

Reaping what we sow

A mediocre and political budget lacking credibility

The Socialist Party's review of the 2021 National Budget

1. Introduction: A failing economy under the PF leadership

The 2021 Budget comes against the backdrop of heightened weaknesses in the country's macroeconomic fundamentals, with the economy expected to contract for the first time since 1998.

It has come at a time when the Zambian Kwacha has continued to weaken against the hard currencies as a result of the country's weak fiscal position, at a time when the debt situation is unsolvable, and at a time of high inflation that has resulted in the overall increase in prices of goods and services. It has come at a time of the COVID-19 pandemic that hit the country in March 2020 and has exacerbated the already struggling economy. These weaknesses in the macroeconomic parameters have also resulted in the country's credit rating being downgraded further from CC to C by Fitch Rating Agency, making Zambia an unattractive economy to lend to.

Against this grim background, one would have expected the 2021 Budget to be an extraordinary budget that rises to the occasion to address these challenges and weaknesses, while ensuring that the most vulnerable in our society are protected. Shockingly, the Minister of Finance presented what the

Socialist Party would call a "political budget", which is not only very hollow, but one that the government will not even manage to implement from day one – it arrived dead!

While every Zambian is, by now, aware of the fact that the PF government has taken the country into debt distress and has even gone to the extent of hiring White & Case LLP, a law firm, and Lazard Freres financial advisory firm, to help negotiate the restructuring of the debt and suspension of interest payments, it has proposed in the 2021 Budget to borrow K51.6 billion or 43.2% of the total budget. What is even more shocking, and maybe a joke, is that the PF government believes it will borrow K20.6 billion from external lenders in budget support loans. Which external lender would give the PF government budget support loans when it has already admitted inability to repay existing ones?

Or is this figure a number just put in, to balance the budget?

It must be noted that at the time the PF took over the government in 2011, Zambia's economy had been growing at an average 6.4% per annum since 2005, with the country embarking on the 2030 Vision of becoming a *prosperous middle-income nation*. As a result of the sustained economic growth exhibited over those years and



Dr Cosmas Musumali, Socialist Party first vice-president and general secretary (left), Rehoboth Kafwabulula, central committee member and party spokesperson, and Dr Chris Ngenda Mwikisa, second vice-president and general treasurer, at the party's 2021 National Budget briefing

the country's attainment of per capita income of above US\$ 1,600 in 2011, the World Bank reclassified Zambia as a lower middle-income country in 2011.

However, with the PF coming into government, the country went into high borrowing gear without regard towards ability to pay. This resulted in weakened macroeconomic fundamentals to the extent that when the country experienced economic shocks in 2015, the PF government failed to contain the shocks. Since then, the economy has been in free fall and now in a recession for the first time since 1998.

While the economy has not been performing well, the PF government has continued to borrow recklessly. This has taken the country into debt distress. It must be noted that when the PF came into power in 2011, it inherited an economy with debt at 21% of GDP. In 2021, the PF will be handing over the economy

with debt at 119% of GDP. This is not only unacceptable, but unjust, careless, and taking Zambians for granted.

The implication of this reckless borrowing by the PF government is that debt service has become very costly and crowding out resources. These resources could have otherwise gone towards social sector spending, such as education and health, which directly benefit the majority of Zambians. Debt service expenditure in 2011 only accounted for 11% of domestic revenues. This has, however, risen unjustifiably to 51% in 2020 and is expected to further rise to 70% in 2021.

What does this mean?

It means that for every K1 the government will collect in domestic revenues (tax and non-tax revenues), 70 ngwee will go towards debt service and only 30 ngwee will remain for other spending, including

salaries to civil servants, buying medicines for the hospitals, school requisites, water and sanitation, FISP, and social cash transfer etc.

To put it into context, the government projects to collect a total of K65.98 billion in domestic revenues in 2021. Of this, K53.27 billion is tax revenues and K12.71 billion is non-tax revenues. Debt service on the other hand is projected at K46 billion. If we add salaries of civil servants, which we estimate to be around K27 billion, it means debt service and salaries alone will amount to K73 billion. This means the whole of K65.98 billion domestic revenues will go towards debt service and payment of salaries to civil servants. In addition, the government will have to borrow another K5 billion to finish off paying for debt service and salaries.

This is clearly not a prudent and sustainable way of running our country.

Simply put, there is no money for social sector spending and poverty reduction, resulting in poor health and education outcomes, no drugs in clinics and hospitals, no school supplies for education, no resources for research and extension services to improve agriculture, except for the resources for FISP and FRA, which are there purely for political expedience.

Budget allocation to priority sectors, such as education, health and agriculture, show a consistent reduction over the years, despite Zambia being a signatory to international commitments. For example:

1. Under the **Education 2030 Framework**, Zambia committed to allocate at least 20% of its budget to the education sector. However, under the PF government this has consistently declined from 20.2% in 2015 to 12.4% in 2020 and further reduced to 11.5% in 2021.

Under the **Abuja Declaration of April 2001**, Zambia committed to allocating at least 15% of the budget to the health sector, but the PF government has consistently allocated meagre resources, from 9.6% in 2015 to a low of 8.1% in 2021. This is despite the evolving COVID-19 pandemic.

The story is no different in the agriculture sector, where Zambia committed 10% of its budget to the sector under the **Maputo Declaration of 2003**. However, actual allocations to the sector have been declining from 10.2% in 2016 to an unacceptable low of 3.7% in 2020.

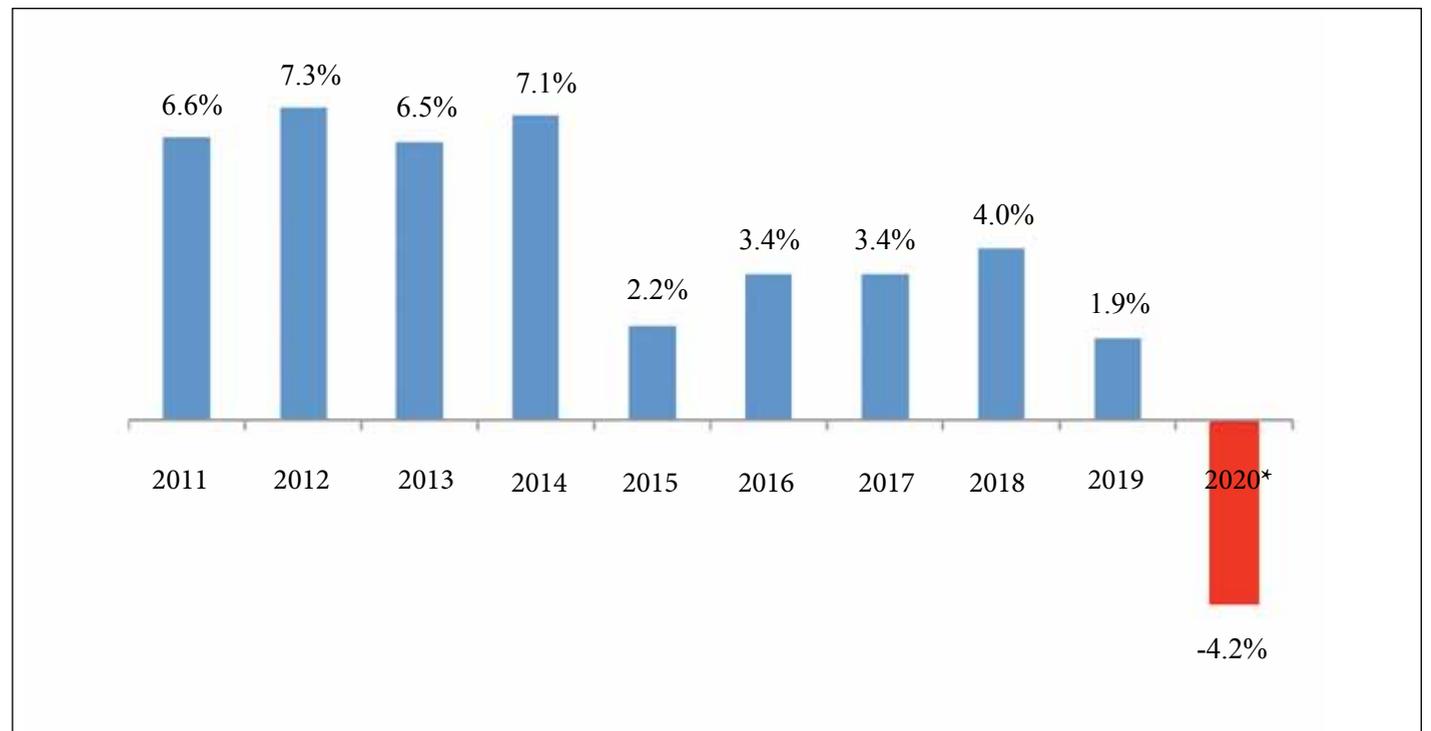
It must be emphasised that while allocations have been reducing, the actual budget releases are even worse and we provide detailed and specific information on these sectors and the subsequent implication of this on the poor, the workers, and the Socialist Party's vision to correcting these ills, in our detailed sector analysis.

2. A budget that lacks credibility

TO START with, a budget simply tells you how much a country wants to spend, what it wants to spend the money on, and the source of funds. Therefore, budget credibility is the ability of government to accurately and consistently meet its expenditure and revenue targets. That is important because when a budget is not executed as planned, decisions may exceed projections and critical services may be compromised. As has already been stated in preceding paragraphs, the 2021 Budget is an unrealistic one that has allocated more resources than the government can mobilise.

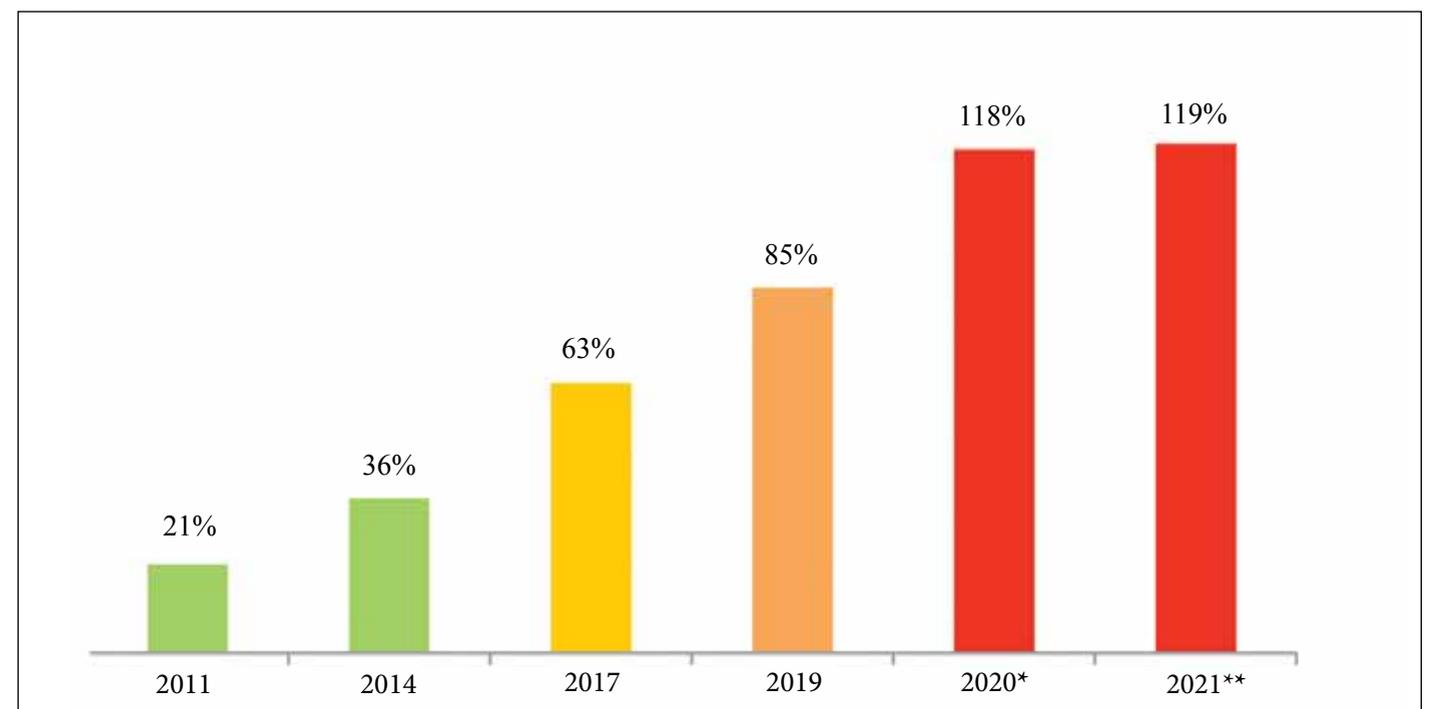
It also suffers from what is called hidden budgeting, the priorities of which are exclusively known by a few ruling elites and placed under defence and security where there is less scrutiny in the name of "state secrets". One may ask why budget credibility is important. As the Socialist Party, we look at the budget as a public contract between government and its people on how it is going to use public funds. Suffice to say, 11% of the 2021 Budget will be funded by workers through PAYE, which is the single largest contribution. As a party for the working class, we take a keen interest in how their hard-earned money is spent. To help us unpack how the 2021 Budget lacks credibility, let us address the following:

Figure 1: Zambia's economic growth, 2011-2020



Source: Compiled by the Socialist Party from Ministry of Finance budget speeches
Note: * is preliminary

Figure 2: Zambia's debt as a share of GDP, 2011-2020



Source: Compiled by the Socialist Party from Ministry of Finance budget speeches
Note: * is preliminary, ** is projection

(i) Uncertainty in resource mobilisation

From the very beginning, all estimates of revenue collection are based on assumptions and are therefore a mere possibility. Secondly, there is no adequate scientific data or established IT tools to ascertain economic trends and their overall impact on general resource mobilisation in real time. The Zambia Revenue Authority (ZRA) usually uses the previous year's trends to forecast the collections for the following year. Notwithstanding the impact of COVID-19 on the structure of the economy, no study has been established on how this global pandemic has disrupted local economic activities. As if that is not enough, non-tax revenue,

such as government bonds and treasury bills, fines and toll gates, depend on market sentiments, behaviour, and the movement of people, and thereby uncertainty. Consequently, the 2021 estimates are based on assumptions or guesses that have no room for anticipation of shocks or established systems that would sound the alarm in real time so that appropriate actions are timely taken. It is that lack of capacity to accurately predict the future and act appropriately which leads to poor microeconomic forecasting and subsequent inaccurate projections of revenue collection. In the wake of COVID-19, meagre balance sheets, poor credit ratings and an economy whose growth is projected to be

around negative 4.7%, the state machinery is incapable of guaranteeing an accurate future estimate, and that compromises the credibility of the budget.

(ii) Diminished coordination and oversight of the economic governance arms of government

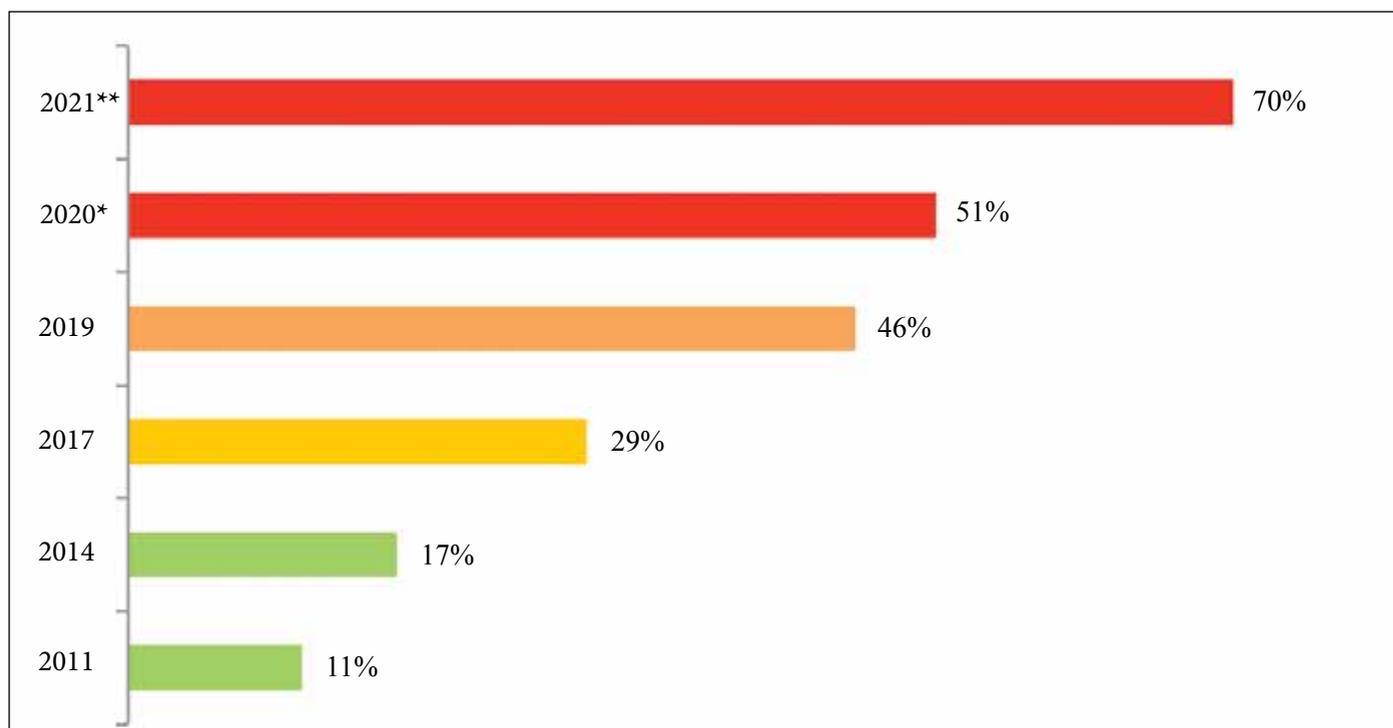
The Republican Constitution mandates the cabinet office to procure the general efficiency of the public services under the leadership of the secretary to the cabinet. Thus, cabinet office is responsible for the coordination, formulation and implementation of all government policies, projects and programmes. The institutional framework for monitoring and evaluation

of projects, policies and programmes, is bottom up and begins at the District Development Coordinating Committee (DDCC) level then escalates to the Provincial Development Coordinating Committee (PDCC) and finally the National Development Coordinating Committee (NDC), which is headed by the secretary to the cabinet. With the erosion of that coordinating role of cabinet office, government has taken a silo approach to the running of its affairs, and this has made public spending vulnerable to some unscrupulous civil servants and political figures who collude with "tenderpreneurs" to deviate funding as outlined in the budget to areas that would benefit them, leading to inflated

prices of goods and services and thereby compromising budget execution. Unless there is sound oversight on how government functions, self-interested companies and individuals take advantage of the gaps in the pursuit of their own interests.

As if that is not enough, the treasury, which is solely responsible for contracting loans, has had its power enshrined in the Public Financial Act abrogated when officials refuse to obey orders from political figures. There have been times when the President himself has made financial commitments on behalf of the Republic without any input from the debt management team in the treasury. Worse still, some

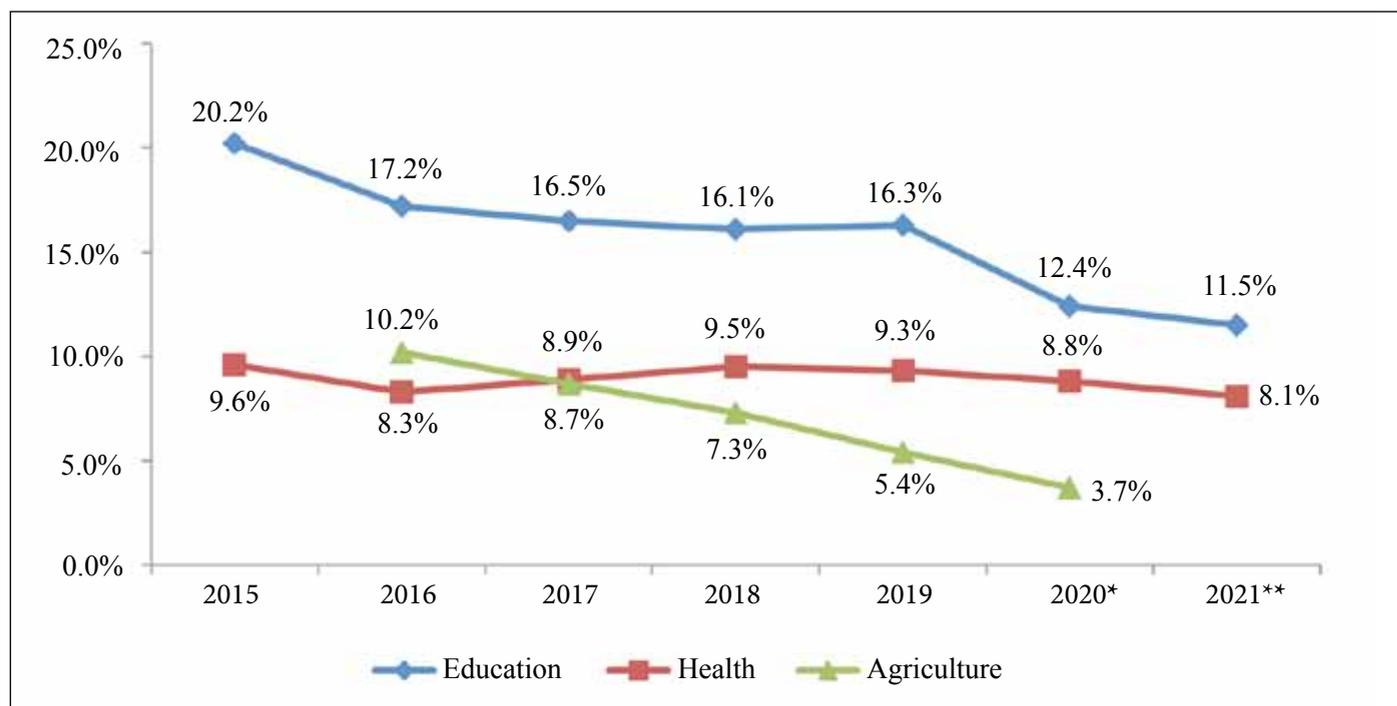
Figure 3: Debt service as a share of domestic revenues



Source: Compiled by the Socialist Party from Ministry of Finance budget speeches

Note: * is preliminary, ** is projection

Figure 4: Education, health and agriculture expenditure, 2015-2021



Source: Compiled by the Socialist Party from Ministry of Finance budget speeches

Note: * is preliminary, ** is projection

ministers and permanent secretaries have also made financial commitments on projects they consider “urgent” without treasury authority. This compromises budget credibility, as money meant for other programmes is diverted towards servicing a debt the ministry of finance has not yet profiled. Today, more than ever before, the civil service is highly political and extremely polarised. Any professional who seems not to toe the line of the ruling party is regarded as supporting the opposition and easily discarded. To keep their jobs, most of the professionals compromise their ethical, legal and professional standards to appease the appointing authority, political figures and cadres. This trend is

expected to continue as it has now become the norm, and thereby undermines the integrity of the budget as resources meant for key sectors continue to be diverted for political expediency.

(iii) The rising fiscal deficit

When your expenditure is more than your income, it means you are borrowing your future earnings. You are spending money you do not have and, at some point, you will have to pay. From 2006 to 2012, Zambia had maintained an average fiscal deficit below 3%. It went up to 6.5% in 2013 then dropped to 5.7% in 2014 before rising to a staggering 11.9% in 2015. There were some efforts to

reduce the deficit in 2016 to 7.5% and 6% in 2017. In 2020, fiscal deficit is standing at 11.7% against a target of 5.5% and is expected to rise to 14% next year. The question one may ask is: what is driving this deficit? – spending in the construction sector, which only benefits foreign companies and a handful of politically exposed people. As of now, Zambia has gone beyond internationally acceptable debt ceiling levels. Our bondholders have expressed misgivings about suspending serving our Eurobonds. That, compounded by poor ratings, makes it impossible for Zambia to borrow K20 billion to cover its fiscal deficit. This is going to affect funding, especially to social sectors, which targets most of our people.

(iv) The energy sector challenge

Zambia has been experiencing severe power outages since August 2015. Subsequently, small and medium-scale business entities have been forced to operate with expensive generators to run their businesses. This has not only affected production output, but has been very costly. Consequently, many have been forced to close their businesses. And, as for large businesses, which are subjected to long hours of load-shedding, they have no choice but to pass on the rise in production costs to the final consumer, which has led to a sharp increase in the price of commodities.

Although energy is a big challenge to resource mobilisation next year – as it has been over the years – the sector only had one paragraph dedicated to it in the budget speech. In a nutshell, government claimed that it has come up with key structural reforms in facing generation, transmission and distribution of electricity, in an attempt to bring some reliability and predictability to the sector, not until the cost of service study had been done. The Zambia Electricity Supply Corporation (ZESCO) has admitted over the years that investment in the sector has not matched load growth. That has been compounded by little or no investment in transmission and distribution systems. Furthermore, lack of maintenance has

also contributed to depleting power. Surely, does this require a cost of service study? What about abusing the power utility as a cash cow for the ruling party through inflated procurement of goods and services, or having a bloated workforce whereby more than 3,000 unnecessary people across the country have been employed since 2015 on political patronage? Does that also require a cost of service study to do the right thing?

In sum, the level of abuse is what has led to the increase in tariffs in the last couple of years to cover the costs. The cost of service study has nothing to do with efficiency, production, maintenance of generation or distribution capacity and reliable supply of electricity. It merely looks at the drivers of costs in each production entity in comparison to international best practices so that when two separate entities deal with each other, they both get a fair share of the deal.

As the Socialist Party, we are a party of the humble, by the humble, for the humble. It is therefore disheartening to see that, on average, approximately 75% of Zambians have no access to power. In rural areas, less than 5% of the population have access to power. We understand that hydroelectric concentration is proving unsustainable due to climate change and deforestation in the Zambezi food plain resulting in little water available for production. Our overall goal for the sector is to provide affordable, environmentally friendly, and sustainable, energy services in order to promote social and economic development.

The Socialist Government will therefore: build a renewable energy division that will make optimal use of solar, wind, thermal and biomass – in addition to hydro-energy; support the creation of publicly owned, locally accountable, energy companies and co-operatives to rival ZESCO and existing private energy suppliers, with at least one in each region; and, establish a research institute to prioritise people-centred energy security, as well as map out a 50-year energy infrastructure plan. It is our considered view that our economy can only deliver for the masses if people in every district are given the opportunity to: organise themselves; collectively explore local resource-based manufacturing opportunities; connect to high-valued retail chains

countrywide, and; have access to technical and financial support. Only a socialist government can move beyond the narrow, individualist approach imposed by neoliberal capitalism. We will mobilise the collective talents and resources of all districts to create an energy capacity that delivers prosperity to every corner of our country.

(v) The mining sector challenge

The mining sector has had challenges with policy inconsistencies, which have affected the growth of the industry and revenue collection for the country. Since 2000, when the mines were privatised, the government has changed the tax regime nine times. Had the policy remained stable and production output reached 1.5 million tons by 2017, as earlier envisaged, export earnings would have increased from between US\$4.5 and 6.8 billion per year to around US\$12 billion a year. This could have resulted in an increase in revenue collection from this sector from US\$2.2 to 4 billion a year. In addition, the sector would have experienced a corresponding increase in job creation, corporate social responsibility activities, increased revenue to local municipalities, and greater business opportunities to local suppliers of goods and services. With the gangsterish way the government took over Konkola Copper Mines (KCM), notwithstanding that the company had outlived its usefulness, instability at Mopani Copper Mine, and the protracted battle between ZESCO and Copperbelt Energy Corporation (CEC), this will definitely undermine domestic resource mobilisation. In his budget speech, the Minister of Finance noted that global commodity demand is more than supply because of the Covid-19 pandemic in South Africa. As expected of this laissez faire government, no workable and practical solution was given to sort out the current challenges in the mining sector when experts predict a boom in commodity prices to around US\$8,000 per ton next year.

For us in the Socialist Party, we are of the view that reliance on non-renewable resources like minerals for growth is, by definition, unsustainable. The extractives-based growth has not significantly contributed to poverty reduction in recent years. Foreign multination-

al corporations have been the major beneficiaries. In order to maximise profits, the mining industry is capitalising but creating fewer jobs, paying comparatively less taxes to the Zambian state, outsourcing services, using increased numbers of subcontracted labour, and limiting its monetary transactions in the Zambian financial sector. Similarly, it has left a legacy of environmental liability in mining towns. In other words, the Zambian masses are not benefiting much from a mining industry still operating along colonial lines.

Having said that, we would like to state categorically that the Socialist Party, when in government, won't nationalise the mines. We are cognizant of the fact that our capacity to run them is still very limited. We don't have enough mineral scientists, mining engineers, economists, lawyers, or financing and mineral marketing experts. If we were to nationalise the mines they would run down very quickly. Our focus will be on two thirds of the mining potential which has not yet been exploited because we are aware that the remaining economic lives of these mines are between eight and 40 years. It is a waste of time, resources and energy, to fight over mines with such short remaining economic lives. And nationalisation is not a principle but a tactic in the quest for public ownership of the means of production. There are many ways to skin a cat. We will leave the mines under their current ownership but ensure that fair taxes are collected to finance education, health and peasant agriculture. We will also levy the mines to finance the training of mining engineers, economists, lawyers, environmental experts, and so on.

Be that as it may, new mining licences will be issued under very different conditions that will ensure increased state participation. Cooperatives will be formed with state assistance to exploit minerals like manganese, which are cheaper to mine. These mining cooperatives will also be linked to education, health and peasant agriculture.

Therefore, the Socialist Government will ensure the following:

(i) Declare minerals as strategic metals for the country and provide a protective legal environment. Under these laws, the export of concentrates will be out-

lawed, and the marketing of minerals will be coordinated by the state;

(ii) Zambian labour will be accorded priority under stronger legal protection;

(iii) 30 per cent of all industrial input into mining will have to be Zambian. Mining will, in this way, play a role in supporting the manufacturing base of the country;

(iv) ZCCM (IH) will take a controlling interest in all new mines to be opened.

(v) Resource rent or variable income tax will be introduced to secure additional mineral rents.

(vi) All proceeds from mineral sales will first be credited to Bank of Zambia accounts – an essential aspect of currency and balance of payments management and stability.

(vii) Mines will have to adhere to state-of-the-art environmental technologies, practices and standards.

(vi) The agriculture challenge

Amid poverty, hunger and malnutrition, achieving food security should be the primary focus of the government. If the government was to get its act together, given the vast fertile soils, good climate and vast water basins, Zambia could grow enough food to feed the SADC region. As of last year, the annual turnover of the world's agro-business and food industry was around US\$8 trillion, equivalent to around 10 % of the world's GDP, while oil annual turnover was around US\$2 trillion, equivalent to around 2.5% of the world's GDP. Copper is not even anywhere near that. Instead of harnessing the potential this sector has, Zambia has seen a constant decrease in budget allocation from 10.2% of the total budget in 2016 to 3.7% in 2020, despite being a signatory to the Maputo declaration of 2003 and the Comprehensive Africa Agriculture Development Programme (CAADP), which requires an allocation of not less than 10% of the budget to the agriculture sector.

The agriculture sector also lacks a clear and concise policy direction to ensure food security and maximise potential. What the country has been subjected to over the years are reactionary short-term policy measures, ranging from price control to arbitrary banning of exports of certain commodities. This

has curtailed growth and investment in the sector as the environment does not guarantee return on investment. Besides, much emphasis has been put on maize production at the expense of other high-value cash crops. The Farmer's Support Input (FISP) has had various regimes and the most recent was the e-voucher whereby a farmer was given K1,700 and required to top up, buy four bags of fertiliser and a bag of seeds. This gave farmers the option of choosing the type of seed or fertiliser from what was available on the market. In terms of efficiency in service delivery, this system brought some healthy competition among transporters, resulting in effective delivery of inputs at reasonable cost and within the required time.

Government has been intervening in the market to ensure both food security and affordability on the part of the general populace. However, research and sample analysis of the subsidies of maize grain to achieve competitively priced mealie has not yielded the intended results. Instead, the subsidy has created serious pressure on the treasury with amounts running into millions of dollars in unpaid subsidised maize. The estimated cost to the treasury, which is close to K100 million, goes to a few companies at the expense of the whole industry thus affecting reinvestment in the maize sector and a continued decline in production despite weather patterns.

Recently, the FISP regime changed. Government procures and transports the inputs across the country. And recipients of the FISP programme are only expected to top up K400 in order to get four bags of fertiliser and a bag of seeds. Thus, this is what has led to delays in the delivery of farming inputs and thereby affected production, especially in the 2017/2018 farming season. We have an average requirement for export of maize to Congo DR of 600,000 metric tons. There is also potential for export to Zimbabwe, Malawi, Namibia, Botswana and the Great Lakes, but lack of policy framework to unlock that and contribute to revenue mobilisation to fund the 2021 budget will affect that.

The Socialist Party is aware that water covers 9,222 of Zambia's 752,618 square kilometre territory. It is from this background that we find it strange in the

extreme that Zambia is the fourth hungriest country in Africa after Chad, Central African Republic and Madagascar. Our focus will be on producing healthy food for all so that no one goes to bed hungry. We will take on the challenge of building agroecology as a model that represents a set of techniques for agricultural production, which will increase the productivity of work, the physical productivity per acre, and decrease the physical labour of workers, maintaining equilibrium with nature. To be specific, we intend to reduce the cost of agricultural inputs; encourage conservation farming, diversify staple food from maize to other crops such as cassava, finger millet and sorghum, which have even higher nutrition value than maize; and invest in agro-processing. We pledge to help peasant farmers form cooperatives for finance, input supply, agro-processing, market linkages and technological services to ensure food security at a household level.

Proposed expenditure cutting measures

Given the economic hardships the country is going through, we propose the following measures in order to help government save the meagre resources at our disposal.

Sell all government pool motor vehicles. The rationale is to reduce expenditure on vehicle maintenance, insurance and recurrent expenditure, such as fuel and spare parts. However, vehicles for strategic operations, especially in rural areas, should be maintained;

(a) All meetings, within the country and outside, should be held virtually so that we save on travel costs and accommodation, and the time spent moving from one place to another.

(b) Harmonise grant-aided institutions to reduce personal emoluments. Most of them are being paid to do nothing;

(c) Introduce electronic payment monitoring systems to enhance accountability and transparency;

(d) Introduce an appraisal system for infrastructure spending to ensure price conformity with those that prevail in other countries;

(e) Standardise prices for common user items in the ministries and spending agencies;

(f) Use "probase" technology in feed road construction to increase life span and reduce on costs; and,

(g) Create a consolidated revenue fund, which will be managed through the Integrated Financial Management System (IFMIS) platform to allow for accountability of all sources of funds collected by various agencies. This will ensure that there is a single view on collections and expenditure.

3. The 2021 social sector budget – the poor have been neglected

THE IDEA of a just, equitable and peaceful Zambia is the foundation stone of the Socialist Party. To unite our people in "one land and one nation" – as is our cry in our national anthem – will require equity of access to necessities that make possible a decent level of living while allowing for individual and social progress. Key among these necessities of life are education, healthcare, water and sanitation, housing, and social protection for the vulnerable. We believe that these are necessities which, if individuals cannot manage, the government should provide to ensure they are accessible to all Zambians.

It is with this view that in 2006, we as a country embarked on the Vision 2030, and agreed on the following social economic objectives:

(a) To reduce national poverty head count to less than 20% of the population;

(b) To reduce income inequalities measured by a Gini coefficient of less than 40;

(c) To provide secure access to safe potable water sources and improved sanitation facilities to 100% of the population in both urban and rural areas;

(d) To attain education for all, and;

(e) To provide equitable access to quality healthcare to all by 2030.

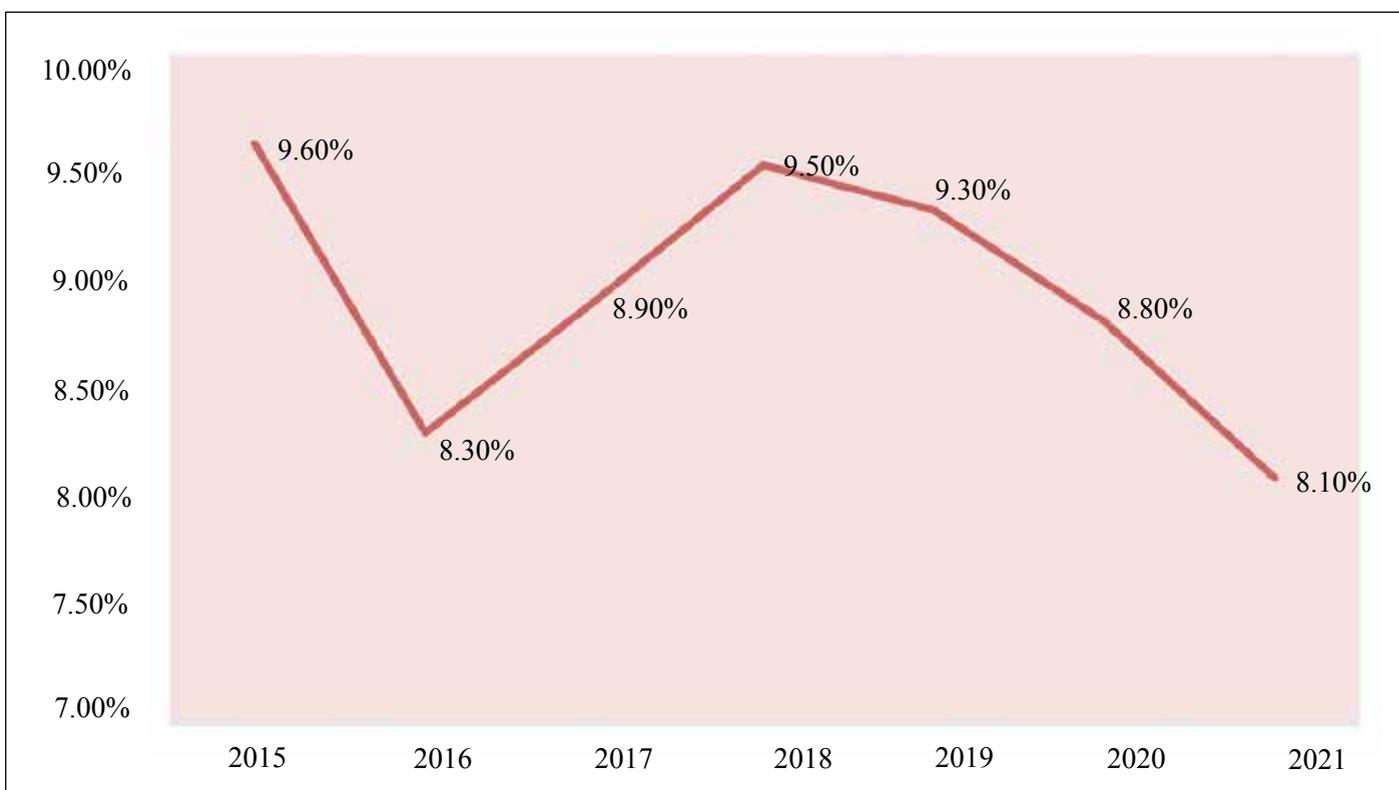
Sadly, however, our society is a long way from realising this requirement of justice and equity for all. The gap between the rich and the poor in Zambia keeps widening. For example, in 2006, Zambia's income inequality as measured by the Gini coefficient was 52.6%, which we needed to reduce to 40% by 2030.

Figure 3.1: Evolution of social sector spending as a percentage of total budget, 2015-2021



Source: Compiled by the Socialist Party from Ministry of Finance budget speeches

Figure 3.2: Evolution of health sector spending as a percentage of total budget, 2015-2021



Source: Compiled by the Socialist Party from Ministry of Finance budget speeches

Reality on the ground, however, shows that income inequality is increasing instead of reducing. According to the United Nations, Zambia's Gini coefficient has increased to 57.5% from 52.6% in 2006. As a result, the country is now listed among the 10 most unequal countries in the world. They are: South Africa (65%), Namibia (61.3%), Botswana (60.5%), Zambia (57.5%), Honduras (57.4%), Central African Republic (56.3%), Lesotho (54.2%), Colombia (53.2%), Brazil (52.7%) and Guatemala (52.4%).

More than anything, such rising and sustained inequalities reflect a government economic failure of redistribution. We believe

that the elimination of social inequality is a core function of government through its policies. That this inequality has persisted is a sign of government failure. The failure by government to provide adequate social services is, in our view, a violation of citizens' rights as Zambians have the right to a decent life made possible and provided for by government.

Increasing spending in the social sector would be one way to reduce inequality and poverty. However, as can be seen from the 2021 Budget and all the preceding budgets for the PF government, allocations to the social sectors, which are key to the attainment of equity and justice,

and thus creating impetus for economic growth, has steadily been reducing. See Figure 1.

While the allocations have been reducing, the reality of under-disbursements and redirection of resources away from the social sectors in budget execution over the years has continued to threaten the achievement of equity. Such policy measures do not only sustain inequality, but exacerbates it further, leading to an unjust society. At this pace, Zambia cannot achieve sustainable poverty reduction, and we do not believe that this budget reflects poverty reduction as a legitimate goal of the current government's policies. Such a lack of prioritisation in budgets implies

that the Zambian masses will continue to suffer from poverty, injustice, humiliation and inequality.

A. Health sector budget

Investing in health is one of the key ingredients of sustainable human capital development. The goal of universal health coverage, where all nationals receive the healthcare they need when they need it without suffering financial hardship, is an important principle which augments the Socialist Party's goals of equity and justice. We believe that there cannot be equity and justice without unrestricted access to quality health care services for all.

The 2021 Budget shows a

reduction in the health budget from 8.8% in 2020 to 8.1% in 2021.

With a continued rise in inflation and a depreciating currency, though there is a minor nominal increase in absolute amounts, this increase is eroded. By expenditure function, the health infrastructure budget is the biggest priority, followed by drugs and medical supplies, with financing towards hospital operations being the least funded. Hospital operations financing has been on the downward trend from K726 million in 2019 and K686 million in 2020 to K627 million in 2021. Being the key service providers, a reduction in hospital operations financing poses huge threat to effective health-

care service delivery and achieving health equity. We do not think a reduction in such a key service is in line with the goal of achieving quality universal healthcare. On the overall, as a proportion of the national budget, the health sector budget has reduced from 9.3% in 2019, 8.8% in 2020 to 8.1% in 2021. These allocations not only fall short of the 15% Abuja Declaration target but also of the government's own National Health Strategic Plan's target.

Coupled with inefficiencies in health sector resource use, this budget does not respond to the health needs of the Zambian people. The budget as announced fuels inequality further through health inequities and rationing, where only the wealthy will have access to good quality healthcare. It is not surprising, therefore, that Zambia continues to record very poor health outcomes, such as high maternal mortality and stunting that stand at unacceptable levels of 278 deaths per 100,000 live births.

Investing in health should not be a residual agenda, and we believe that the dual goals of quality and access must be achieved simultaneously. For us in the Socialist Party, our long-term goal is for our health system to have the best-trained staff in Africa, ready to deal with both communicable and non-communicable diseases, and to provide services to the rest of the world. To achieve this, we are committed to allocating 20% of the national budget to health and enhance prudent use of resources.

B. Education sector budget

Education, like health, is one of the key ingredients in human capital development and perhaps one of the most effective policy and intervention tools for poverty reduction, reducing inequality and enhancing social mobility. Education, like health and security, ought to be the right of every Zambian child. The importance of education, the benefits of which are well known, is not reflected in the current government's prioritisation of expenditure towards the sector. For the last five years, allocation towards the education sector as a proportion of the total budget has seen a continuous decline, a clear signal of the PF's de-prioritisation of education.

From a high of 20.2% in 2015, allocation to the ed-

education sector has declined to 11.5% in 2021, making Zambia's commitment to the Education 2030 Framework for Africa target of 20% a sham. The reduced relative budget allocation to the education sector is unacceptable and is a threat to both human capital development and social economic development. Today, more than ever, we have an increasing number of young people from poor families who are not attending school at all levels because they are not able to pay school fees. No young person should be excluded from attending school because they cannot afford to pay school fees. No one should be sent home from school or refused results of exams because fees have not been paid. All our young people must be entitled to free, quality education.

For us in the Socialist Party, we have an ambitious education programme that will be made possible through; (i) mobilisation of the country's social capital. All Zambians with secondary school certificates will be incentivised and encouraged to volunteer hours towards the literacy campaign and formal school programme; (ii) building a system of high-quality childcare places owned and controlled by local communities and directly supported by government; (iii) paying increased attention to inclusivity and training of teachers who support children with special educational needs and disabilities; (iv) allocating 25% of the national budget towards education.

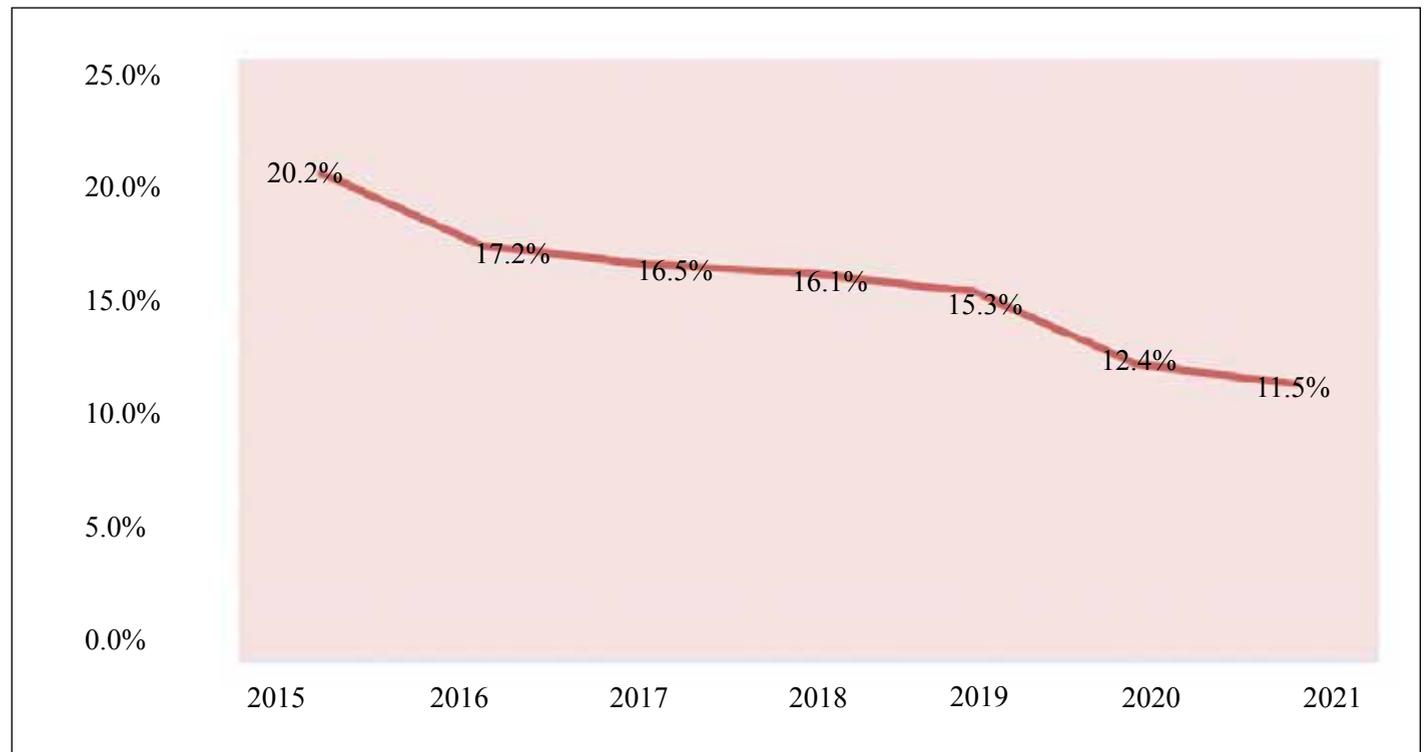
C. Water and sanitation budget

Access to good water, sanitation and hygiene (WASH) is a critical ingredient of the enjoyment of human life, the prevention of diseases, and the achievement of sustainable social development where all citizens live in dignity and equity. The social and economic costs of poor water, sanitation and hygiene are severe:

(a) Lack of clean water, sanitation and hygiene is a major contributor to malnutrition in the developing world. One impact of this is stunting, where severe and prolonged under nutrition makes children shorter than normal for their age, and affects their emotional, social and cognitive development.

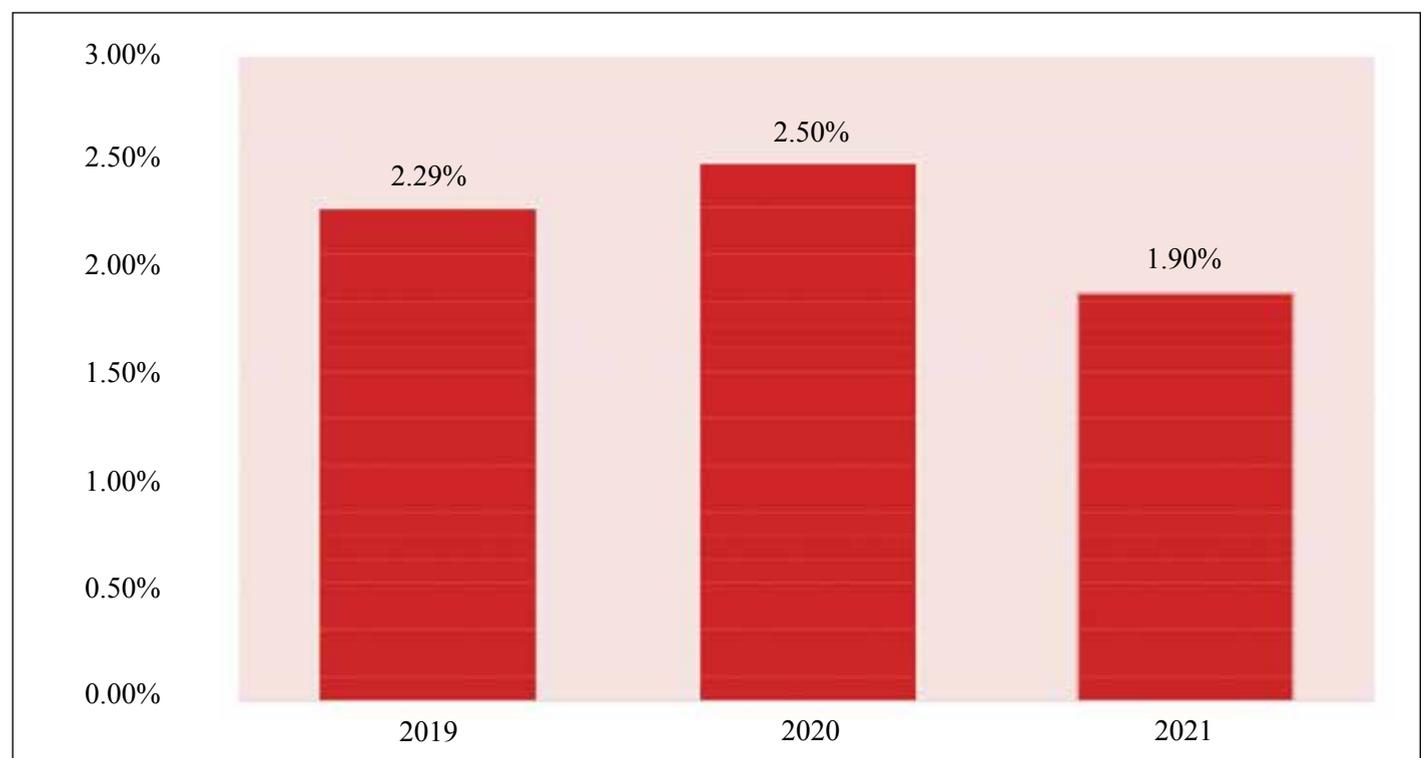
(b) In Zambia, 35% of children are stunted, partly due to poor water and sani-

Figure 3.3: Evolution of education sector spending as a percentage of total budget, 2015-2021



Source: Compiled by the Socialist Party from Ministry of Finance budget speeches

Figure 3.4: Evolution of WASH sector spending as a percentage of total budget, 2019-2021



Source: Compiled by the Socialist Party from Ministry of Finance budget speeches

tation. This puts Zambia among the worst countries globally, with the highest rates of stunting. With an abundance of freshwater bodies throughout the country, this is an unacceptable position.

(c) Based on the 2018 Zambia Demographic and Health Survey, 46% of Zambians do not have access to improved sanitation. This is particularly bad in the rural areas where 63% do not have access, leading to high inequality between the rural and urban areas.

(d) Diseases caused by poor water and sanitation – diarrheal diseases – are some of the leading causes of morbidity and mortality, particularly among children under five. Without increased investment by

the government in WASH, childhood mortality will remain high, with the country being exposed to the continued risk of diseases such as cholera.

It is clear from the above that inadequate provision of resources to this sector doesn't create any saving of resources but rather, results in deteriorating conditions that could call for even more expenditure outlay with devastating social impact. With this knowledge, our expectation would have been that there is consistent increase in expenditure and prioritisation of WASH, particularly in reducing the inequality between the rural and urban areas. Alas, what the 2021 Budget proposes is a reduction in water supply and sanitation from 2.5% in 2020 to a meagre 1.9% in 2021.

It is strange that, despite its extreme importance, the WASH sector is one of the least-funded sectors. It seems the PF government thinks WASH is a residual issue that does not deserve attention. This, in many respects, reflects the government's limited understanding of the key interlinkages in the economy. Even when funded, the larger share of WASH allocation has gone to urban areas, neglecting rural areas and thereby exacerbating the inequality that already exists on the economic front between rural and urban areas.

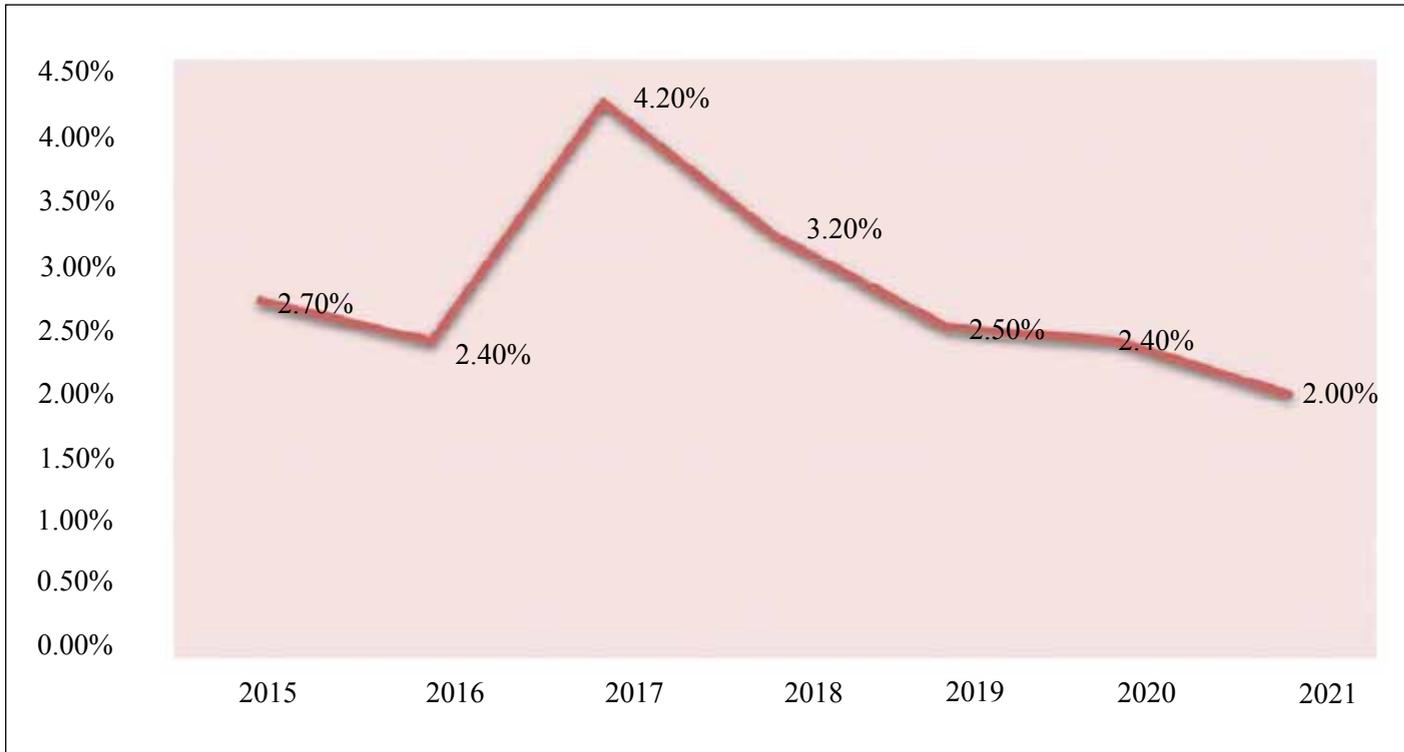
A detailed analysis of the sources of financing for WASH reveals that the heavy burden of about 80% falls on households and donor agencies, which prioritise rural areas. Government's focus remains in

urban areas where, sadly, the urban poor do not even have access to the water and sanitation from pipes that pass through their compounds. What is even more shameful from the budget review is that, even at such low levels of budget allocation to WASH, the actual released funds are further lower than that allocated. For example, it is reported that between 2014 and 2018, on average, only about half of what was allocated was released for the sector. This not only compromises the budget's credibility, but also further inhibits the implementation of WASH programmes that are vital for the wellbeing of Zambians. It is clear that most of our citizens, whether in urban or rural areas, remain unserved by government in the WASH sector, and the reliance on

donor support for WASH by government is not only unsustainable but shameful in that after 55 years of independence, Zambia fails to provide decent toilets and access to water for its citizens.

We in the Socialist Party have a plan for this. In government, the Socialist Party aims to drastically increase the supply of fresh water from the already available resources. This will entail investment in the reuse of water for multiple purposes, efficient methods of harvesting rainwater, better extraction of groundwater, and conservation to avoid wasteful use and water loss from leaks. In doing this, we are guided by our belief that access to good water and sanitation is a right all Zambians must enjoy, and it is the role of government

Figure 3.5: Evolution of social protection spending as a percentage of total budget, 2015-2021



Source: Compiled by the Socialist Party from Ministry of Finance budget speeches

to ensure that this right is enjoyed.

With regards to sanitation, the Socialist Party in government will adopt the following:

(a) Sanitation interventions will ensure entire communities have access to toilets that safely contain excreta.

(b) Each sanitation system will undergo local health risk assessment to protect individuals and communities from exposure to excreta, whether from unsafe toilets, leaking storage or inadequate treatment.

(c) Sanitation will be integrated into regular local government-led planning and service provision to avert the higher costs associated with retrofitting sanitation, and to ensure sustainability.

(d) The health sector will invest more and play a coordinating role in sanitation planning to protect public health.

The challenges Zambia faces in this sector are due to the PF government's recklessness in expenditure and lack of knowledge in what matters as national priorities. The poor continue to suffer and live in conditions not fit for human life. Yet, with all these challenges, the PF government continues to spend billions on automobiles, presidential jets and other luxuries at the expense of the poor. The permanence of conditions forcing millions of women and children to spend a considerable part of their time and energy merely to fetch water many kilometres away while being exposed to

unsanitary household conditions, is shameful, unacceptable, and a violation of human rights.

The Socialist Party in government will commit to increasing the WASH sector budget allocation and releasing such allocations timely. We are confident in our resolve that access to good water and sanitation can be made possible through realignment of priorities and enhancing efficiency in the use of already available resources.

D. Social protection

In every society, it is the role of government to protect and promote people out of poverty, to enable the full enjoyment of life for all, irrespective of who they are. With a poverty headcount of 54.4%, Zambia is one of the poorest countries in the world, with 40.8% living in unacceptable extreme poverty. In addition to being poor, Zambia is also one of the most unequal countries. Poverty in rural areas is astoundingly high at 76.6% compared with 23.4% in urban areas. Direct and properly targeted interventions aimed at the poor, such as social protection programmes, not only help to reduce vulnerabilities but also build resilience and promote people out of poverty. Such interventions are premised on the noble realisation that "no poverty is preferred to any poverty", and that government, through well-designed and implemented policies, can help eliminate poverty.

Allocations and actual disbursements towards social protection do not reflect a serious commitment by the

PF government to the eradication of poverty. While we note some insignificant increases in allocation, particularly towards the Social Cash Transfer programme, the actual disbursements historically show that the PF government has consistently failed to actualise the Social Cash Transfer budget, leaving many poor Zambians in abject poverty and increased vulnerability. Since 2017, the social protection budget as a share of the total budget has been declining, moving from 4.2% of the total budget (2017) to 2.4% in the 2020 budget, and now declining further to 2% in 2021.

It must be noted, from the above, that social protection receives only an average of 2% of the budget, yet, this is the sector that is supposed to address the poverty of 54.4% of the population – to enable a decent life and move them out of poverty. The performance of the Social Cash Transfer programme in Zambia leaves so much to be desired. Firstly, the allocations are below the requirements to meet the needs of the poor. Secondly, the disbursements are erratic, and linked to the political expediency of the PF, ignoring the needs of the poor. Thirdly, the scheme has been politically captured as a tool for electioneering and has been abused through corruption and theft by PF government officials for personal gain.

The persistent failure by the PF government to fully commit to disbursing the social protection budgets is a threat to the achievement of sustainable development, equity and justice.

The failure to protect the poor from poverty, therefore, further reflects the failure of the PF government's approach not only in prioritisation, but in prudential and transparent governance of resources. That Social Cash Transfer funds meant for the poor were stolen by senior PF government officials is shameful. The level of greed, lack of empathy, and care for the poor in our society by the PF is alarming and a danger to the wellbeing of Zambians.

The lack of resolve by the PF government in taking care of our pensioners who dedicated their lives and service to our nation is strange. That pensioners must beg for their pensions when PF officials are driving in luxury cars and flying in luxury is a clear manifestation of the greed that has gripped this country. While pensioners are suffering, their money is being spent on building shopping malls where they cannot afford to shop.

Now, more than ever, faced with a recession since 1998, is the time for the enhancement, not reduction, in social protection spending. We expected the 2021 Budget to rise to the occasion with honesty, humility and empathy for the poor, workers, women and children. Social protection financing ought not only to be increased, but ringfenced, to ensure it is predictable in its disbursements to allow our most vulnerable in society have a decent life.

The Socialist Party believes in a just and decent society taking care of all its people while providing

and protecting the weak and vulnerable. After many years of mass poverty and inequality, the Zambian working class will rebuild and transform its own social security system. It will be a system designed to provide dignity in retirement and support during times of need, illness, disability or other difficulties. To achieve this, in addition to enhancing the direct social cash transfer programme, under the Socialist Party:

(1) Pensions will be indexed to keep pace with inflation and earnings;

(2) Pensioners will have free access to a package of universal services (including public transport, health services and legal representation);

(3) Housewives will be entitled to a pension upon attaining retirement age;

(4) The pension age will be 65, with adjustments based on the levels of contributions made, individual health status and arduousness of some forms of work, and;

(5) We will remove the barriers in society that restrict opportunities and choices for people with disabilities in line with the UN Convention on the Rights of Persons with Disabilities.

4. Conclusion: there is hope for the future – the Socialist Party

IN THE wake of the myriad of challenges facing our economy arising from

the PF's insatiable appetite to borrow, and wasteful expenditure, the Zambian economy is for the first time since 1998 in a recession. Coupled with the advent of the COVID-19, the economy's outlook is bleak, with the poor and workers being the most affected. Poverty and the vulnerable are expected to increase further in such times, and it is the role of government to implement policies aimed at reducing poverty and vulnerability, while building resilience among the poorest households in our society. To this effect, we, as the Socialist Party, expected the 2021 Budget to reflect these realities and prioritise enhanced expenditure in the social sectors. Surprisingly, the poor, the weak, and vulnerable in society, have been abandoned, with allocations that ought to make life decent being reduced. These measures will increase, and not reduce, poverty. They will fuel further inequality and injustice in our society. Through this budget, the PF government has shown its inability to protect the weak, the poor, and vulnerable. There is neither resolve nor commitment to address the challenges our country faces. Rather, this is a merely hollow and shrunken political budget that mirrors the shrunken ambitions of the PF government. We have outlined our vision for the economy and the social sector, and we believe that the Socialist Party is the answer to the challenges we face.

In conclusion, while the PF government inherited a very promising and vibrant economy in 2011, it will be handing over a haemorrhaging economy with unsustainable debt in 2021.

To the Zambian people: we are in this together, and together we can bring forth the change towards a just and equitable society that every Zambian deserves. In 2021, you, the people of Zambia, will have a choice to make. You have an opportunity to correct the mistakes that our country has been exposed to. The choice is all yours. This is your opportunity to choose wisely, and our prayer, as the Socialist Party, is that for the sake of our children, our grandchildren, and our great grandchildren, we will all commit to give the reign of government to the right people in 2021 – the Socialist Party.



No matter how enormous the difficulties, no matter how complex the task, there can be no room for pessimism. The Zambian masses will deliver justice, equity and peace to themselves

JUSTICE EQUITY & PEACE



Manifesto of the Socialist Party
2021-2026

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