social protection programmes is not sufficient to cover effective delivery of the Ministry of Community Development and Social Services (MCDSS). We can therefore conclude that the 2008 Budget has neglected and does not offer an effective path through which the various issues affecting the aged, vulnerable women, orphaned and vulnerable children including street children, can be addressed.

(iii) Economic Sectors

Agriculture

Funds allocated to Agriculture have reduced from 8.8% of the total budget in 2007 to 5.8% this year. Considering agriculture is one of the backbone economic sectors of Zambia, we ask the government to recognize the role that agricultural productivity, particularly small scale farming, plays in economic growth. CSPR believes that improving food security and ultimately reducing poverty will require encouragement through more resource allocation to small-holder agricultural activities and programmes. Encouraging small-holder agricultural activities and programmes is the best way to help poor farmers and rural dwellers become more productive and improve their living

standards. Therefore, to have meaningful economic growth, we encourage government to provide appropriate support to small scale farmers.

Mining sector

With Government's intention to put in place a new fiscal and regulatory framework for the mining sector, the country is expected to earn in excess of US\$400 million in additional revenues this year. We expect additional resources generated from this to be reflected in the planning of poverty reduction programmes.

Income tax

CSPR welcomes the increase in the PAYE exemption threshold from K500,000 to K600,000. However, we feel that this increase is not enough as it may be quickly eroded by increases in prices during the year. CSPR is concerned that PAYE of 35% is being made on an income of K4,000,000 which is a reduction from 2007 which was at K5,200,000. The reduction of PAYE for the income groups from K5,200,000 to K4,000,000 should have been left at K5,200,000 per month. It is also a concern that an employee who gets K4,000,000 per month, should be taxed at the same rate of 35% as one receiving an income of K20,000,000. It is our view that PAYE should be translated and varied for those in much higher earning groups, so as to make it more progressive.

(iv) Gender

Gender issues are critical in the poverty reduction process. Almost the whole of the region's rural population directly depends on agriculture for its livelihood. According to statistics, women in Zambia contribute more than 70% of the agricultural labour. This is apart from the other demands on them such as providing for their families' health and nutrition. Notwithstanding these facts, women are, however, disadvantaged in that they do not have equal access to productive resources and means including credit, land, technology, extension information and decision making. The 2008 Budget does not address gender issues adequately. The gender-blindness in the Budget will have inevitable consequence of leaving out women from 'economic empowerment' programmes and projects. CSPR believes that it is vital to address gender issues in the Budget, if development is to move forward particularly in the rural areas.

RECOMMENDATIONS

- There is need for government to facilitate quick delivery of goods and services by ensuring that certain activities done at national level should be provincial and district driven. In this view, there is need for government to expedite the implementation process of the Decentralized Implementation Plan.
- The challenges related to the long tender procedures and procurement systems that were attributed to the slow delivery and subsequent non utilization of resources in 2007, should be addressed by reducing bureaucratic tender procedures i.e. the approval process for tender procedures should be shortened. In addition, every effort should be made to ensure timely allocation and disbursement of budgeted resources.
- Government should exercise strong control on its expenditures by reducing non priority expenditures. Key areas like health, education, water and sanitation, orphans and vulnerable children issues including disability issues must take priority in the Poverty Reduction Programme.

REFERENCES

Civil Society for Poverty Reduction, Consolidated Civil society Response and Input to the GRZ Draft Fifth national Development Plan, July 2006, Lusaka.

Civil Society for Poverty Reduction, 2008 Pre-Budget Statement, January 2008, Lusaka

Ministry of Finance and National Planning, 2008-2010 Medium Term Expenditure Framework and the 2008 Budget, Draft Green Paper, November 2007, GRZ, Lusaka

Ministry of Finance and National Planning, Fifth National Development Plan 2006-2010, June 2006, GRZ, Lusaka

Ministry of Finance and National Planning, 2008 Budget -"Unlocking Resources for Economic Empowerment and Wealth Creation", 25th January, 2008, GRZ, Lusaka.