The WASH budget has been on the decline in the last three years. The share of WASH declined by 0.3 percentage points from 0.8 percent of GDP in 2020 to 0.5 percent of GDP in 2022. It declined by 34 percent in real terms and by 14 percent in per capita terms in the same period. This is an undesired trajectory for achieving universal access to safe and affordable WASH services by 2030.

**RECOMMENDATION:**

Significant investments are required in the sector, starting with a nationally determined estimate of the financing requirements needed to extend WASH services to the unserved and underserved. Coupled with this is the need to devise an innovative and more diversified financing mix that includes not only the government but the private sector and households.

While significant resources are allocated towards Use of Goods and Services (which includes operations and maintenance), WASH infrastructure remains critically under-funded.

**RECOMMENDATION:**

While allocations to capital expenditure have been increased in 2022, in line with the policy focus, more capital investments are required. WASH budget allocation needs to strike a balance between recurrent transactions (including maintenance) and capital financing for sustainable supply of services.

The increased share of domestically-financed budgets is a step towards sustainable financing of the WASH sector and supplements the dominance of foreign financing which comes mostly as loans and adds to the nation’s fiscal burden.

**RECOMMENDATION:**

Sustainable service delivery for water and sanitation should rely primarily on domestic public resources, while being supported by international cooperating partners. The Government therefore needs to devise strategies, policies and mechanisms to attract additional private and public finance to the WASH sector.

Data limitations pose serious challenges for measuring and monitoring outputs and outcomes, and limits the analysis of efficiency, equity and effectiveness of public spending.

**RECOMMENDATION:**

The government should devise a robust and integrated data information system for the WASH sector that includes not only government-financed expenditure, but also externally financed and civil society organisations to provide timely data and information for decision making. There is also need to align the programme outputs to the Output-Based Budgeting Framework.
INTRODUCTION

This Water, Sanitation and Hygiene (WASH) budget brief explores the extent to which the Government of the Republic of Zambia (GRZ) will support the WASH sector in 2022. The brief analyses the size and composition of budget allocations to the water supply and sanitation sector, and water resources management, for the fiscal year 2022, as well as spending trends for the past few years, in order to inform policy, strategies and legislation to tackle water supply and sanitation challenges compounded by the advent of the COVID-19 pandemic. This brief examines the budget response to COVID-19 in the immediate term and measures to improve access and quality of WASH services in the coming years.
OVERVIEW OF THE WATER AND SANITATION SECTOR

WASH sector policies, strategies and programmes

After the general election in 2021, the Government realigned the Ministry of Water Development, Sanitation and Environmental Protection. It is now called the Ministry of Water Development and Sanitation with the environmental protection function taken to the newly created Ministry of Green Economy and Environment. The realigned ministry is responsible for Water Policy, Water Resources Management and the development of Water Supply and Sanitation. Components of hygiene promotion fall under the ministries responsible for Education, Health and Local Governance, among others.

Key policy objectives. Given the aspirations for achieving universal access to clean and safe water supply and sanitation for all by 2030 (Sustainable Development Goal 6), and ensuring national water security to support the economic, human and social development of the country, the key policy objectives in the medium term, as gleaned from the Medium-Term Budget Plan, are outlined in the Figure 1.

Access will be increased through infrastructure development and rehabilitation as well as through affordable water services. In order to increase access to clean and safe water and provide sanitation services, the Government, working with cooperating partners, will continue to rehabilitate old and dilapidated water supply and sanitation infrastructure as well as embark on new projects in both rural and urban areas. In 2022, the government plans to construct 3,205 boreholes and rehabilitate 2,825 boreholes. Further, the Ministry will construct 100 kilometres of water distribution networks and connect 25,000 households.

To ensure affordability of water, the Government has revised fees and charges on boreholes. It has reduced the cost of drilling boreholes by scrapping off fees for application and registration and annual fees to drill domestic boreholes. Application, registration and annual fees will only apply to commercial boreholes. However, it will still be a requirement to register all boreholes or apply to drill a borehole, and failure to do so will mean a penalty fees shall apply.

Figure 1: Short- to medium-term key policy objectives for the WASH sector

Source: Author’s own elaboration from strategies in the 2022-2024 Medium-Term Budget Plan and 2022 Estimates of Revenue and Expenditure

1 Source: Ministry of Finance, Estimates of Revenue and Expenditure (“Yellow Book”), 2022
Kingdom of Eswatini

Water resources management and water security will also be improved. To improve water resources management and optimal harnessing of water resources for productive usage, the Ministry will undertake the construction, rehabilitation and maintenance of dams, construct exploratory boreholes, identify and map local aquifers, characterise and develop wellfields. To enhance transboundary water cooperation, governance and benefit sharing, the Ministry will strengthen hydrological assessment for monitoring stations in the Zambezi and Congo basins and strengthen institutional capacity for coordinated transboundary water resources planning and management, among others.

The operational environment will be improved through the strengthening of the policy and legal framework. To strengthen the policy and legal framework, the Government will, over the medium term, finalise the review of the 2010 National Water Policy; the Water Supply and Sanitation Act No. 28 of 1997, and the Water Resource Management Act No. 21 of 2011.

Water resource mobilization and management will be improved through innovative financing strategies. While taxes (and higher budgetary allocations to water) and user tariffs remain the primary source of financing the water and sanitation sector, new strategies and ideas are needed to leverage resources from all sources. The improvement of water resource mobilization and management will be done through improving availability of financial resources and financial accountability, strengthening the financial management system and development and implementation of a resource mobilization strategy. This includes, inter alia, applying, over the medium-term, part of the Constituency Development Funds to improve the Water Supply and Sanitation conditions at constituency level so as to achieve the goal of having waterborne toilets and running water in all the government schools, health centres and peri-urban areas across the country.

WASH sector performance

Steady progress has been made towards achieving water supply and sanitation outputs. Significant emphasis has been placed on the construction and rehabilitation of boreholes and the construction of sanitation facilities. In 2021, a total of 220 boreholes were earmarked to be drilled. By mid-year 2021\(^2\), only 107 boreholes had been drilled, representing an achievement rate of almost 50 percent. Of the 300 boreholes earmarked for rehabilitation in 2021, 140 boreholes or 46 percent had been worked on by mid-year. With regard to sanitation facilities, the Government had by mid-year constructed 62 facilities against a target of 55.\(^3\) Figure 2 shows the targeted and actual programme outputs in 2020 and 2021.

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\(^2\) At the time of the budget presentation for 2022, data was only available up to mid-2021

\(^3\) Source: Ministry of Finance, Estimates of Revenue and Expenditure (“Yellow Book”), 2022

KEY TAKEAWAYS

- WASH services continue to be disproportionately higher in urban areas than in rural areas, thereby disadvantaging those in urban areas.
- In the wake of the COVID-19 pandemic and the provision of free education, WASH services need to take more prominence, particularly hand-washing and menstrual hygiene facilities.
The 2018 Zambia Demographic and Health Survey shows marked differences in access to WASH services by the general population between urban and rural areas. As shown in Table 1:

- **Seventy-one percent of the general population had access to an improved drinking water source in 2018.** However, there are stark differences between rural and urban areas, with 91 percent of the urban population using improved water services compared to 57 percent in rural areas.

- **Just over half of the population (54 percent) used improved sanitation services.** Similar to drinking water services, 79 percent had access to improved sanitation services in urban areas compared to about 38 percent of the rural population.

- **Basic hand washing services are available to about 24 percent of the population.** Access to basic hygiene services is much higher for those in urban areas (36 percent) than for those in rural areas (15 percent). Limited handwashing services are available to about two in every five persons, with urban areas (41 percent) having higher access than rural areas (38 percent).

- **About 10 percent of the population practice open defecation.** This is more prevalent in rural areas (16 percent) compared to urban areas (1 percent).

### Table 1: WASH ladders for the general population

<table>
<thead>
<tr>
<th>ZAMBIA</th>
<th>DRINKING WATER</th>
<th>SANITATION</th>
<th>HYGIENE (HAND WASHING)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved</td>
<td>70.7</td>
<td>57.4</td>
<td>91.1</td>
</tr>
<tr>
<td>Unimproved</td>
<td>29.3</td>
<td>42.6</td>
<td>8.9</td>
</tr>
<tr>
<td>Basic service</td>
<td>63.8</td>
<td>48.5</td>
<td>87.2</td>
</tr>
<tr>
<td>Limited service</td>
<td>6.4</td>
<td>8.2</td>
<td>3.5</td>
</tr>
<tr>
<td>Open defecation</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Zambia Demographic and Health Survey, 2018
In the wake of the COVID-19 pandemic and the provision of free education, WASH services require special consideration. Of particular attention are hand washing facilities and menstrual hygiene facilities for girls attending primary and secondary education especially in rural areas. The lack or limited availability of facilities for girls will likely affect the dropout and school attendance rates with an eventual effect on human development. The text box below shows some of the efforts being put in place to address menstrual hygiene for teenage girls in schools.

**ADDRESSING MENSTRUAL HYGIENE FOR TEENAGE GIRLS IN SCHOOLS**

As part of the School-Led Total Sanitation (SLTS) Programme, the Government promotes sanitation and hygiene behaviours and provide improvements to the sanitation infrastructure including Menstrual Hygiene Management (MHM) friendly facilities. For the first time since 2017, menstrual hygiene is mentioned in the 2022 Budget. In previous years, this component, remained largely unfunded. In 2022, K30 million has been allocated under the Ministry of Education for the provision of free sanitary towels in schools. This is aimed at reducing the number of girls who fail to attend school during menstruation or drop out at puberty. This will not only ensure girls’ comfort and self-confidence, but increased school attendance will help to reduce gender disparities in education and other spheres of life.

**Zambia’s population access to basic drinking and sanitation services lags behind its peers.** The proportion of the population using at least basic drinking services and basic sanitation services in Zambia is way lower than that for lower middle-income countries and most SADC countries. The average proportion of the population using basic drinking water services for lower middle-income countries was 88.5 percent in 2020 compared to Zambia’s 65.4 percent. Further, the proportion of the population using basic sanitation services for lower middle-income countries was 69.9 percent which is 38 percentage-points higher than Zambia’s 31.9 percent. Compared to other SADC countries, Zambia has similar proportions as Tanzania, Mozambique, Zimbabwe and Malawi. Botswana and South Africa have the highest proportion of water and sanitation services, while the Democratic Republic of Congo and Madagascar have the lowest proportions.

**Figure 3:** Proportion of the population using at least basic drinking water and sanitation services, Zambia compared to other SADC countries, 2020

*Source: Constructed from World Development Indicators [downloaded 21/02/2022]*
SIZE AND SPENDING TRENDS

The water and sanitation budget has been increased in 2022. A total of K2.4 billion has been allocated towards WASH services in the 2022 budget, a nominal increase of 9 percent from K2.2 billion allocated in 2021. The increase in the budget is mainly to cater for the construction and rehabilitation of boreholes and the construction of sanitation facilities. Key activities in the Ministry in 2022 include the construction of 3,205 boreholes, the rehabilitation of 2,825 boreholes and the connecting of 25,000 households through the construction of 100 kilometres of water distribution networks.

In real terms, the WASH spending has been on the decline in the last two years. When adjusted for inflation, the WASH budget declined by 32 percent from K1.9 billion in 2020 to K1.3 billion in 2021 when the inflation rate in 2021 averaged 22 percent. With inflation projected to moderate to 12.5 percent in 2022, WASH spending is expected to decline by 3 percent from K1.31 billion in 2021 to K1.27 billion in 2022. Figure 4 shows the WASH budget in nominal and real terms.

Figure 4: Water and sanitation budget allocations in nominal and real values, 2017-2022 (K’ millions)

As a percentage of total government expenditure (TGE) and as a percentage of GDP, the allocation to the WASH sector in 2022 has declined. Despite a nominal increase of 9 percent, the allocation to the WASH sector as a percent of TGE has declined to 1.4 percent in 2022 compared to 1.8 percent in 2021 and 2.5 percent in 2020. In terms of its share of GDP, the WASH budget declined to 0.5 percent in 2022 from 0.6 percent in 2021 and 0.8 percent in 2020 (Figure 5). The very low share on WASH spending suggests that this sector is not given a high priority at the national level as is done with other sectors, such as education and health.

Source: Constructed from Ministry of Finance Budget Speeches and ZamStats’ Consumer Price Indices

4 Source: Monetary Policy Committee Statement, May 2022
KEY TAKEAWAYS

- The declining share of WASH budgets during 2020-2022 shows the low priority and commitment by the Government to the sector.
- However, the increases in the WASH budget between 2021 and 2022, if sustained, could turn around the WASH sector to meet the long-term objective of universal access and coverage.

Figure 5: Water and sanitation budget allocations 2017-2022 (K’ millions), as percent of total government expenditure and percent of GDP

Source: Constructed from the Ministry of Finance Budget Speeches

Per capita budget

Per capita WASH budget at national level has increased in 2022. Per capita spending on WASH services is projected to increase to K126 (US$7.15\textsuperscript{5}) in 2022 from K118 (US$5.93\textsuperscript{6}) in 2021. However, this is below the per capita spending of K146 (US$8.00\textsuperscript{7}) reported in 2020.

Figure 6: WASH per capita budget in Kwacha and US$ at national level\textsuperscript{8}, 2017-2022

Source: Constructed from the Ministry of Finance Budget Speeches and Zambia Statistics Agency population projections; Bank of Zambia ZMW/US$ period average exchange rates

\textsuperscript{5} 2022 US$ estimate based on period average exchange rate of ZMW17.57/US$ (up to 27 May 2022); Source: Bank of Zambia

\textsuperscript{6} 2021 US$ estimate based on period average exchange rate of ZMW19.92/US$; Source: Bank of Zambia

\textsuperscript{7} 2020 US$ estimate based on period average exchange rate of ZMW18.31/US$; Source: Bank of Zambia

\textsuperscript{8} There is no sufficient data to enable regional and/or rural/urban analysis of the data. This may have to be obtained from the Ministry itself, if available.
COMPOSITION OF WASH SPENDING

The analysis of the composition of the WASH spending is restricted to the Ministry of Water Development and Sanitation (MWDS) which accounts for 96 percent of the Water Supply and Sanitation budget or K2.2 billion in 2022. The composition is considered both in terms of programmes and by type of expenditure incurred (economic classification).

WASH budget by programme

**Water Supply and Sanitation programme takes up the largest allocation of the Ministry budget.** The Water Supply sub-programme is projected to take up 69 percent of the entire ministry’s budget in 2022. However, this is a significant reduction from 93 percent of the budget in 2021. The reduction in the share of the Water Supply sub-programme is necessitated by the over ten-fold increase in the allocation to the Sanitation sub-programme from K39.5 million in 2021 to K491.6 million in 2022. This is meant to promote sanitation and hygiene activities such as Community-Led Total Sanitation (CLTS) in rural areas to attain Open Defecation Free (ODF) status, construction of demonstration sanitation as well as hygiene facilities. Figure 5 shows the allocation of the WASH budget by programme in 2021 and 2022.

**Figure 7: Allocation of the WASH budget by programme, 2021 & 2022**

The budget allocation to the Water Resource Management and Development sub-programme has more than doubled in 2022. The budget to this programme has been increased to K143.5 million in 2022 from K58.8 million in 2021. The increased allocation to water infrastructure development will involve drilling of 130 exploratory boreholes, construction of 3 small dams; rehabilitation of 5 small dams and enhancing rainwater harvesting, 1 well field development and water transfer schemes. It also includes the conducting of transboundary feasibility studies; establishment of transboundary information exchange platforms and production of annual water/asset accounts reports.

WASH budget by economic classification

**At the broad level, economic classification separates the recurrent budget from the capital budget.** The recurrent budget for WASH amounted to 81.2 percent of the total WASH budget, compared to just under 19 percent capital expenditure budget. The largest component under the recurrent budget is the use of goods and services which accounts for over three quarters (76.7 percent) of the total budget. Transfers and subsidies account for 3.7 percent of the WASH budget.
There are notable differences in the structure of expenditure between the two main programmes. Within the Water Supply and Sanitation Budget, 79.4 percent of the allocation goes to the use of goods and services while capital expenditure accounts for 18.4 percent. The allocations to the Water Resource Management and Development programme are more evenly distributed. The Use of Goods and Services accounts for nearly half of the budget allocation (48.6 percent), while capital expenditure accounts for 29 percent of the allocation to the programme. Figure 9 shows the structure of the expenditure incurred in the two programmes by economic classification.

Source: Compiled from Ministry of Finance Estimates of Revenue and Expenditure, 2021 and 2022

9 Given the expression in the Yellow that “K1.6 billion has been allocated for use of goods and services to cater for water supply and sanitation infrastructure development”, there is a possibility of misclassification between use of goods and services and acquisition of fixed assets (capital expenditure). Goods and services consumed for the ordinary maintenance and repair of fixed assets constitute use of goods and services. However, major renovations, reconstructions, or enlargements of existing fixed assets are recorded as acquisitions of fixed assets.
BUDGET CREDIBILITY AND EXECUTION

The WASH sector budget credibility improved over the last two years. The Water Supply and Sanitation budget over-performed by 79 percent in 2020 after a four-year period of consistent under-funding. In 2021, the budget also over-performed by 15 percent as preliminary expenditure for 2021 indicates that the Water Supply and Sanitation Budget was K463 million against the approved budget of K402 million. Figure 7 shows compares the approved budget against the outturn as well as the resulting execution rates.

Figure 10: Approved budgets, actual expenditures and budget execution rates, 2016-2021

Figure 10: Approved budgets, actual expenditures and budget execution rates, 2016-2021

Source: Compiled from Ministry of Finance Annual Economic Reports, 2016-2020, 2021 Fiscal Table; *Preliminary estimate

The execution rates have been higher than planned in the last two years. The execution rates in 2020 and 2021 were 179 percent and 115 percent, respectively, or an average of 147 percent. This is departure from the execution rates obtaining during 2016-2019 which averaged barely 45 percent per annum. Sustaining these high execution rates will be cardinal for achieving government’s targets including improving access to WASH services and improving water resources management and national water security.

There significant differences between water supply and sanitation budgets reported in the Budget Speeches and the annual economic reports may be due to the fact that the Budget Speech numbers are proposed budgets, while the numbers in the annual economic reports are approved budgets. Execution rates computed in this brief compares the approved budgets to the actual spending. But given the big differences, further investigations are warranted.
FINANCING OF THE WASH BUDGET

The WASH sector is highly donor-dependent. In 2022, 73 percent of the budget is planned to be financed from external sources either through foreign loans or grants. External financing for sanitation services account for 93 percent of the budget compared to 67 percent for water supply (Figure 9). Major financiers include the African Development Bank, KFW (a German state-owned investment and development bank), Standard Chartered, the European Investment Bank, and various financiers through the Sector-Wide Approach (SWAp) financing.

Figure 11: Decomposition of the water supply and sanitation by source of financing

Source: Compiled from Ministry of Finance Estimates of Revenue and Expenditure, 2022
External financing is poised to decrease in 2022 compared to 2021. The share of external support to the total Water Supply and Sanitation reduced from 91 percent in 2021 to 73 percent in 2022. This is primarily due to the decreased share of donor financing from 91 percent in 2021 to 67 percent in 2022. On the other hand, the share of donor funding to sanitation has increased from 86 percent in 2021 to 93 percent (Figure 10).

The larger part of external financing is through loans, accounting for 93 percent of the total donor financing. Further, foreign financing to the sector is more from loans than from grants and mostly to finance water supply. Total loans for the water and sanitation programmes amount to K1.4 billion while grants amount to K96.3 million in 2022.

The increased share of domestically financed expenditure in 2022 is good for sustainable financing of the sector, especially considering that a significant part of the foreign financing is through loans.
KEY POLICY ISSUES

The advent of the COVID-19 pandemic, coupled with the free education policy, has heightened deficiencies in the WASH sector. The COVID-19 pandemic poses new challenges for the WASH sector and it underscores the importance of hand hygiene and water supply as well as menstrual hygiene for teenage girls. Further, the free education policy has resulted in the overcrowding of schools, thereby requiring additional investments in WASH facilities.

Ensuring universal access to WASH is fundamental for COVID-19 recovery and achieving the SDGs. Therefore, the removal of fees for application, registration and annual fees to drill domestic boreholes will go a long way towards achieving universal access. However, the proliferation of domestic boreholes poses risks of disease outbreaks due to possible contamination as the majority of citizens that demand boreholes live in areas where communal sewer systems are non-existent.

There are two major ambiguities that the WASH sector needs to consider and deal with. The first is the rural/urban split which is not very clear as it is complicated by the use of a third “peri-urban” category whose definition is not very clear. The second is the classification and reporting between current and capital expenditure. This statement on page 512 of the Yellow Book “… K1.6 billion has been allocated for use of goods and services to cater for water supply and sanitation infrastructure development …” epitomises the ambiguity in how the recurrent and capital parts of the budget are treated in the accounts.

This review faced considerable data limitations. Data scarcity poses problems with regard to monitoring of programmes by policy makers. Latest performance data is only up to 2018, making it challenging to gauge if the policies and programmes put in place are effective, particularly interventions related to coping with COVID-19 pandemic. The lack of actual expenditure data for the previous years reported in the Yellow Book makes it challenging to determine if it is recurrent or capital expenditure that has problematic execution rates. Further, with no subnational data, particularly for rural and urban areas, equity analyses could not be done. More attention needs to be devoted to WASH information systems.
This budget brief has been authored by Mr Shebo Nalishebo with support from the UNICEF Zambia Social Policy and Research team. Special thanks to Claude Kasonka, Daniel Kumitz, Bob Muchabaiwa and Penelope Campbell for technical guidance and editorial support.

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