

OCTOBER 2023

AN ANALYTICAL
BRIEF OF THE

2024 SOCIAL SECTOR BUDGET

THEME: SAFEGUARDING LIVELIHOODS IN
TIMES OF UNCERTAINTY



UNITED NATIONS
ZAMBIA



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EXECUTIVE SUMMARY

In the 2024 fiscal year, Zambia's budget has increased by 6.3 percent to K177.9 billion, although this rise is mitigated by a 12 percent inflation rate, revealing a real decrease in budgetary value. Despite nominal increases in education and health sectors by 18 percent and 20 percent respectively, social protection initiatives such as the Social Cash Transfer and Food Security Pack experienced a decline of 3 percent and 8 percent in real terms.

Notably, domestic revenue constitutes 79 percent of the total budget, reflecting the Government's commitment to self-sustainability. Within the social sectors, comprising Education, Health, Social Protection, and Water, Sanitation, and Hygiene (WASH), a total of K59 billion was allocated, marking an 18 percent increase from the previous year. Pensions, health, and education sectors received substantial boosts, yet a concerning 13 percent decrease in water and sanitation funding poses challenges to clean water access and sanitation facilities, indicating potential vulnerabilities in the national development agenda.

KEY MESSAGES:

The points below outline the crucial highlights from the 2024 National Budget, offering a concise overview of the announcements and their impact on the social sectors.

1. The escalating urban poverty necessitates Government strategies that effectively target vulnerable urban populations.
2. Despite the looming cost of living crisis severely affecting low- and lowest-income strata, no additional funds have been allocated to increase the SCT transfer values. The current SCT value of K200 is not adequate to meet nutritional needs.
3. Additional continuous recruitment of public workers is consistent with the medium-term plan; however, the Government must expedite the recruitment process.
4. A huge jump of 183 percent in the allocation to the school feeding programmes is key in addressing the nutritional needs of children. However, it is important to strengthen overall food security in rural areas to avoid a zero-sum effect where there is feeding in school but no food for learners at home.
5. The health sector's budget in 2024 increased, constituting 11.8 percent of the total budget. This increment exceeds the 11.2 percent Medium-Term Budget Plan (MTBP) projection but is below the 15 percent Abuja Declaration target for healthcare spending.
6. The establishment of the Local Pharmaceutical Manufacturing Strategy is commendable in response to the procurement and supply challenges for essential medicines and medical supplies.
7. Water and Sanitation continues to experience downward allocations way below the Government's aspiration and despite the sector's critical role for development, public health management, nutrition, and other priority agendas.
8. The 2023 floods and droughts once again demonstrated that Zambia is highly vulnerable to climate change and the resulting shifts in weather patterns. More needs to be done to build resilience of vulnerable communities and to enhance emergency preparedness – while mainstreaming climate change mitigation measures [greening] wherever possible.
9. The Constituency Development Fund could be used to facilitate projects that promote climate resilience, and requires that sensitisation around the environment and climate change be carried out alongside trainings for CDF project applications.
10. The review of the Constituency Development Fund Act of 2018 and the Public Procurement Act of 2020 is expected to address impediments to utilization of funds.



INTRODUCTION

The 2024 National Budget, themed "Unlocking Economic Potential," was presented against a backdrop of significant challenges. Both local and global livelihoods faced imminent threats due to a multitude of intricate uncertainties which include food and income insecurity among others. The effects of the COVID-19 have not subsided as most countries are still suffering from the socio-economic impacts of the pandemic. In fact, the 2021/22 Human Development Report indicates a setback of five years in global progress, with a staggering 90 percent of countries including Zambia experiencing a decline in human development between 2020 and 2021. Zambia is now ranked 154 out of 191 countries and territories on the Human Development Index.

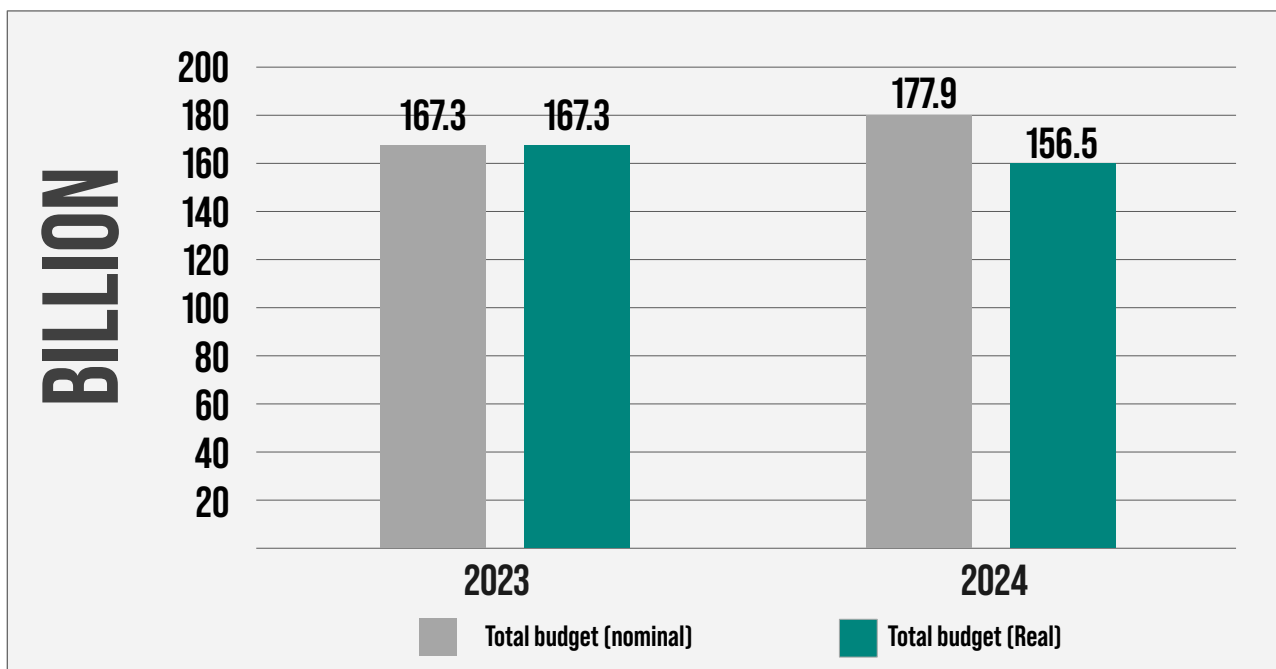
Adding to this, the newly published Zambia Poverty Analysis report indicates that poverty levels have surged to 60 percent in 2022, a significant increase from the 54.4 percent recorded in 2015. The escalating poverty situation in Zambia is worrying, particularly in urban areas where 2.5 million residents are now living below the poverty line. In rural areas, the situation is even more dire, with four out of every five people, totalling over 9 million Zambians, living in poverty. Additionally, the report unveiled that 48 percent of the entire population, equivalent to 1.9 million households, is grappling with extreme poverty. This means food insecurity has risen by one fifth and overall poverty by one eleventh.

The Poverty Analysis Report also shows a worsening situation for children. The report disclosed that 70.6 percent of children face multiple overlapping deprivations. The situation was more prevalent in rural areas, with nine out of ten children experiencing these adversities, compared with urban areas where the figure stood at four out of ten children. These findings underscore the urgent need for targeted interventions to address the complex challenges faced by both urban and rural populations, particularly focusing on the well-being of women and children who are the most vulnerable in this scenario.

SYNOPSIS OF THE 2024 BUDGET

In the 2024 fiscal year, Zambia's budget stands at an estimated K177.9 billion, signifying a noticeable uptick of 6.3 percent from the previous year's budget of K167.3 billion. However, when considering the impact of rising inflation, the budget has, in fact, diminished in real terms. This decrease, after adjusting for inflation of 12 percent, underscores the challenges posed by the country's economic landscape, where the cost of goods and services is outpacing the nominal budgetary increases.

Figure 1: Budget Allocation in nominal and real teams, 2024 vs 2023 (K' billion)

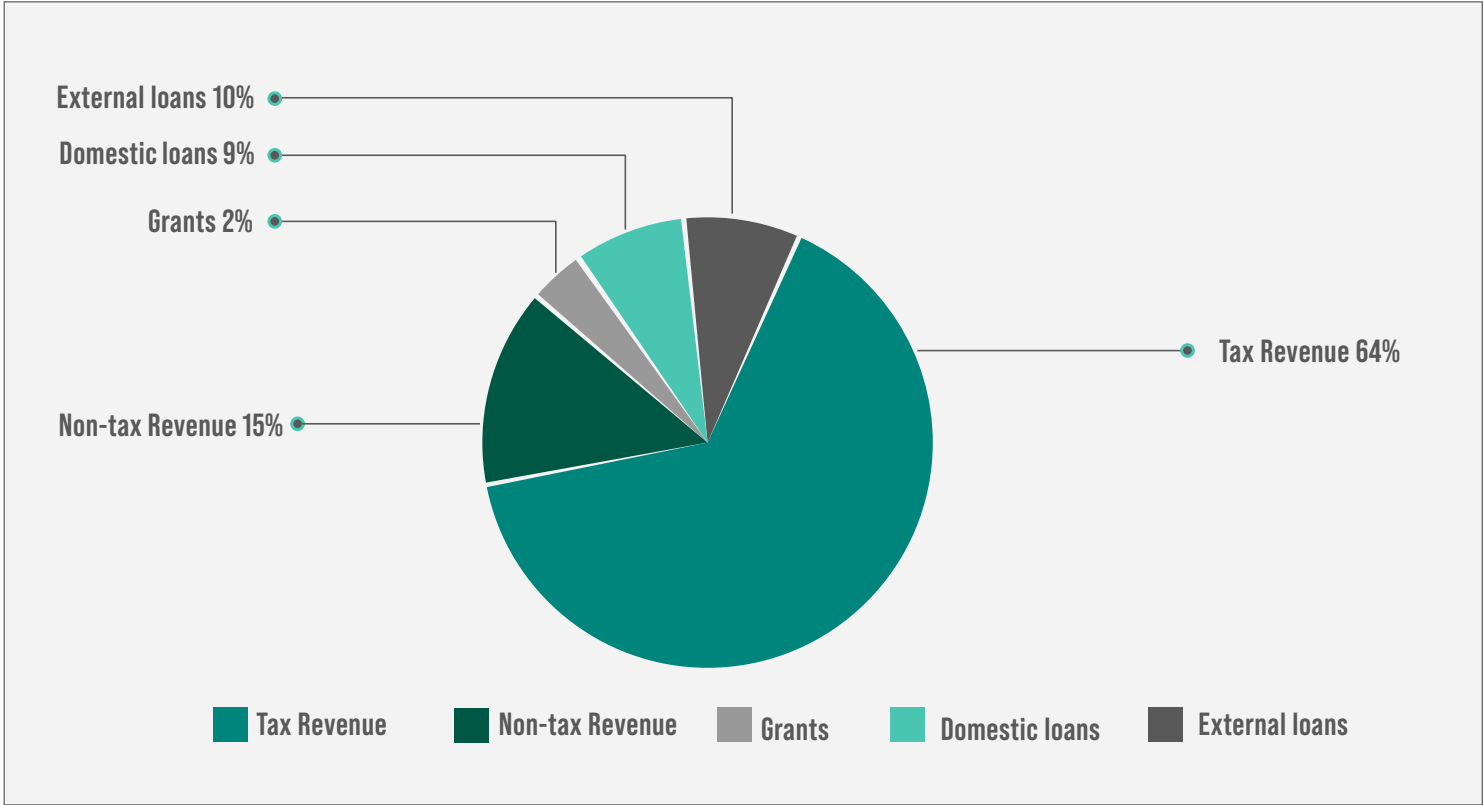


Source: Author's calculations using the 2024 and 2023 Budget Speeches

The sectoral analysis of the budget highlights the Government's continued focus on education, with an 18 percent nominal increase and a 4 percent real increase in allocations to the sector. Similarly, the health sector saw a 20 percent nominal increase, translating to a 6 percent real increase. However, in the realm of social protection, both the Social Cash Transfer (SCT) and the Food Security Pack (FSP) experienced a decline of 3 percent and 8 percent in real terms, respectively.

In terms of revenue, the financing of the 2024 budget primarily relies on domestic revenues, mainly derived from taxes and non-tax sources, constituting 79 percent of the total revenue. This emphasis on domestic revenue highlights the Government's commitment to self-sustainability and reducing reliance on external sources, ensuring a more stable financial foundation for the country's fiscal activities.

Figure 2: Financing of the 2024 Budget



Source: Author's construction using the 2024 Budget Speech





SOCIAL SECTOR BUDGET OVERVIEW

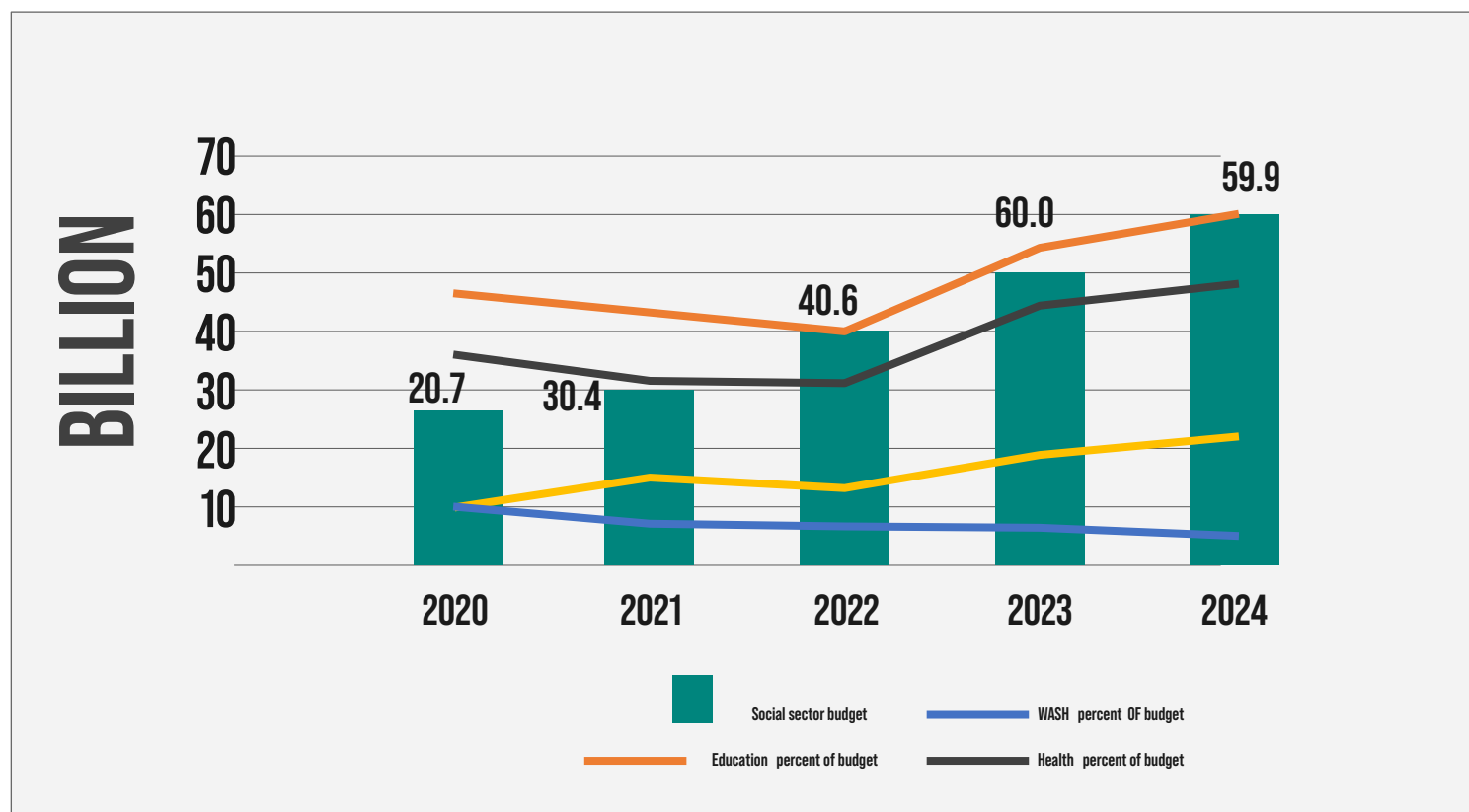
In the 2024 National Budget, a total of K60 billion has been allocated to the social sectors, encompassing Education, Health, Social Protection, and Water, Sanitation, and Hygiene (WASH). This allocation constitutes just one-third of the total budget. In comparison to the previous year's budget of K51 billion, this marks a notable nominal increase of 18 percent and a 3.8 percent rise in real terms.

At the sector level, there are notable changes in the 2024 budget allocations. The pensions component under social protection received a 19 percent increase while the Health Sector has received a significant boost with a 21 percent increase in funding. Similarly, the Education Sector saw a substantial 18 percent rise in funding.

However, a cause for concern is the 13 percent decrease in the allocation for water and sanitation. This downward shift in priorities raises worries, especially considering that the water and sanitation budget typically accounts for less than 2 percent of the total budget. Additionally, this sector heavily relies on external funding. This decrease might pose challenges in ensuring clean water access and sanitation facilities, highlighting a potential area of vulnerability in the national development agenda.

“ However, a cause for concern is the 13 percent decrease in the allocation for water and sanitation. ”

Figure 3: Budget allocations to the social sectors, 2020-2024 (K'billion)



Source: Author's construction using the 2020-2024 Budget Speeches



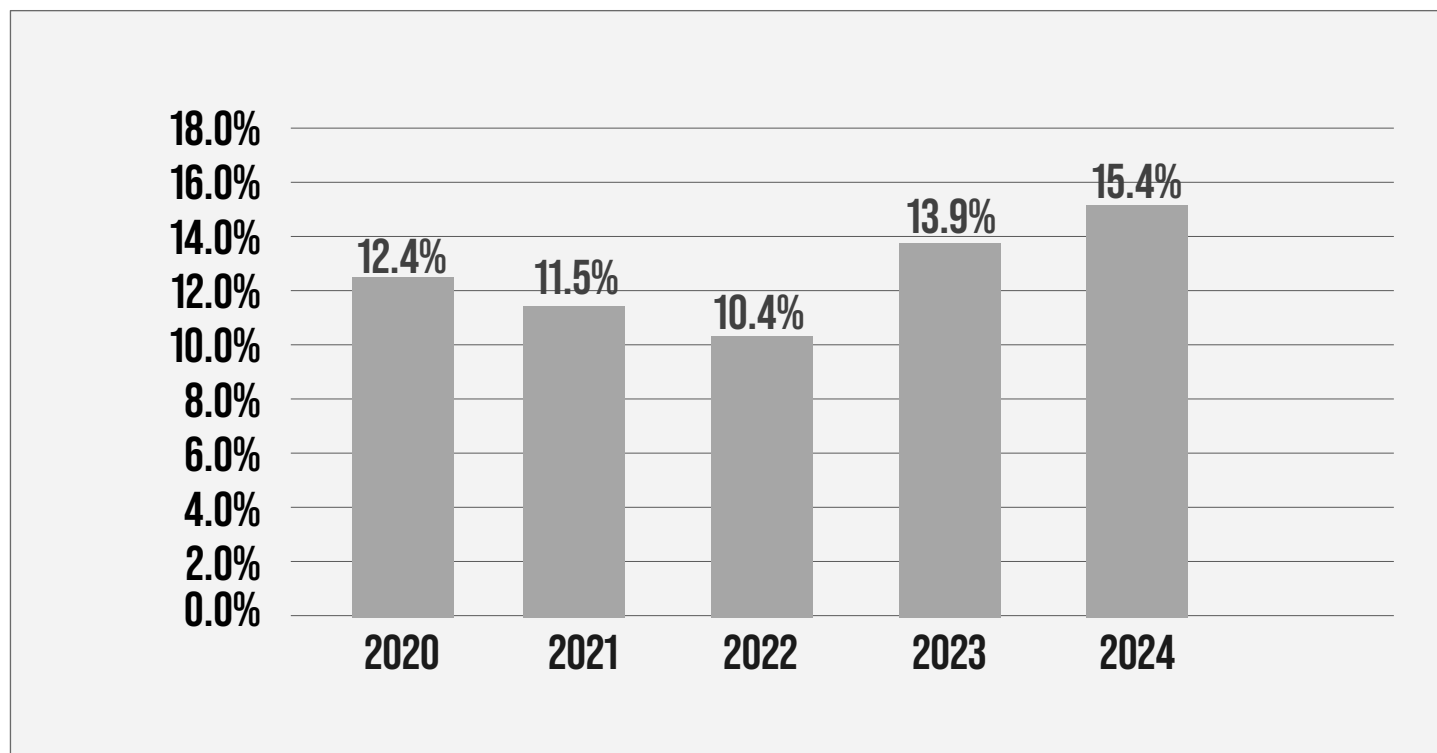
EDUCATION: A CONTINUED MARCH TOWARDS SUSTAINABLE INVESTMENT IN HUMAN CAPITAL

KEY MESSAGES:

1. The education budget has increased both in nominal (18 percent) and real terms (4 percent) reiterating Government’s commitment to the sector, which is seen as an equalizer.
2. Continuing recruitment of teachers is consistent with the medium-term plan. Thus, the Government must expedite the recruitment process.
3. A huge jump of 183 percent in the allocation to the school feeding programmes is key in addressing the nutritional needs of children.
4. The free education policy significantly increased enrollment rates in the first year of implementation with higher enrollment posted for girls.

The 2024 Education budget, addresses ECE, primary, secondary, and tertiary education, alongside skills development. The Government has allocated K27.4 billion, constituting 15.4 percent of the total budget. Notably, this allocation marks an 18 percent and 4 percent increase in nominal and real terms respectively from the previous year (2023). This funding supports various initiatives, including school infrastructure development, equipment for Technical and Vocational Education and Training (TVET) institutions, and provision of school grants and bursaries. Figure 4 below shows the education budget allocation trend in the past five years. The increasing allocations are especially important in responding to the increasing enrollment resulting from the free education policy (MoE, 2023).

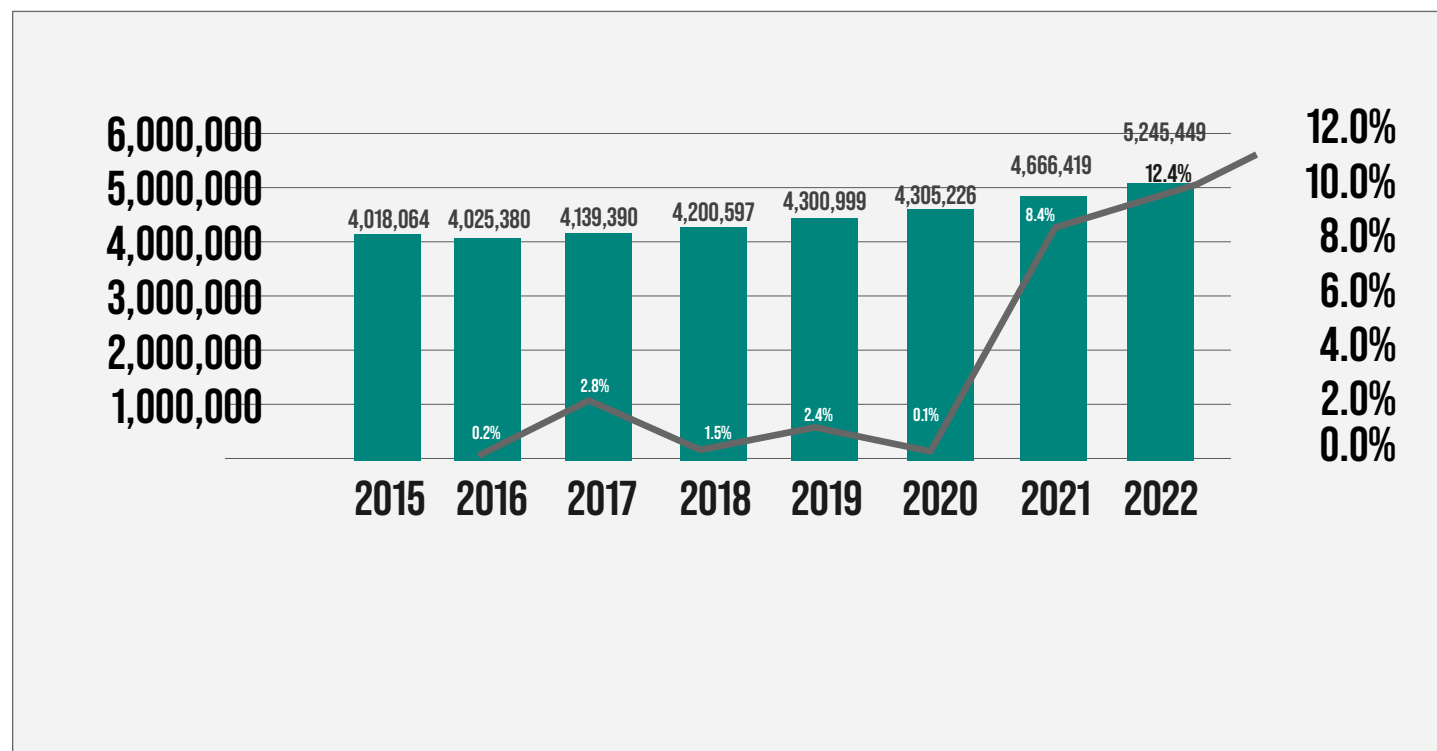
Figure 4: Budget allocation trend to education from 2018-2024 (% of National Budget).



Source: Estimates of Revenue and Expenditure 2020 – 2024

Girls benefit from the free education policy. Encouragingly, a disaggregation of the enrollment rates reveals that the change in the enrollments rates was higher for girls at 13.2 percent compared to 11.6 percent for boys. In absolute terms, of the 580,000 learners added in 2022, 266,000 were boys while 314,000 were girls. This is positive as access to education for the girl child has systemically been limited.

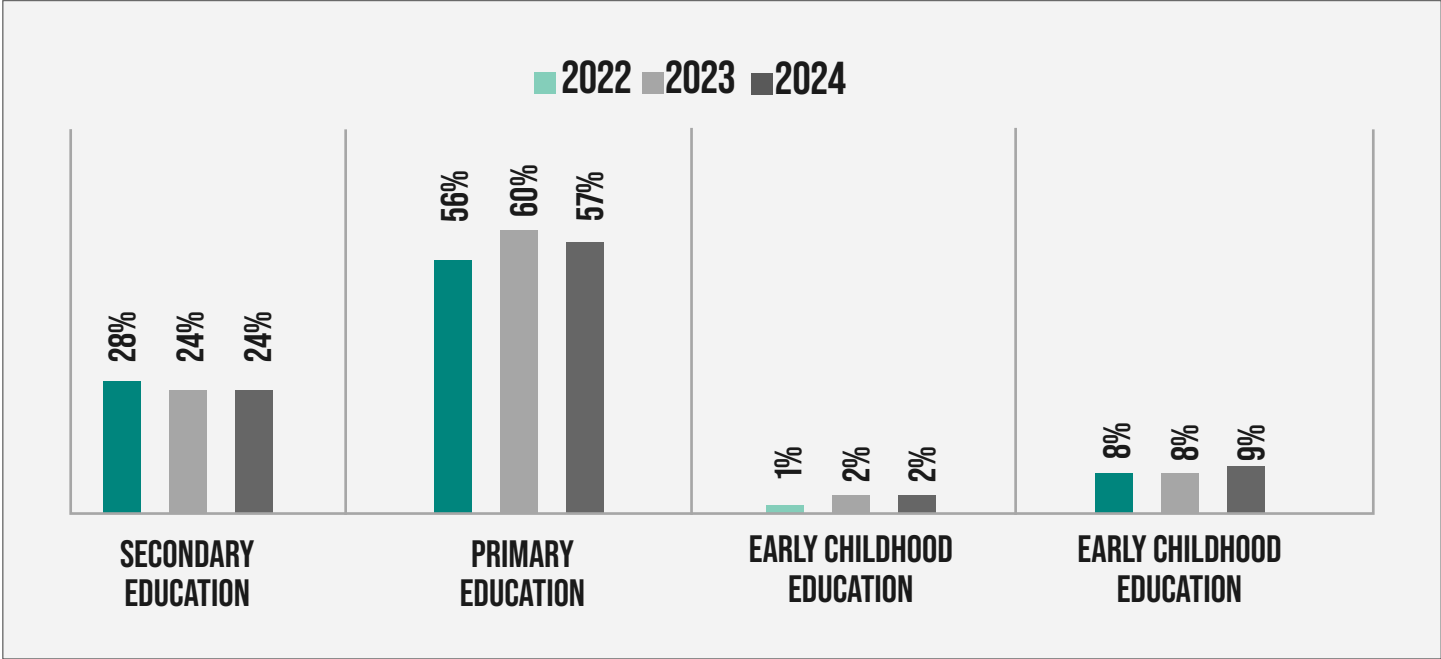
Figure 5: School Enrollment and percentage change in enrollments 2015-2022



Source: Ministry of Education and Educational Statistical Bulletins 2015-2020 and MOE data

Majority of funds in the education sector are allocated towards primary education, however, per capita expenditure analysis show that less money is allocated to the lower level of the education system. A decomposition of the allocations of the education budget by level of education shows primary school level taking a lions' share at 57 percent, followed by secondary level 24 percent, and Early Childhood level with the least at 2 percent as shown in Figure 6 below. However, when scrutinizing education expenditure on a per capita basis, the analysis shows a stark contrast: the Government allocates more than 30 times the funding for a tertiary learner compared to an Early Childhood Education (ECE) learner. Further evidence shows that Between 2016 and 2020, the Zambian Government allocated different funding amounts per child based on age groups. For children aged 0-6 years, the average spending was ZMW397 for those under 2 years old and ZMW406 for 3-6 years old. In contrast, older children received significantly higher funding, with ZMW2,123 allocated for those aged 7-17 and ZMW1,485 for 18-22 years old. ¹ This significant disparity in financial allocation highlights an uneven distribution of resources within the education sector.

Figure 6: Ministry of Education Budget by programme.



Source: Ministry of Education data and Educational Statistical Bulletins 2015-2020

Government continues to invest in school infrastructure to bridge the school infrastructure gap. A total of K338.3 million has been allocated for the continued construction of schools, with plans to build 202 secondary schools. This allocation indicates a strong focus on expanding secondary school educational infrastructure to accommodate more learners. This is especially important given the imbalance between secondary and primary schools which stood at a ratio of 7:1 as of 2020 and has acted as a bottleneck to progression of learners to secondary school.

Personnel recruitment are consistent with the medium-term plan; however, the Government has been sluggish with the recruitment process. The ongoing recruitment efforts, including 30,496 teachers in 2022, 4,500 in progress in 2023, and 4,200 planned for 2024, play a crucial role in reducing the pupil-teacher ratio.

¹ <https://www.unicef.org/esa/media/12396/file/UNICEF-Zambia-Budget-Brief-ECD-2023.pdf>

Currently at 42:1 as of 2021, this ratio falls far from the international standard of 14:1 (OECD, 2023). However, it's noteworthy that both the 2022 and 2023 recruitments occurred in the latter half of the respective years, and as of October 2023, the 2023 recruitment hadn't been completed. Therefore, there's a pressing need for the Government to expedite this process to meet the educational staffing requirements promptly.

A huge jump of 183 percent to the allocation towards the school feeding programmes is meant to address the nutritional needs of children. The budget for the School Feeding Programme has experienced a substantial increase, soaring from K39.4 million to K111.7 million, marking a remarkable 183 percent boost. This augmented allocation holds immense potential, especially in light of the fact that in 2022, 70.6 percent of children faced multiple deprivations, including nutrition. The program stands to play a vital role in enhancing school attendance and improving students' concentration levels, underscoring its significance in the holistic development of children. It is important to strengthen overall food security in rural areas to avoid a zero-sum effect where there is feeding in school but no food for learners at home.



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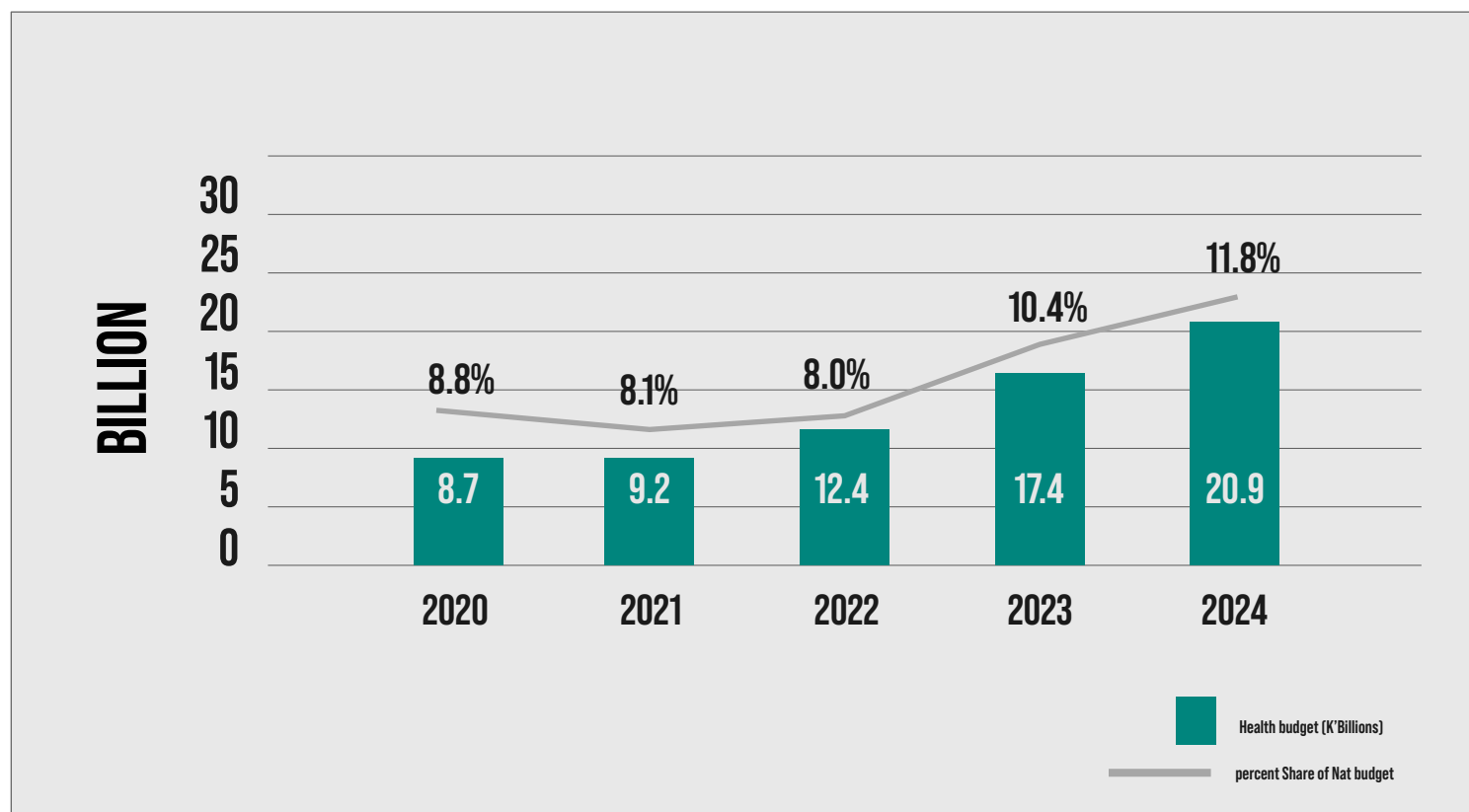
HEALTH: POSITIONING THE SECTOR FOR PROVISION OF QUALITY UNIVERSAL HEALTH CARE.

KEY MESSAGES:

1. The health sector's budget in 2024 increased, constituting 11.8 percent of the total budget. This increment exceeds the 11.2 percent Medium-Term Budget Plan (MTBP) projection but is below the 15 percent Abuja Declaration target for healthcare spending.
2. The additional 4,000 health personnel are critical in improving health service delivery, however the sector has over 60,000 unfilled positions.
3. The establishment of the Local Pharmaceutical Manufacturing Strategy is commendable in response to the procurement and supply challenges for essential medicines and medical supplies.

The health sector budget increased in 2024, however, this increase fell short 15 percent Abuja Declaration target. In 2024, the projected health budget increased to K20.9 billion from K17.4 billion in 2023, representing an increase of 20.2 percent and 6 percent in nominal and real terms. Further, while the healthcare budget share for 2024 has increased, at 11.8 percent, it still falls short of the Abuja Declaration commitment of allocating 15 percent of the national budget. Notably, K5 billion was allocated for drug and medical supply procurement, K1.4 billion for health infrastructure development, and K344 million for health personnel recruitment. This consistent budget growth reflects the Government's commitment to attaining its strategic goals on health as stipulated in the 8NDP by enhancing funding for universal quality healthcare.

Figure 7: Health budget as a share of national budget



Source: National Budget Speeches

The additional recruitment of 4 000 health workers is positive but still leaves a gap in meeting the optimal health establishment deficit. The 2024 budget outlines ambitious plans for the recruitment of additional healthcare workers in Zambia. Building upon the 3,000 recruits in 2023 and the deployment of 11,276 workers in 2022, an additional 4,000 health workers are slated to be hired. Despite these efforts, Zambia continues to grapple with significant shortages in its healthcare staff. For instance, the current doctor-patient ratio stands at 1 to 12,000, falling far below the acceptable standard of 1 to 5,000. Similarly, the nurse-to-patient ratio is 1 to 14,960, instead of the desired 1 to 700. Consequently, although the new recruitments represent positive strides, there remains a substantial gap of 76,272 (55 percent) unfilled positions in the sector. This existing shortage in staffing could potentially hamper the sector's ability to function at full capacity, underscoring the need for continued efforts to address this critical issue.

The Local Pharmaceutical Manufacturing Strategy is on the cards to ease challenges in the procurement and supply of Essential Medicines and medical supplies. In 2023, Zambia's healthcare sector struggled with a 45 percent stock level for essential drugs, far below the 80 percent target. Research showed facilities spent 20-80 percent of grants on medicine supplementation. The Government has responded with a hybrid supply chain and procuring new health centre kits. Additionally, a Local Pharmaceuticals Manufacturing Strategy will be initiated in 2024 to boost domestic drug production and supply.

The review of the Procurement Act is expected to address the procedural challenged that affect the procurement of drugs and medicines. The standardized nature of the Procurement Act has adversely impacted the supply and service delivery in the healthcare sector. As the Government plans to amend this Act, it is crucial to focus on separating the procurement processes for medicines and medical supplies. This differentiation is essential for ensuring effective supply and distribution, thereby enhancing the efficiency and resilience of the healthcare system.



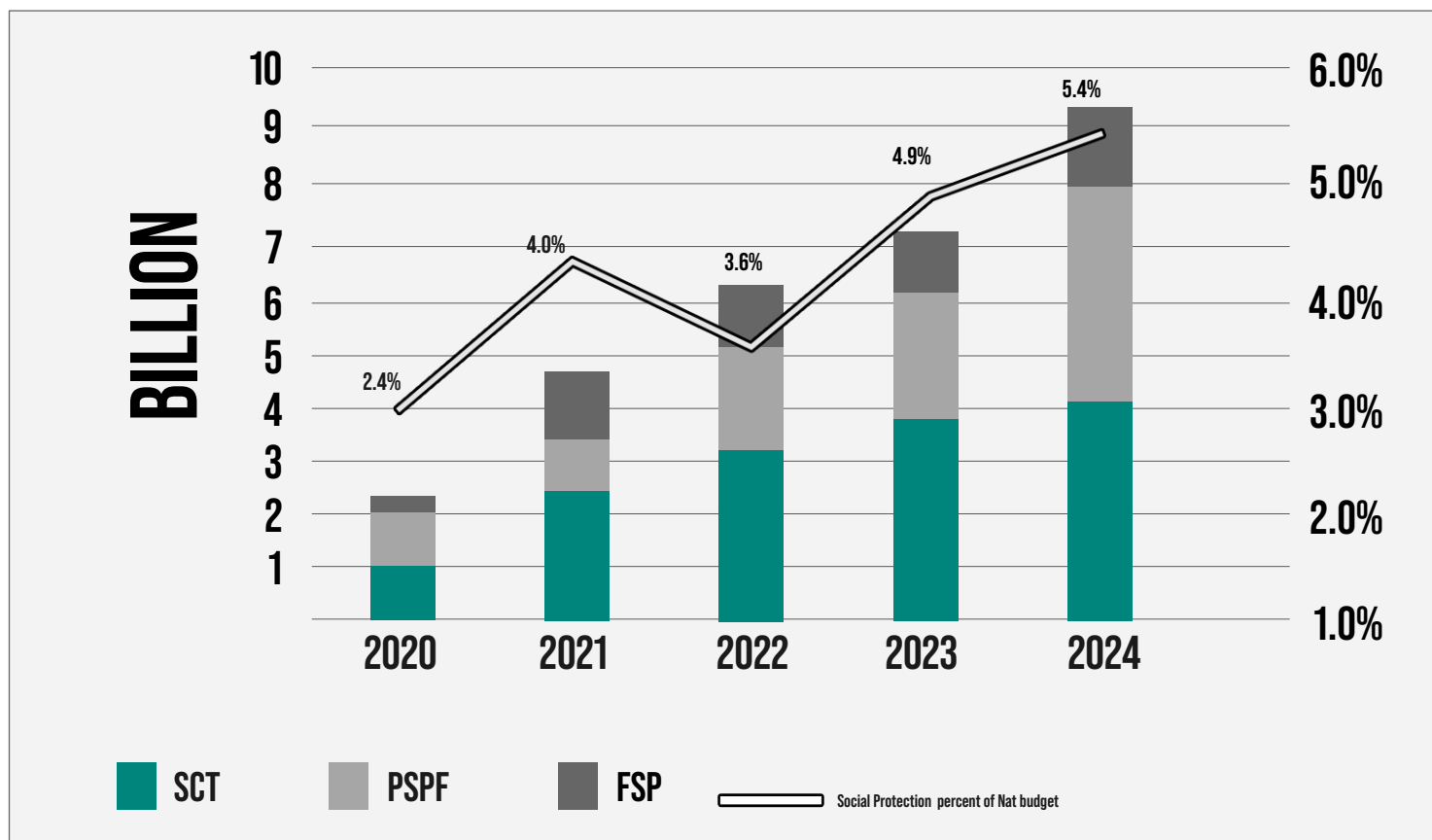
SOCIAL PROTECTION: INCREASING COVERAGE AND STRENGTHENING PROTECTION

KEY MESSAGES:

1. The escalating urban poverty necessitates Government strategies that effectively target vulnerable urban populations.
2. Despite a nominal increase in allocation to the Social Cash Transfer (SCT) of 10.7 percent in 2024, in real terms, the allocation declined by 2.7 percent.
3. enrollment for the SCT has delayed, as only 1,100,998 out of the intended 1,374,500 beneficiaries were reached as of September 2023. The rise in poverty numbers indicate the need for SCT coverage is rising rapidly and delays in enrollment need to be minimised.
4. Despite the looming cost of living crisis severely affecting low- and lowest-income strata, no additional funds have been allocated to increase the SCT transfer values. The current SCT value of K200 is not adequate to meet nutritional needs.
5. Government has stayed committed to dismantling pension arrears and substantially reducing waiting periods for both PSPF and LASF pensioners.

Social protection programs are essential for the well-being of vulnerable populations in developing countries. In Zambia, programmes like the Social Cash Transfer (SCT), Food Security Pack (FSP), Public Service Pensions Fund (PSPF), and the Public Welfare Assistance Scheme (PWAS), among others, are in place. The Government has consistently increased the budget for these programmes.

Figure 8: Allocation to Social Protection 2020-2024 (K' billion)



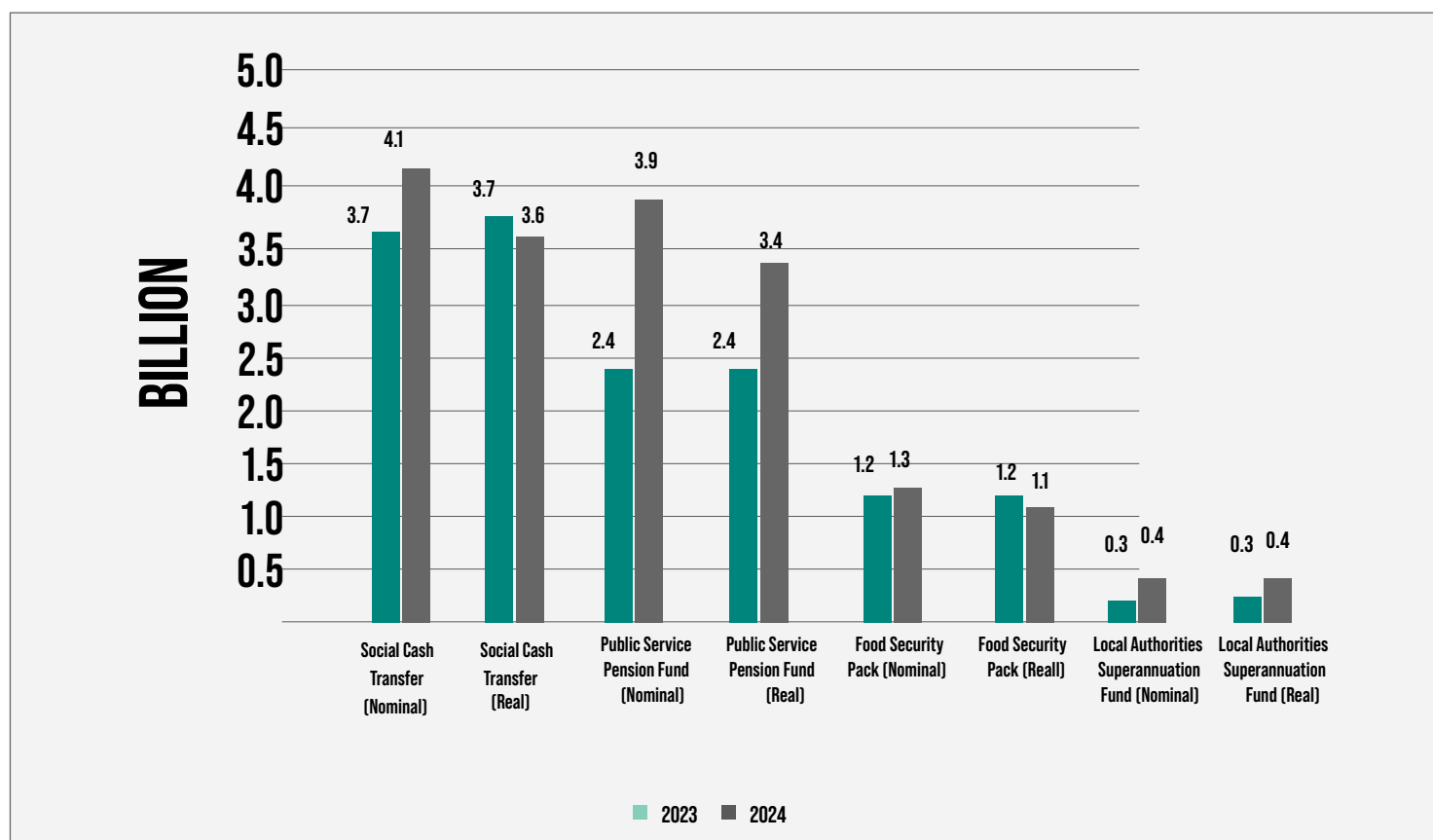
Source: Author's construction using the 2020-2024 Budget Speeches

The social protection budget increases significantly on account of dismantling pension arrears. The 2024 allocations for social protection programmes have seen a significant increase. In nominal terms, the allocation rose by 19 percent from K8.1 billion in 2023 to K9.7 billion in 2024. This also represents an increase in its share from 4.9 percent of the total budget in 2023 to 5.4 percent in 2024. In real terms however, the allocation to social protection only rose by 11 percent. Notably, the Public Service Pension Fund received the highest boost, with a 61.5 percent increase from 2023. Funding for the SCT program rose by 10.7 percent compared to 2023, and allocations for the FSP increased from K1.2 billion in 2023 to K1.3 billion in 2024.

The 2024 social protection budget exceeds the MTBP projections by 15 percent. As outlined in the Medium-Term Budget Plan (MTBP), the Government had initially earmarked K8.4 billion for social protection programs in 2024. However, the 2024 budget allocation has increased to K9.7 billion, constituting a 15 percent variation. This change was driven by the need to expedite the clearance of pension arrears beyond the scheduled rate and accommodate a higher number of beneficiaries. The outstanding arrears were associated with the Public Service Pension Fund and the Local Authorities Superannuation Fund.²

² <https://www.mofnp.gov.zm/?wpdmpro=2024-2026-medium-term-budget-plan-green-paper>

Figure 9: Budgets for Selected Social Protection Programmes (K' billion)



Source: Author's construction using the 2020-2024 Budget Speeches

Despite an increase in nominal terms, the SCT budget declined in real terms. The Government's flagship social protection initiative, the social cash transfer program, received a 10.7 percent nominal increase in funding in 2024 compared to 2023. The increase in funding is as a result of an expansion in the number of targeted beneficiaries from 1,374,000 in 2023 to 1,413,237 in 2024. When adjusted for inflation, the allocation for SCT programme has declined from K3.7 billion in 2023 to K3.6 billion in 2024. The increase in the nominal allocation to SCT in 2024 is in line with the Government's plans to improve the livelihood of the poor and vulnerable by extending social security coverage as outlined in the 8NDP. Notably, disbursements for the social cash transfer program have been consistent and timely, with 83 percent of the allocation disbursed to beneficiaries by September 2023.

enrollment for the SCT remains a hurdle, as only 1,100,998 out of the intended 1,374,500 beneficiaries reached as of September 2023. The Government introduced digital payments in 2023 for the program to enhance efficiency and transparency. However, enrollment remains a challenge; by September 2023, only 1,100,998 beneficiaries were reached out of the target 1,374,500 households. This achievement, while commendable, leaves over 270,000 households without full-year cash transfers. As per the 8NDP, Government intends to cover 100 percent of the poor population by 2026 with the SCT. With the new census and LCMS data available, this amounts to 12 million people, in ca. 2.4m households. Coverage of 1.3 (2023) or 1.4 (2024) million households falls very short of the target and the need. It is paramount to ensure sustainable financing for the programme beyond the medium term.

The escalating urban poverty necessitates Government strategies that effectively target vulnerable urban populations.

Socioeconomic dynamics in urban areas differ from rural areas. The recent trends showing de-urbanisation in some areas (Lusaka and Copperbelt provinces), rising urban poverty in all urban areas, rapid urbanisation in other areas (especially North-western Province), and the high youth unemployment in urban areas all point to the need to review and improve urban poverty reduction strategies. The scars of urban poverty are eminent, and disproportionately affect the vulnerable populations. An introspection of the dynamics of urban poverty is required so that deliberate programmes are put in place by Government to support the poor.

Despite the impending cost of living crisis significantly impacting low- and lowest-income groups, no additional funds have been allocated to enhance the SCT transfer values. The current SCT value of K200 is insufficient to meet basic nutritional needs.

The current SCT transfer amount of K200 falls significantly below the 2022 poverty line of K517 per adult equivalent, or K1,522 cost of a simple food basket that meets minimal nutritional requirements for a family of six. The effective value of the SCT has rapidly eroded since the last increase in 2022 which now poses a grave concern regarding the adequacy of the transfers. Poverty reduction is not possible without providing meaningful support. In the absence of indexation of the SCT to ensure consistent purchasing power of the SCTs, the poverty reduction potential of the SCT cannot materialise. A Public Expenditure Review (PER) conducted by the World Bank and UNICEF estimate the poverty reduction potential of 3.7 percent points for the SCT, provided the payments are consistent and rise above the inflation levels.

Addressing these challenges requires a comprehensive approach to ensure the social protection programs truly meet the needs of the most vulnerable citizens.

Government remains committed to dismantling pension arrears and substantially reducing waiting periods.

The Public Service Pension Fund allocation surged by 61.5 percent from K2.4 billion in 2023 to K3.9 billion in 2024, a real increase of 41.6 percent. This aligns with the Medium-Term Budget Plan, focusing on timely pension payments and reducing arrears. In 2023, arrears under Local Authorities Superannuation Fund (LASF) from 2017 to 2021 were settled, reducing waiting periods from 5 to 1 year. The 2024 plan includes a K400 million LASF allocation to further expedite payments. The goal is ensuring prompt pension disbursements by the end of 2024.

The FSP allocation increased marginally in nominal terms but decline by 8 percent in real terms.

The Food Security Pack (FSP) is a safety net, offering essential farming inputs to vulnerable yet viable agricultural households. In 2024, the nominal allocation for FSP increased from K1.2 billion in 2023 to K1.3 billion, a 4.5 percent rise. However, in real terms, there was an 8 percent reduction in 2024. This adjustment, while nominal, aligns with the Government's aim to expand the program, reaching 242,000 beneficiaries, a 0.4 percent increase. This emphasizes the Government's dedication to supporting vulnerable agricultural households and bolstering food security nationwide. The FSP is targeted to poor and vulnerable households with use of community structures and therefore stands to impact more on poverty reduction than the FISP/CASP.

The beneficiaries under the Public Welfare Assistance Scheme (PWAS) will more than double in 2024: The PWAS which has been in place from 1964, provides essential services such as education, access to healthcare, repatriation etc. to the most vulnerable. To address the pressing needs of the most vulnerable, the Government plans to increase the allocation for PWAS by 17 percent, from K3 million in 2023 to K3.5 million in 2024. This increase will extend the programme's reach from 16,000 to 40,000 beneficiaries for ad hoc support needs that are provided in kind on a one-off basis.



WASH: RE-EVALUATING PRIORITIES OF WATER SANITATION AND HYGIENE

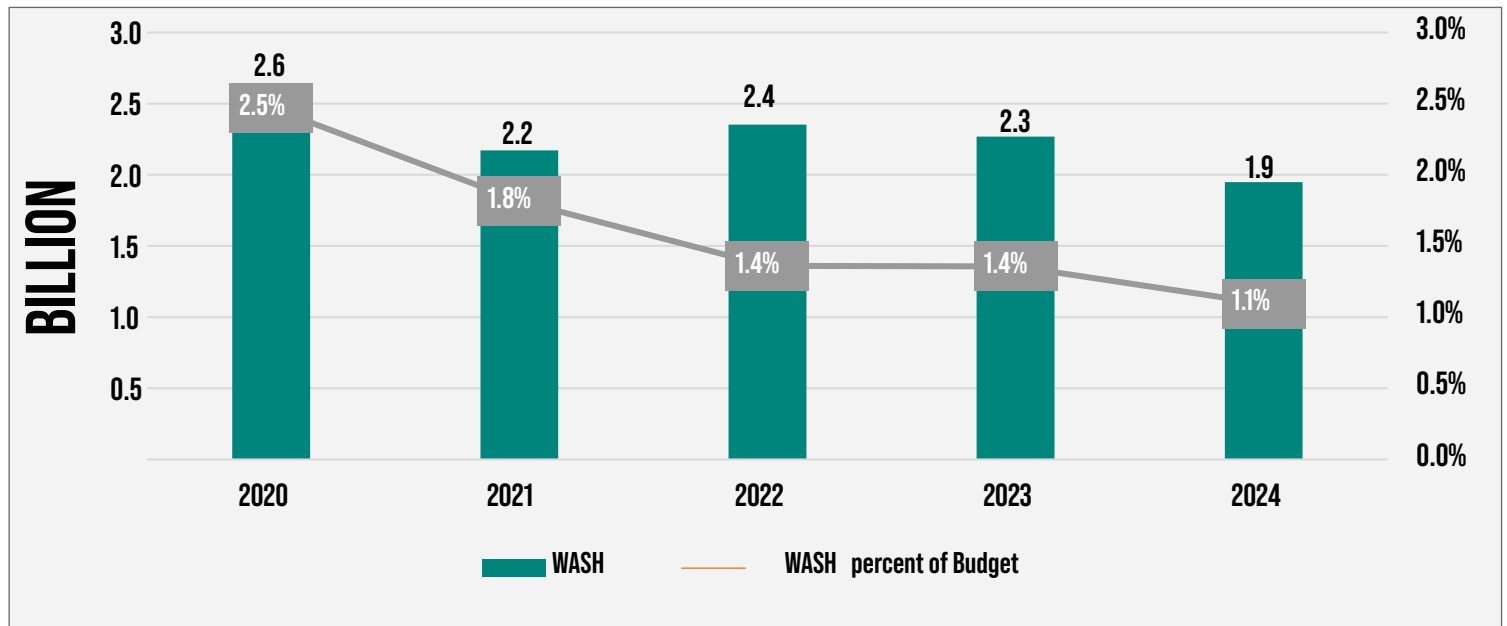
KEY MESSAGES:

1. The Water and Sanitation Budget declined in both nominal and real terms.
2. The sector continues to experience downward allocations way below the Government's aspiration and despite the sector's critical role for development, public health management, nutrition, and other priority agendas.
3. Despite the reduced budget allocation, over 280,000 households will be connected to improved water facilities in 2024.
4. Similar to previous years, the sector highly reliant on external financing with over 80 percent of the 2024 budget funded externally.

Water is crucial for communities' physical, economic, and social prosperity. The Government, at national and international levels, is committed to universal access to clean water and proper sanitation, aligning with SDG 6 and the Eighth National Development Plan. However, the allocation for Water and Sanitation in the 2024 Budget reflects a concerning trend.

The sector experienced a notable reduction, with funding decreasing from K2.3 billion in 2023 to K1.9 billion in the current budget. This downward trajectory in allocation has been consistent since 2020, when the sector's share was 2.5 percent. Over the years, this share has steadily declined, reaching a mere 1.1 percent in 2024. This decline raises critical concerns about the sector's ability to address pressing water and sanitation issues faced by communities. Adequate funding is pivotal for ensuring access to clean water and proper sanitation facilities, which are fundamental for public health and well-being.

Figure 10: Budget Allocations for Water and Sanitation, 2020 – 2024 (K'billion)

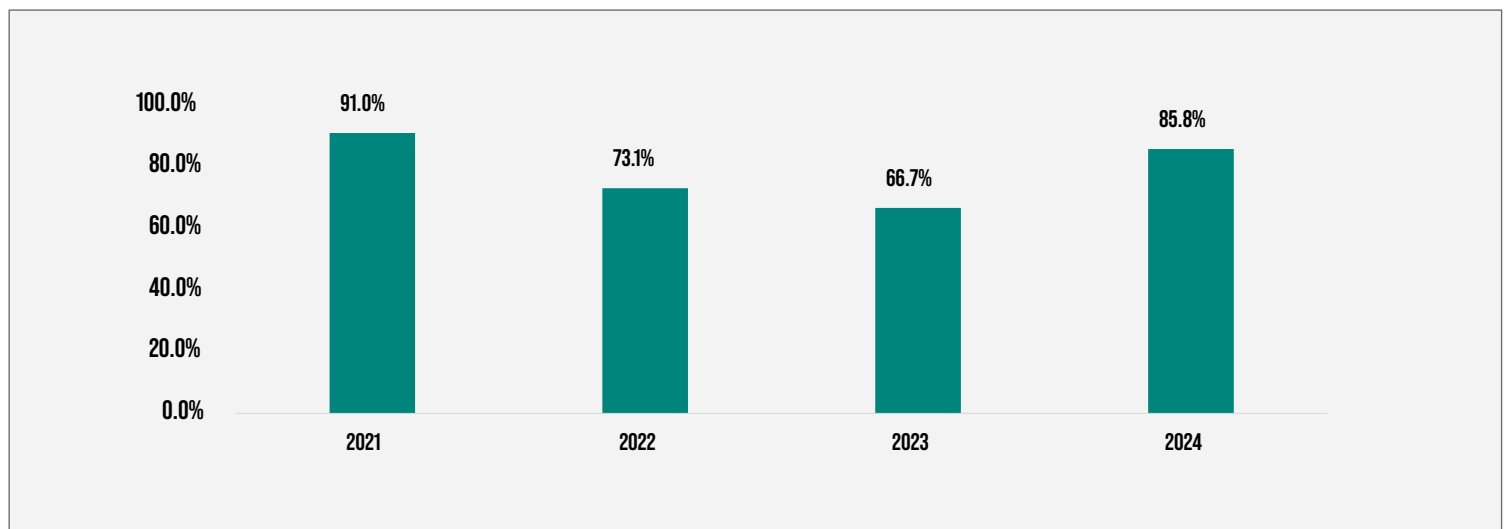


Source: Author's construction using the 2020-2024 Budget Speeches

Despite the reduced budget allocation, the Water and Sanitation sector has made notable strides over 60,000 households were connected to improved water facilities with a further 280,000 earmarked for 2024. In 2023, over 60,000 households gained access to improved water and sanitation due to the construction and rehabilitation of boreholes and piped water schemes. Building on this progress, the Government plans to extend this impact in 2024 by reaching 92,000 households through similar initiatives. Additionally, the completion of the Integrated Small Towns Project and other interventions will further benefit over 193,000 households, showcasing the Government's commitment to enhancing access to clean water and sanitation facilities even in the face of financial constraints.

The Water and Sanitation sector remains highly reliant on external financing. The reduced budget allocation highlights the need to reassess national priorities, particularly regarding citizens' water and sanitation needs. Furthermore, the sector heavily relies on external financing. In the 2024 National Budget, 86 percent of the Water and Sanitation Budget was sourced from external funding. This heavy dependence emphasizes the importance of sustainable and diversified funding strategies to ensure the sector's stability and meet the essential needs of the population.

Figure 11: Share of External Financing for Water and Sanitation (Loans and Grants) 2021-2024)



Source: Author's construction using the 2021-2024 Yellow books



CONSTITUENCY DEVELOPMENT FUND: DEVOLVING FUNDS TO COMMUNITIES TO STRENGTHEN LOCAL DEVELOPMENT INITIATIVES.

KEY MESSAGES:

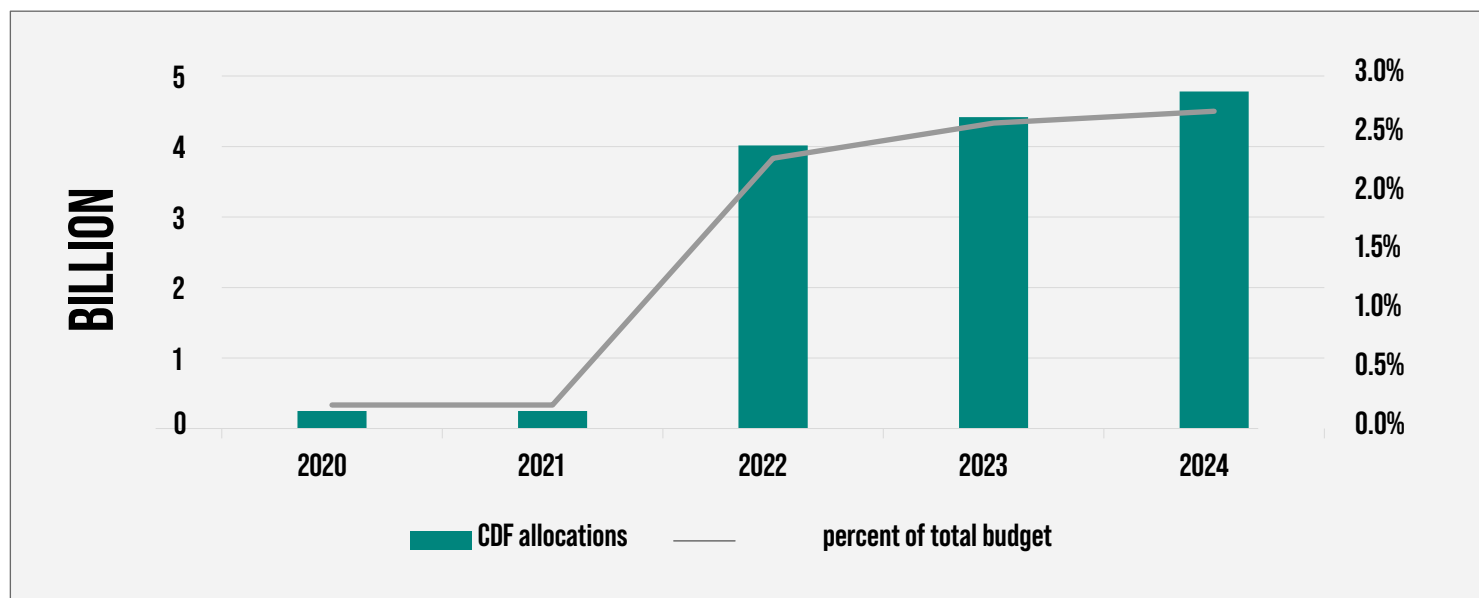
1. The CDF budget has increased by 8.2 percent in 2024 in nominal terms, while the allocation declined by 4.8 percent in real terms.
2. The review of the Constituency Development Fund Act of 2018 and the Public Procurement Act of 2020 is expected to address impediments to utilization of funds.
3. Reforms in local Government administration are expected to address fiscal challenges and strengthen the capacities of the local authorities

The Government's commitment to decentralization and local economic growth is evident through the consistent rise in the Constituency Development Fund (CDF) allocation. Notably, the CDF experienced significant growth, including a remarkable 1500 percent increase in 2022. The primary objective of the CDF is to support community development projects, with 60 percent of the funds allocated for this purpose. The remaining 40 percent is equally divided among youth and women's empowerment initiatives, as well as bursaries for secondary education and skill development.

Despite an increase in nominal terms, the CDF allocation declined by 4.8 percent in real terms. In 2024, the CDF allocation has seen a nominal increase of 8.2 percent, rising from K4.4 billion in 2023 to K4.8 billion. This increase comes amid concerns that the CDF has encountered a number of challenges leading to poor fund absorption. A recent National Assembly report reveals that while the Government successfully disbursed 92 percent of the CDF budget by June 2023,

the absorption rate remaining low at 19 percent of the funds released. This poor absorption was primarily attributed to protracted and centralized approval processes, as well as understaffing, which contributed to delays in project execution. However, when considering inflationary pressures, the real value of the CDF has decreased by 4.8 percent. As a proportion of the total budget, the CDF has also slightly risen from 2.6 percent in 2023 to 2.7 percent in 2024, as depicted in the figure below.

Figure 12: Constituency Development Fund allocations 2020-2024 (K' billion, %)



Source: Author's construction using the 2020-2024 Yellow books

Reforms in local Government administration are expected to address fiscal challenges and strengthen the capacities of the local authorities.

To enhance the efficiency of the Constituency Development Fund (CDF), the Government has decentralized the project approval authority to the Provincial Administration from the Ministry of Local Government and Rural Development. Additionally, to streamline operations, treasury authority has been delegated to Principal Officers in Local Authorities, allowing them to adjust allocated funds within the community projects component. Additionally, all constituencies are mandated to prioritize the installation of water distribution and sanitation systems in public facilities, with continued emphasis on providing desks in public schools.

Legislative reforms are expected to address impediments to utilization of funds.

The Government has committed to reviewing the Constituency Development Fund Act of 2018 and the Public Procurement Act of 2020. These revisions aim to bolster citizen participation and streamline procurement procedures related to the CDF. The Government is urged to expedite the amendment of the Constituency Development Fund Act and simplifying the 2022 CDF guidelines. This approach will lead to increased fund utilization, resulting in improved school infrastructure, enhanced WASH services, more students benefiting from bursaries, increased empowerment of women and youth, and overall development advancement within constituencies.



ENVIRONMENTAL PROTECTION: ADDRESSING HUMAN VULNERABILITIES TO CLIMATE CHANGE.

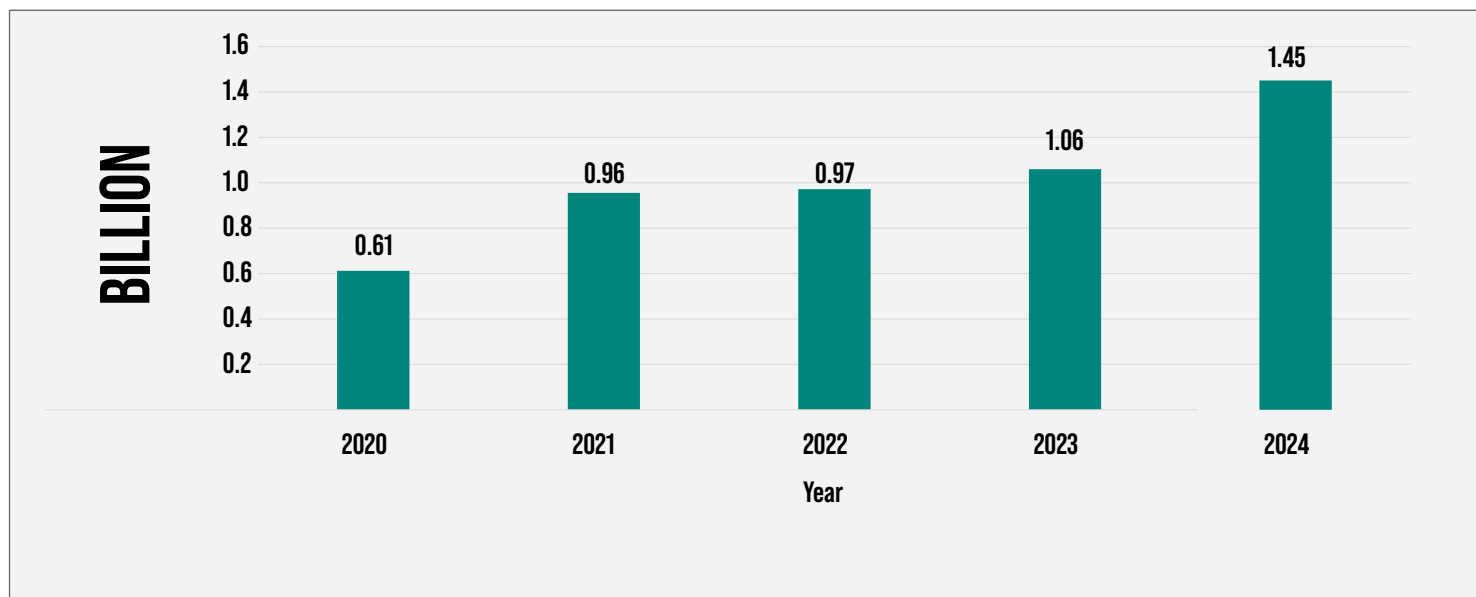
KEY MESSAGES:

1. The 2023 floods and droughts once again demonstrated that Zambia is highly vulnerable to climate change and the resulting shifts in weather patterns. More needs to be done to build resilience of vulnerable communities and to enhance emergency preparedness – while mainstreaming climate change mitigation measures (greening) wherever possible.
2. Despite an increase in the allocation to Environmental Protection, the allocation falls below the 1 percent MTBP target.
3. Government is scheduled to increase funding towards disaster risk management to better prepare for disasters.
4. The Constituency Development Fund could be used to facilitate projects that promote climate resilience, and requires that sensitisation around the environment and climate change be carried out alongside trainings for CDF project applications.

Zambia's communities are vulnerable to climate change. Climate change impacts are persistent in Zambia, and is evidenced by extreme floods and disrupted electricity supply due to poor rainfall patterns and droughts. The 2024 budget acknowledges these challenges, linking them to reduced crop and livestock production and an economic slowdown in 2023. The floods experienced in early 2023 were the worst in over 50 years, affecting 25,768 households and around 154,608 people in the Southern Province. By March 2023, eight deaths were recorded, 7,500 people were evacuated to 22 shelters, and over 373,500 people were impacted in Lusaka and southern Zambia. The disaster resulted in flooded houses, damaged roads, and bridges, with evacuations also reported in the Eastern Province. Thus, addressing climate change impacts is a pressing issue for the Government.

Despite an increase in the allocation to Environmental Protection, the allocation falls below the 1 percent MTBP target. In the 2024 budget, the allocation for Environmental Protection has risen by approximately K391 million compared to the 2023 budget. Despite this increase, it now stands at 0.8 percent of the overall budget, showing a modest growth of 0.2 percent from the previous year. This figure falls short of the Medium-Term Budget Plan's projection, which anticipated a growth to 1.0 percent in 2024. Unfortunately, this projected increase has not been realized in the current budget allocation.

Figure 13: Allocation to Environmental Protection 2020 to 2024 (K' billion)



Source: Author's construction using the 2020-2024 Yellow books

Increased allocations for disaster management aim to enhance preparedness and reflect lessons learned. In the 2024 budget, the Disaster Prevention and Mitigation Sub-programme's allocation rose significantly from K14.5 million in 2023 to K36.9 million. This funding will be used for averting hazards, preparing national contingency plans, and vulnerability assessments. Additionally, the Early Warning and Preparedness Sub-programme's budget increased from K5.7 million in 2023 to K11.3 million in 2024, covering disaster preparedness planning, early warning dissemination, and the installation of 50 new automatic weather stations, supplementing the planned 120 stations for 2023.

CDF can be used as channel to facilitate community preparedness. The CDF has magnificent potential to serve as a channel to facilitate community preparedness. Increased community involvement in environmental and climate change awareness, along with active participation in applying for CDF project funding, can enhance its impact. To ensure transparency, accountability, and environmental responsibility, effective monitoring and reporting mechanisms must be in place for CDF projects. Leveraging the CDF for disaster preparedness education enables communities to respond better to disasters, adopt nature-based solutions for mitigation, and fortify homes against adverse weather conditions and their impacts.



RETHINKING POVERTY STRATEGIES

The analysis sheds light on a complex web of challenges that are posing significant hurdles for the people of Zambia. The rising cost of living has put immense pressure on households, making it increasingly difficult for families to meet their basic needs. Simultaneously, poverty rates have surged, leading to a concerning trend where a significant portion of the population is struggling to access essential resources and services.

For example, the determination of the 2022 poverty line of K517 per adult equivalent, or K1,522 cost of a simple food basket that meets minimal nutritional requirements for a family of six. This substantial increase mirrors the rising cost of living and sets a higher standard for the minimum income required to lift citizens out of poverty. To illustrate, we consider the Social Cash Transfer program, which provides support to vulnerable households at K200 per household. This amount now falls significantly short of meeting the new poverty line.

Adding to these woes, the nation is grappling with a growing frequency of extreme weather events. These events, which include intense floods, droughts, and unpredictable weather patterns, wreak havoc on communities, causing widespread damage to homes, agriculture, and infrastructure. The consequences of such events are far-reaching, often displacing families, disrupting livelihoods, and straining the resources of local Governments and aid organizations.

In light of these challenges, there is a pressing need for a comprehensive and innovative programmatic approach to start in 2024. This approach should not only focus on immediate relief efforts but also on building long-term resilience within communities. Investments in education, healthcare, and skill development can empower individuals and families, breaking the cycle of poverty. Moreover, initiatives that extend social protection interventions to the urban poor, promote sustainable agriculture practices and environmental conservation can mitigate the impact of extreme weather events, making communities more adaptable and resistant to future challenges. Providing a stable social assistance floor with an SCT programme that provided adequate transfer values is the enabling foundation to all this. In its quest to ascertain further financing and increasing fiscal space, Government can find resolve in the fact that investments in people's purchasing powers, human capital and rural communities not only serves the imperative of leaving no one behind, but also strengthen macroeconomic growth and resilience against global shocks. Investing in social sectors – on more significant terms than presented; along the lines of the discussion in this brief – is not just the right thing to do, but the smart thing to do.



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