



ANALYTICAL BRIEF OF THE 2019 SOCIAL SECTOR BUDGET **'A CALL FOR FAIRNESS AND ELIMINATION OF WASTAGE'**

KEY HIGHLIGHTS

1. The overall budgetary allocation to the Social sector has increased nominally by 18% from K22.8 billion in 2018 to K26.9 billion in 2019.
2. Allocation to Water and Sanitation has increased almost threefold. However, most of the resources will be spent in urban areas where access to water and sanitation is already better than rural areas.
3. Health and education budgets have also gone up significantly. In health, Zambia will for the first time implement the National Health Insurance which potentially puts the county on a path to universal coverage. In education, the core programmes will be focused on improving the quality of teachers which is being seen as one way of improving quality of education. The education budget however skewed towards tertiary education raising concerns about fairness.

1. Introduction

The 2019 National Budget comes at a time when the Government is facing fiscal constraints. Nevertheless, the Government will still have to deliver essential social services to its population to build on progress made in the past in order to safeguard the gains. Like in 2018, the 2019 National Budget is built on the pillars of the 7NDP which for the social sectors include reducing poverty and vulnerability and developmental inequalities. This budget brief therefore provides an analytical perspective of the budgetary allocation to Social Protection, Water and Sanitation, Education and Health functions of the Government.

The relative share of the Social Sector Budget to the National Budget has decreased by a percentage point from 32% in 2018 to 31% in 2019. However, in absolute terms the allocation has actually increased by 18% from K22.8 billion in 2018 to K26.9 billion in 2019. Expressed in per capita terms the allocation has gone up by 13% from K1,354 in 2018 to K1,533 in 2019.

Figure 1: Evolution of Social Sector Allocation (K' Million)



Source: authors own construction using 2014-2019 Budget Speeches

2. Social Protection: Scaling up continues

The Social Protection budget has decreased nominally by 5% from K2.3 billion in 2018 to K2.1 billion in 2019. The seeming decline is mainly on account of non-inclusion of contributions to the social cash transfer by the Cooperating Partners (CPs) as they have suspended aid to this programme. On the other hand the allocation to the Public Service Pension Fund (PSPF) has been maintained at the same level as in 2018 while the Food Security Pack programme budget has declined by 21%.

The outlined policy measures in the Budget Speech point to increased numbers of beneficiaries for the social cash transfer programme from

634,000 currently to 700,000. To be able to cover the projected number of beneficiaries, the programme will need a budget of approximately K822 million which leaves deficit of K121 million. To meet the deficit the Government may have to amend the Budget during the approval stage or during implementation through a supplementary budget. It is also important to note that while allocations have been made the effectiveness of the system is equally important. More especially payments ought to be predictable and regular. This has not been the case in 2018 as evidence shows that only 27% of the allocation has been disbursed¹. This trend is a deviation from the original objective of providing regular income to poor households to alleviate extreme poverty.

Figure 2: Relative Share of the Social Protection Budget by key programmes



Source: authors own construction using 2013-2019 Budget Speeches and 2013-2018 detailed budget

The 2019 Budget also raises the issue of implementing a Single Registry for all social protection programmes. This is an important development and will improve the coordination of social protection programmes which have been highly fragmented leading to numerous inefficiencies. However, the Single Registry should not only create a data base of beneficiaries from all programmes but should also track beneficiaries until they are able to graduate. In this manner the system should be able to raise flags against beneficiaries whose status remain unchanged even after being on the programme for the stipulated time. This will help in eliminating increased dependency on social safety nets. In order to achieve this, a graduation strategy should be put in place for non-labour constrained households who have the potential to graduate to entrepreneurship and gainful employment.

1 ZIPAR 2018, Midyear Budget Analysis

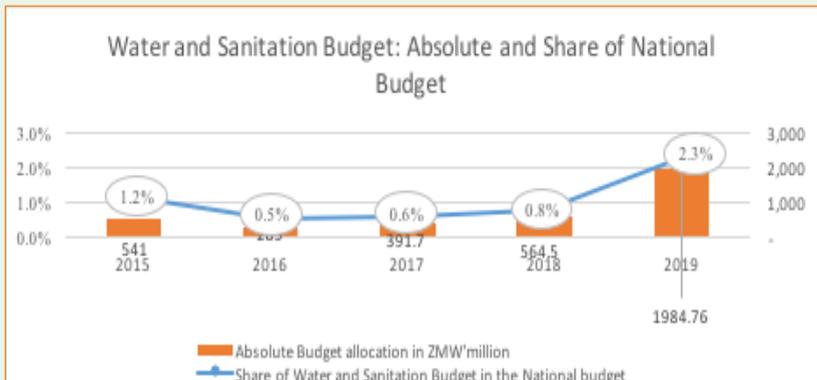
3. Water and Sanitation-Scaling up urban projects

The state of water and sanitation in Zambia is worryingly poor. Due to the poor state of water and sanitation urban areas are prone to water borne diseases which break out almost every year. Recently Zambia experienced a Cholera outbreak that claimed more than 103 people with the majority being in Lusaka².

In view of the above it is imperative that investments in water are scaled up. Accordingly the allocation to water and sanitation in the 2019 budget has increased by approximately 252% from K564.5 million in 2018 to K1.98 billion in 2019. This is the highest level in five years and though the nation has fiscal limitations, the allocation is justifiable to address water issues and prevent disease outbreaks in the country. Despite the usual concerns on disbursements, the 2018 budget shows improvements as 45% of the approved budget was disbursed as at June 2018 compared to only 27% in the 2017 financial year³. With such improvements Zambia will be able to address its water and sanitation problems in 2019.

Three additional projects in Kafue Bulk Water Supply and Sanitation project, Kafulafuta Water Supply and the Nkana Water and Sanitation projects have been added to the Lusaka Sanitation project (Millennium Challenge Account) as key programmes having a combined share of 58%. According to the Budget Speech the motivation of this urban bias is to prevent the spread of water borne diseases which are more pronounced in urban areas than rural areas.

Figure 3: Water and Sanitation Budget: Absolute and Share of National Budget



Source: authors own construction using 2015-2019 Budget Speeches

2 Emergency Plan of Action Final Report, June 2018.

3 ZIPAR 2018, Midyear Review of the 2018 National Budget

4. Education and skills development: channeling resources towards improving quality of education in 2019.

Zambia has made important achievements in the education sector and is among many African countries that have achieved universal primary education⁴. The percentage of out-of-school children among primary-school-age children has also declined. However, the quality of education still remains low: completion rates at grade 9 and 12 remain at 69% and 53% respectively. This means not all children who start school get to finish. Examination pass rates at secondary school also stand around 62%, the remaining pupils who write exams do not pass.

To improve the quality of education the Government has allocated a total of K13.3 billion up from K11.6 billion allocated in the 2018 budget, which represents a 15% increase in nominal terms. In relative terms the budget has declined from 16.1% in 2018 to 15.3% in 2019. According to the Budget Speech the main focus in 2019 will be pre- and in-service training of teachers, provision of teaching and learning materials and ongoing recruitment of teachers. The Government will also prioritize redeployment of serving teachers to underserved areas with the right mix that includes science, mathematics and information and communication technology as a way of improving quality of education.

Additionally, financing for high education needs to be done carefully. Instead of the Government constructing universities, private sector should be encouraged to do so especially in regions that lacks such facilities. In the same line setting priorities in resource allocation and infrastructure development in education should be sensitive to the state of the fiscus. For example, the 2019 allocation to building a brand new university in Luapula province will gobble up K442 million (nearly 3 times the allocation to the entire Skills Development Fund budget). Austerity requires refraining from new heavy capital projects. Additionally, Luapula province, like other rural provinces in Zambia could benefit more from improved infrastructure at primary and secondary levels of education. The Government should therefore have focused on addressing the infrastructure gaps at secondary school level which stands at one secondary school to eight primary schools.

The realisation of the stated goals will also depend on a number of factors. One of them is that the Government should not only disburse the equal amounts planned but do so timely. Past budget performance analyses show that disbursements to higher and general education generally very good and

4 MDG Progress Report, Africa 2015

estimated at 89% and 77% respectively⁵. If this continues the aspirations of the Government can easily be realised.

Figure 4: Evolution of the Education Budget: Absolute K' million and share of National Budget



Source: authors own construction using 2015-2019 Budget Speeches

Zambia is still grappling with skills development. The issues of skills gaps and mismatches continue to limit employment opportunities especially for young people. These are some of the issues that the Government would like to reduce by spending a total of K164 million. By targeting to train at least 3,000 youths in 2019 and set up 4 youth resource centers in addition to the 21 currently in operation the Government is showing the level of ambition needed to cultivate a skilled labor force.

Nonetheless, given its resource constraints, the Government should avoid wastage and in skills training. The world of work is constantly changing and Zambia needs to move with the times by providing skills that will not become obsolete over time.

5. Health: Universal access to health is on the horizon but concerns remain.

Zambia has made important strides in the health sector. Today, the risk of child bearing related deaths have become rare among Zambian mothers. Infant deaths have also declined significantly while more children can now live beyond their fifth birthdays than before. Zambia has also achieved significant results in HIV. Although non-communicable diseases are emerging and threatening the health of many people, the health system has grown stronger and more resilient to be able to eliminate this threat.

⁵ Based on Cluster Advisory Group 2017-2018 National Development Coordinating Committee reports

The country's state of public finance however may mean that going forward the health sector should focus on doing more with less no matter how difficult this may sound. In terms of the overall 2019 budgetary allocation there has been an increase from K6.8 billion in 2018 to K8.1 billion which translates to K401.53 per person in per capita terms. The infrastructure budget has increased by 226% from 274 million in 2018 to K620 million. However, the allocation to drug and medical supply has declined by 25% even if drug availability remains a challenge in Zambia.

Figure 5: Evolution of the National Health Budget: share and the per-capita allocation



According to the Budget Speech the National Health Insurance (NHI) will finally be implemented in 2019. This is one of the most important reforms that Zambia's health financing regime has experienced which if successfully implemented can put Zambia on a path to universal health access and coverage. However, the implementation of the NHI raises important concerns. The main source of NHI funds will be the formal sector which accounts for only 16 % of total employment. Zambia already has a narrow tax base generally and the base for NHI may be even narrower which means resources may be drawn from the treasury. Given current fiscal constraints it will be difficult to implement the NHI successfully. There are also concerns of how the scheme will include the informal sector which accounts for the larger share of the economy and potentially have more beneficiaries.



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