



# **THE BUDGET IN THE ELECTION YEAR**

## **“PRIORITIES AND NOT PROMISES”**

**By**  
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## THE BUDGET IN THE ELECTION YEAR “PRIORITIES AND NOT PROMISES”

Our beloved nation is swiftly approaching the third general elections since the adoption of multi- party democracy in 1991. It is the hope of the Economic Justice Programme (EJP) of the Catholic Centre for Development, Justice and Peace (CCJDP) that Zambia’s development priorities will not fall off the table as the country burns its energy towards a peaceful election year in spite of the current volatile political situation in the nation.

It is a matter of fact, that since independence, Zambians have enjoyed the right and power to elect representatives to Parliamentary and Presidential positions. However, the ordinary Zambians have had little or no say in national economic and political decisions that affect their lives. They have not fully participated in issues around priority setting of the National Budget. Democracy loses its essence, when citizens do not fully participate in economic governance.

As Zambia prepares for the 2006 National budget, in line with the Medium Term Expenditure Framework (MTEF), and for the formulation of the 5<sup>th</sup> National Development Plan, we should recognize the fact that the nation’s economic and social problems require strong political commitment, bold decisions and pragmatic actions. Zambians, more especially the 67 percent, whose income is below the poverty line and life expectancy below 40 years, demand more than just political rhetoric.

The economy will continue to face high poverty levels unless there is greater economic growth; a pro- poor growth, in which poor people can participate and none should be excluded. This is a challenge to policy makers to formulate and implement policies which will both enhance pro-poor economic growth and strengthen the capacity of the nation to attain the Millennium Development Goals (MDGs). This growth should also be equitably distributed in various sectors of the economy in order to have lasting impacts.

For Economic Justice Programme (EJP), our agenda and top priority for the nation is poverty eradication. We have for a decade now, mentioned that the priority for the nation should be that which will enhance growth that promotes integral human development and uplift the human dignity of the majority of Zambians. The recent developments in the global and domestic economy, the Group of the Eight richest countries (G8) resolutions, the Fifth National Development Plan and the Constitution making processes renews our impetus to eradicate poverty.

### BASIS FOR EJP ‘S STATEMENT

As previous EJP publications have highlighted, the National Budget is an important tool for achieving national developmental objectives- accelerating broad – based growth, eradicating poverty and inequality. It is for the above mentioned reason that EJP guided by the Social Teachings of the Church, speaks out on behalf of the voiceless through advocating for effective and pro-poor implementation of government policies and programmes. The desire to transform difficult socio-economic conditions into better ones motivates our involvement in Budget work.

Over the years, we have been encouraged to make contributions towards the democratic decision-making process through statements about the preparation and content of the national budgets. As always and in the years to come, our contributions and reflections are made in the context of the Social Teachings of the church- which emphasize on a special concern for the excluded, marginalized and the poor.

## MAJOR AREAS OF CONCERN

### A. SOCIO- ECONOMIC ISSUES

*“There is no substitute for the large increase in resources that are required to reverse years of chronic under-investment in education, health and social protection”<sup>1</sup>*

1. **Education** – EJP commends government for recognizing that education is human rights issue and hence the introduction of Free Basic Education (FBE) policy. However, it is sad to mention that since the introduction of the policy many children are out of school. Generally, the education sector has shown signs of improvement in terms of enrolment at all the levels of education. However, the sector is facing challenges in terms of classroom space, especially in urban areas due to high population concentration. In the rural areas, the challenges include long distances due to scarcity of schools, and also poor infrastructure. The national pupil teacher ratio at basic education levels has deteriorated significantly to 60.7 from 52.2 percent in 2003 as a result of the large increase in pupil enrolments without corresponding increase in teacher recruitment. To this end ;

As a priority the National Budget should provide for the following

- i. The government must aim at expanding the free education policy from Grade 7 to 9, and further focus on extending it to grade 12. This will place the government on the right path to achieving education for all.

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<sup>1</sup> Our Common interest (2005) - Commission for Africa Report  
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- ii. Curriculum development changes to equip school leavers with survival skills through the introduction of skills development subjects at all levels of education.
- iii. High quality education delivery. This entails that government must address the brain drain in the sector by investing in teacher training, retention of staff and professional development.
- iv. Teacher/child ratios should be brought to under 1:40 in basic education through teacher recruitment and expansion of classroom space.
- v. Improving and the expanding existing infrastructures to meet enrolment levels, as well as increasing the staff housing to cater for the current shortage of teacher accommodation.
- vi. Address problems facing tertiary education such as staff retention and development, equipment provision and poor infrastructure.
- vii. Strengthen the link between tertiary education and workplace requirements. This means upgrading tertiary education institution through curricula revision to make it relevant to current needs in the industry.

**2. Health Sector-**The health sector has been performing badly, largely due to low budgetary allocations which over the last decade have contributed to poor health service delivery, deteriorating health equipment and infrastructure, insufficient human resource and the acute shortages of essential drugs. Our medical staff is the lowest paid in the region hence the high intensity of brain drain in the sector. Most health centers in Zambia are urban based. Rural areas are faced with a shortage of health facilities. The inadequacy of health facilities is not only prevalent in the rural areas but in urban areas as well. ; The scarcity of health facilities is manifested through the long distances to the health centers faced by many citizens. Malaria and HIV/AIDS still rank among the most urgent issues in Zambia. It is sad to mention that most clinics in Zambia, especially in rural areas, do not have adequate supply of ARVs.

The prevailing situation in the health sector has cast a dark cloud on Zambia's focus on attaining the MDGs of reducing child mortality, Improvement of maternal health, Combating HIV/AIDS, malaria and other diseases by 2015. The National Budget, therefore, should show that it shares the general aspirations of the Zambian people to have a health sector which is accessible and provides high quality services. The government should consider the following.

- i. Urgently investing in training and retention of Medical staff.
- ii. Providing for free mass distribution of malaria bed-nets and effective malaria medicines for all children in the rural areas.

- iii. Aim at successfully completing the 3 by 5 campaign to bring close to 200,000 HIV patients onto antiretroviral treatment and care.
- iv. Increasing resources for drug and medical equipment procurement and maintenance in real terms to improve health provision.
- v. Scaling up interventions to halt the leading causes of mortality among pregnant women and under five children.
- vi. Timely and full disbursement of the total health budget allocation in line with the Abuja commitment which states that 15 percent of the total annual budget should be allocated to the health sector.
- vii. Increasing resource allocation for health infrastructural and staff housing development should be considered as priority
- viii. The remuneration package should be increased to reduce staff turn over and brain drain.

**3. Agriculture** – Most Zambians depend on agriculture as a source of livelihood. All people have the right to food security, and they have the right to access the resources needed to acquire food security on a fulltime basis – including, land, market, income and farm inputs.

As a priority, there is need for a clear strategy of transforming the sector to promote a pro-poor economic growth and reduce income inequality. To this effect Government should consider;

- i. Investing in infrastructure which has a direct support to agriculture development such as feeder roads, electricity provision, satellite depots and irrigational facilities.
- ii. Developing and enhancing the already existing agro-support such as fertilizer support programme.
- iii. Timely disbursement of farm input.
- iv. Support the agriculture training institutions and promote research in modern agro-practices.
- v. Enhancing agriculture financing, extension services, and markets provisions
- vi. Accompanying this investment should be the promotion of poor people's participation through Out-grower Schemes.

The new budget will be expected to facilitate the transformation of peasant – based farming, livestock-keeping and fish farming in an organic way. The Zambian small scale producers have the skills, knowledge and potential to produce more. They have the capacity to feed the entire nation and to export to other countries, with appropriate support and investment,.

**4. Tourism:** Zambia is blessed with natural resources which if properly managed could be a source of poverty reduction. In the last three years, the sector has registered growth, mainly due to special attention it has received from

government and other stakeholders. However this success is being threatened by poor infrastructure and inadequate maintenance of tourism sites. The road network leading to the tourism sites is very poor. Tourism has further been hampered by poor marketing, poor corporate social responsibility and failure by the state to protect indigenous people who depend on tourism as a source of livelihood.

The other problem is the self tendency by some foreign who tend to import raw materials and food items for their lodges and hotels, along with semi-skilled employees. This reduces both marketing and employment opportunities of the locals.

Therefore, Government should consider;

- i. Increasing the allocation for tourism investment specifically aimed at empowering the local people.
  - ii. Allocating funds for infrastructural development and maintenance of tourism sites.
  - iii. Increasing allocation for tourism marketing ventures both local and international.
  - iv. Increasing the allocation targeting programmes which promote community participation in tourism management.
- 5. Good Governance-** This must be priority as it is the single most important factor which will determine the rate at which the country will eradicate poverty.
- i. There is need to identify and remove institutional and regulatory obstacles that hamper the participation of citizens in the process of formulation and implementation of economic policies.
  - ii. There is need to formalize government consultation processes through institutionalized formulation, implementation and monitoring of policy strategies (Macro and sectoral).
  - iii. Government should uphold public transparency and accountability.

## **B. MACRO- ECONOMIC ISSUES**

Over the last six years, the economy has grown by an average of 4 percent. The growth rate has not been significant to poverty reduction and the attainment of MDGs. Our main challenge is to formulate a National Budget that can contribute to enhancing economic growth and the creation of a stable macro-economic environment. Such an environment is essential and conducive for poverty eradication and sustainable development. Government macro-economic policy should principally focus at restoring fiscal discipline, containing government internal

and external borrowing, at the same time addressing growth in real output, inflation, exchange rate and balance of payment. EJP draws policy -makers to these issues:

- i. **Gross Domestic Product (GDP):** A sustainable high real Gross Domestic Product is key to sustainable poverty eradication. There is need to focus on a higher GDP of about 8 percent, if the country has to make a sustained impact on poverty eradication. Economic Growth will continue to have little meaning to the ordinary Zambians as long as the commanding heights of the economy remain in foreign hands. The government should urgently devise ways of empowering its citizens to be able to participate meaningfully in all economic activities.
- ii. **Monetary Policy**
  - **Interests Rate:** The challenge is to have an interest rate policy, which will encourage savings as well as keep interest payments on domestic debt sustainable for both government and the private sector. This cannot be achieved without addressing government borrowing and fiscal deficit which fuel inflation.
  - **Inflation;** Inflation is the biggest challenge in the search for macro-economic stability. The National Budget should help put in place measures that address the fundamental sources of inflation, such as the cost of food items and fuel. **Government should enhance strategic reserves on food items and fuel products to reduce economic shocks that trigger inflation.** High inflation deepens poverty as it increases the costs of production and discourages savings. Government through the central bank should work towards attaining an optimal level of inflation that will sustain economic activities.
  - **Exchange Rate:** The National Budget should provide for a policy provision which will aim at addressing the supply constraints in the economy to encourage optimal production and exports of goods and services.
  - **Investment and Employment Creation:** The next budget should adopt policies and concrete strategies which will ensure that citizens have access to employment. Government should reduce the cost of borrowing capital to enable small scale entrepreneurs access micro finance for local investment. Issues of collateral security and cumbersome bureaucratic procedures in accessing micro finance need to be streamlined to promote efficiency.
- iii. **Structural Policy**
  - **Debt Management;** There is need to regulate loan contractual processes by empowering parliament to have a stronger position and influence on debt management. (Refer to part XVII the Draft

Constitution paragraph 331 and 332). The usage of debt relief and future loans acquired should be for productive purposes only. By the same token, debt relief should be channeled to a special fund devoted to poverty eradication programmes. Government should aim for Grants and not loans to avoid debt trap and conditionalities which have a negative impact on the economy.

It is worth noting that though the G8 proposal of 100 percent multilateral debt cancellation is welcome; there are technicalities in form of conditionalities that may hinder its realization. As a country, we have to strategically position ourselves to solve this debt problem.

- **Privatization:** Time and again we have pointed that government has to be cautious with privatizations because it does not guarantee economic success. Government should consider the option of commercialization of the remaining enterprises, because it encourages efficiency and competitiveness just like privatization. But the added advantage in commercialization is that Zambians will still own the entity.
- **Environment Policy:** The budget should provide adequate safeguards to protect the environment and specifically community rights to land, wildlife, water and other natural resources.

#### iv. **Fiscal Policy**

- **Taxation:** The 2006 budget should be oriented in the context of raising domestic resources and hence assuring equitable tax burden among present and potential tax payers. Probably presumptive taxes on taxis, minibuses and license fees or the informal buses to widen the tax bases, thus reducing the tax burden on the formal sector.

Government should consider increasing the tax exemption threshold to K600, 000, to enable more households access basic needs, considering the rocketing prices of fuel, electricity, water, shelter and food items

- **Government Spending;** Election years by their very nature tend to experience large government spending as politicians would want to secure their hold on power and hence are tempted to divert government resources for political gain. In so doing some developmental programmes tend to suffer from under funding as resources are diverted elsewhere. Government should uphold tight and prudent fiscal discipline.



## CONCLUSION

It is indeed with great pride that yet again the nation is headed for another election year, a hallmark of democracy in Zambia. This is amidst pressing demands by the economy to be redeemed. EJP hopes that the Government will not systematically use the 2006 National Budget as an election sweetener through political rhetoric (promises) and we also hope that it will not forget its responsibility towards the people.

The priorities in the budget should aim at eradicating poverty and enhancing pro-poor growth. The next budget should pay extra attention to health and education issues by allocating more resources to staff training, retention and professional development and at the same time ensuring that these sectors have adequate supplies and equipment for quality delivery of services.

As a priority the government should create an enabling environment for the economic sector to grow and at the same time contribute to poverty eradication. The government should enhance the provision of resources which target infrastructural development and local empowerment. It should also set measures aimed at tapping national revenue through broadening the tax base and reducing the tax burden of the poor civil servants and the entire formal sector.

Generally, the government should aim at attaining higher real sustainable GDP that creates employment and increases the incomes of the citizens. This growth should be based on prudent fiscal and monetary policies which have the interest of the poor and the marginalized.

EJP calls on the Government to open up the National Budgetary process so as to broaden stakeholder participation. Members of Parliament should have more influence on public resources management and the utilization and disposal of such utilities. Given the limited resources, it is imperative to strengthen the existing budget monitoring mechanisms to ensure effectiveness and efficiency delivery of public services.

Finally, EJP calls upon all stakeholders to get involved in the formulation, implementation and monitoring of the budget process. When everything else has been said and done, the national budget will be judged on its ability to meet people's aspiration.