Caritas Zambia
Civil Society for Poverty Reduction
Jesuit Centre for Theological Reflection

Submission

to the

EXPANDED COMMITTEE ON ESTIMATES
On the 2016 National Budget

Introduction

Zambia has faced significant macro-economic challenges in 2015, as the global slowdown has led to a reduction in the demand for copper and a weaker copper price. This coupled with domestic challenges, including the depreciation of the kwacha, constrained electricity supplies and poor rainfall patterns have created challenges for budget formulators. This has led to reduced GDP growth, challenges for domestic revenue collection, rising debt levels and a higher fiscal deficit.

This budget analysis is a joint submission of CARITAS Zambia, CSPR and JCTR to the expanded committee on estimates.

1. As Civil Society we want a budget that will lead the economy back to the high GDP growth rate of about 7 to 8 percent per annum at the earliest possible time. Growth of income is important in itself, but it is as important for the resources that it brings in. These resources provide us with the means to bridge the critical gaps that remain in our development efforts, particularly with regard to the welfare of the vulnerable segments of our population.

2. We are looking for a budget that deepens and broadens the agenda for inclusive development; and to ensure that no individual, community or region is denied the opportunity to participate in and benefit from the development process.

3. The third aspect is that we want a budget that re-energizes government and improves delivery mechanisms. Our public institutions must provide high quality public services, security and the rule of law to all citizens with transparency and accountability.

Macroeconomic Policies for 2016 National Budget

The government intends to safeguard the national economy by pursuing the following macroeconomic policies:

a) Achieve an annual real GDP growth rate of 5.0 percent;

b) Increase domestic revenue mobilisation to at least 20.4 percent of GDP from 18.1 percent of GDP projected in 2015;

c) Reduce the budget deficit to 3.8 percent of GDP from 6.9 percent of GDP projected in 2015 and limit domestic borrowing to 1.2 percent of GDP;

d) Maintain single digit inflation with an end-year target rate of no more than 7.7 percent;

e) Accelerate the diversification of the economy, particularly towards tourism, energy, agriculture and agro processing;

f) Maintain international reserves at no less than 4 months of import cover; and

g) Create employment opportunities through accelerated implementation of programmes such as the Industrialisation and Job Creation Strategy and the Youth Empowerment Action Plan

General comment on the macroeconomics

Governments' primary objective should be to maintain stable prices of consumer goods and services in order to keep the value of savings and maintain the economic welfare of the people they serve. When prices are increasing all the time, the standards of living decline and the value of savings is eroded. Commodities have increased and government should come up with measures that mitigate this challenge.

a) **Achieve an annual real GDP growth rate of 5.0 percent**

The most effective and sustainable key to reducing poverty is by maintaining consistently high rates of growth of 7 to 10 per cent each year. It requires rapid and fundamental changes. But high growth rates are not the sole requirement; such growth must occur in such a way as to create the jobs that will lift people out of poverty and reduce inequality. This will even draw us closer not only to achieving the SDGs but also to socio-economic development, which at the moment cannot be achieved by urgently adopting a radical approach and through bold and decisive action.

- We believe the government needs to do more to ensure that economic expansion can be sustained and participation should be broadened. Part of the answer lies in our fiscal and investment decisions and partly in ensuring that our economy is able to adjust to global risks and opportunities.

- Despite positive economic growth in Zambia, poverty and unemployment still remain a huge challenge. We need to broaden the participation of people in economic activities, thus stimulating growth through job creation unlike concentrating growth in urban areas.

- We recommend that growth should be redistributed among sectors and region's as this is critical in determining which groups benefit from expanded employment and income-earning opportunities.

- Also the government should reform the informal sector and emphasize growth in agriculture. Remote poor regions and urban slums should be improved upon to the extent that the poor benefit from the much talked about growth targets.
- Rural areas are not productive due to infrastructure underdevelopment. We recommend that the government should focus on rural infrastructure development so that we could tap into the potential growth distribution of our rural areas.

c) Reduce the budget deficit to 3.8 percent of GDP from 6.9 percent of GDP projected in 2015 and limit domestic borrowing to 1.2 percent of GDP;

We still believe and maintain our stance that the government must decrease its domestic borrowing as borrowing causes interest rates to rise, thereby crowding out private sector organizations and ordinary citizens from borrowing from commercial banks.

- It is recognized that the government is under pressure to borrow for capital projects and infrastructure development; however, continued borrowing by the government from the country's limited savings has an adverse impact on interest rates. The government is competing with the private sector in getting funds from banks, and as such is crowding out private sector investment while pulling interest rates upwards. This policy limits private sector employment creation, as such small business owners and citizen-entrepreneurs are denied access to local funds, as the interest rate is too high for them.
- We recommend that the government should reduce the domestic borrowing through building a trust based, simple, neutral, tax system with almost no exemptions and low rates designed to promote voluntary compliance. Today we are losing millions of Kwacha through tax avoidance and tax evasions that are amplified by tax holidays, tax incentives and corruption.
- We recommend that the government introduce a tax system that generates revenues on a sustained basis without use of coercive tax collection methods so that we could raise the needed revenues to meet the gaps in our financing.

d) **Maintain single digit inflation with an end-year target rate of no more than 7.7 percent**

- We recognizes that maintaining inflation rate at 7 percent, or to the lowest possible level, is obviously desirable as far as macroeconomic stabilization is concerned. It is expected that lower inflation will help reduce interest rates, will encourage long terms investment borrowing, and will help decrease the government's debt service burden.

- The government is aiming to achieve an inflation rate target of 7.7 percent by close of 2016. This is realistic. However, looking at the increase of commodities and possible increase in fuel prices (because of the exchange rate - we import our fuel) that will work against this objective recognizing that inflation in Zambia is hugely influenced by food, fuel (transport cost) and electricity. So any adjustment to the affects inflation targets.

e) **Accelerate the diversification of the economy, particularly towards tourism, energy, agriculture and agro processing**

It's not only the mines that have been affected by the economic stagnation melt down and exchange rates. Our exporters by virtue of their close links to the external sector have borne the brunt of the economic crisis (those the government maintains its not a crisis). It is, therefore, appropriate that we continue to provide all possible assistance to our exporters to help them overcome the short-term disadvantages. More specifically:

- To enhance growth and competitiveness, the government needs to address regulatory and microeconomic barriers to our competitiveness. This involves detailed sectoral analysis and consultation with affected industries and interest groups. This will guarantee sustained, faster and broad based growth- inclusive growth

- A Market Development Assistance Scheme that would provide support to exporters in developing new markets. With many traditional markets still under financial stress, greater effort is required to identify and develop new markets

- Micro, Small and Medium Enterprises (MSMEs) have been affected by the slowdown in exports and the indirect effect of the global crisis on domestic demand. To support this sector, the government should have provided a credit facility at reasonable rates, by providing a special fund out of the Citizens Economic Empowerment scheme or the introduced Tourism Development Fund.

Social Target

We need to move from the traditional mode of only limiting ourselves to macroeconomic targets but now the government needs to start including social targets indicators in the budget. At the moment the government makes no mention of what has been made in the last financial year with regards to social sector; however we are meant to believe that the indicators are met by accident, as there is no projection of targets.

Employment

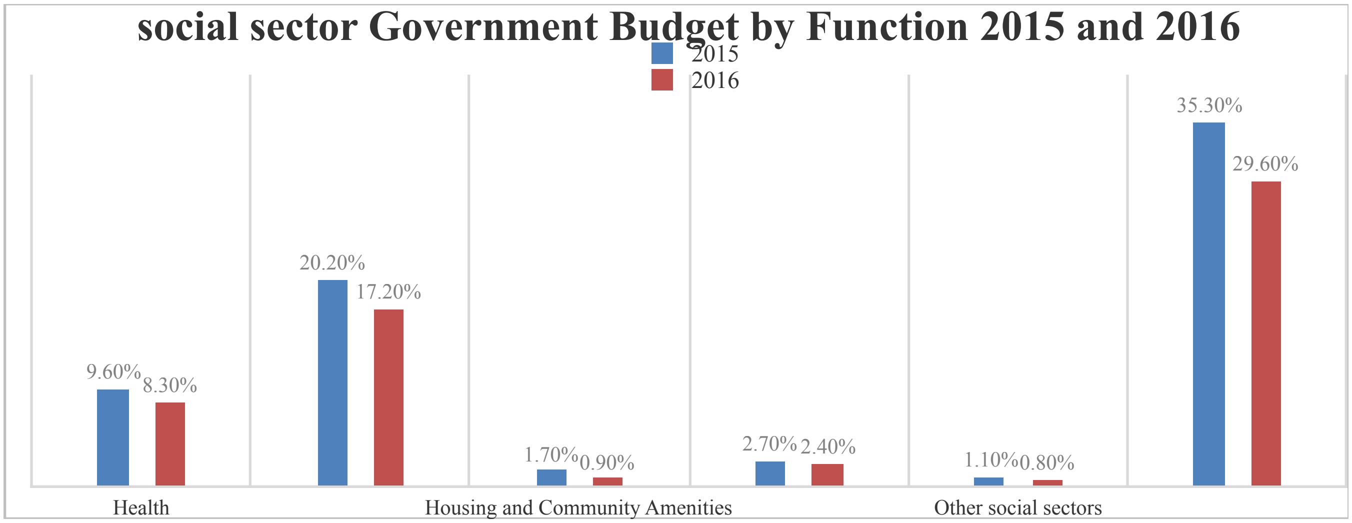
The governments should estimate the employment opportunity that they will create and also by what percentage they are going to reduce the unemployment rates. Empowering people with respectable jobs that ensure sustainable livelihood to individuals and their families is one of the best and effective ways of unblocking the resources and empowering the local people, otherwise the other macroeconomics targets become meaningless if they do not translate to anything in people's lives.

We don't need to remind the government that unemployment, especially of the youth graduating from educational institutions, is an increasing challenge that must be tackled urgently. The fall in mineral export prices has not made it easier. The 2016 National Budget falls short of skills building which is one way to make the youth suitable for the labour market, and also enable them establish Small and Medium Enterprises.

We also need to build an industrial sector base that adds value to newly discovered greatest potential, namely minerals. It is also of urgency that we build a solid industrial sector based principally on adding value where Zambians enjoys a strong comparative advantage, namely agricultural products. In this regard, the provision of affordable and reliable electricity is critical, in addition to dealing with other constraints to doing business.

2.0 Social Sector

2015 ZAMBIA SOCIAL SECTOR BUDGET BRIEF



KEY MESSAGES

Social sector spending declines to 29.6% of the national budget, down from 35.3% in 2015;

The health expenditure budget reduces from 9.6% in 2015 to 8.3% in 2016;

The 2016 education budget expenditure accounts for 17.2% (2015: 20.2%);

The budget for Housing and Community amenities amounts to 0.9% of the total budget. About 60% (2015: 36%) of this sector budget is allocated to water and sanitation;

Social Protection budgeted expenditure accounts for 2.4% (2015: 2.7%) of the national budget. About 60% of the social protection budget will go to the Public Service Pensions Fund (PSPF) and 24 % to the Social Cash Transfer Scheme (SCT);

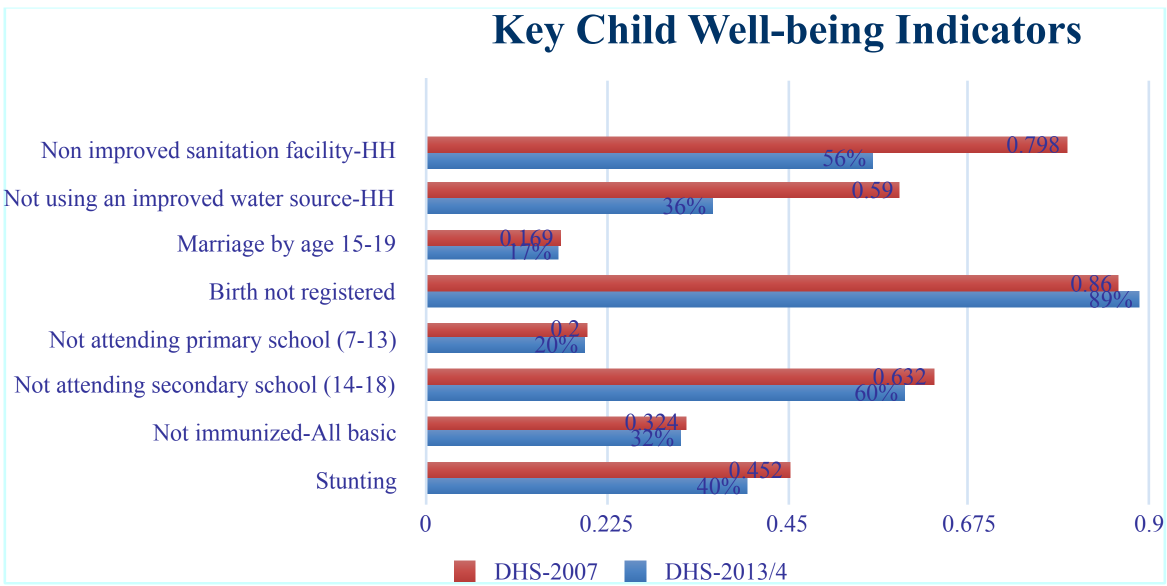
Analysis of actual expenditure in previous fiscal years reveals bottlenecks for social sector budgets, with actual expenditure significantly below the allocated budget.

SOCIAL SECTOR OVERVIEW

This *Zambia 2016 Social Sector budget brief* analyses social sector budgets and spending over the past four years. The analysis focuses on 2016 planned spending in four thematic areas that are critical for child survival, development and protection, namely Health, Water and Sanitation, Education and Social Protection.

The analysis reviews how Government intends to spend in the fiscal year, how past expenditure compares to its original plans. It also highlights the main areas with information gaps where there is a need for the Government to strengthen the availability of budget data.

Zambia has strong growth potential, but lingering vulnerabilities pose risks to the outlook[1]. Since 1999 the country has recorded positive GDP growth. The country is classified as a lower middle income country, with a Gross National Income (GNI) per capita in 2014 estimated at US$1,760. Growth reached its peak in 2010 at 10.3%. This high growth was partly the result of the rebasing of the economy, which added new economic activities that were not present in 1994. Following the rebasing in 2010, growth slowed down. It however remains stronger than most countries in the region, with 5.6% growth recorded in 2014. Projections for 2015 estimate that growth will be 4.6% but the GDP growth target has been set at 5% for 2016. However, this growth has not been sufficiently inclusive as only two of the ten provinces, Lusaka and Copperbelt, have poverty rates below the national average. For each percentage point increase of growth in 1998-2010, Zambia's extreme poverty rate declined by about 1.1 percentage points, and the overall poverty rate declined by about 0.7 percentage points, in line with Sub Saharan Africa averages[2].



Expenditure Analysis

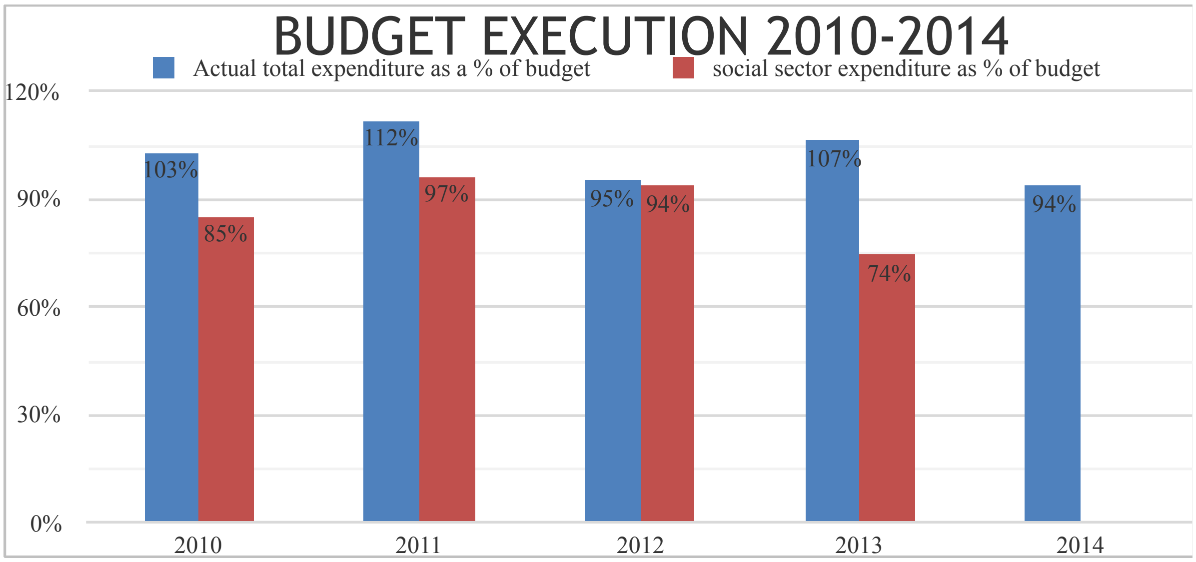
The overall budget has more than doubled (increased by 102%) between 2012 and 2016, from ZMW 27.7 billion to ZMW 53.1 billion. As seen in table 1 below, domestic revenues are projected to increase to 79% of GDP, up from 69% in 2015. Grants on the other hand have significantly reduced in the 2016 budget from a 3.5% of total receipts in 2015 to only 1% in 2016, a reduction of 55% in the nominal amount.

[1] IMF Country report No 15/152, June,2015

[2] IMF Country report No 15/153, June, 2015

Social budget allocations have remained fairly constant over the years. Actual total government expenditure has been in line with the budget, with the exception for 2015 where expenditure is expected to be significantly higher than the budget because of reduced income emanating from low copper exports.

However, fund utilisation[3] has not been even across sectors. For instance, the 2013 general public services budget line had a utilisation rate of 152% while fund utilisation was 64% for the education sector and 52% in the health sector.



It is worth noting that social sector spending has been below 100 percent despite actual expenditure being above the budget in most of the years since 2010.

Table 1: Government Expenditure Financing

	2010	2011	2012	2013	2014	2015	2016
Domestic revenue as a % of total expenditure	80%	86%	78%	77%	69.2%	71%	79%
Tax revenue as a % of GDP	13%	16%	16.2	15.5%	19.2%	13.5%	14.7%
External Assistance as % of total receipts	7.1%	14.7%	9.8%	6.6%	6.2%	3.5%	1%

[3] Proportion of disbursements actually spent.

External Borrowing as % of total expenditure	5.7%	5%	2.9%	3%	16.4%	14%	15%
Domestic net Borrowing as % of total expenditure	11.3%	12%	5.5%	16.8%	8.2%	7.7%	4.7%

Sources: 2010 to 2013 calculations based on figures from National Financial reports (http://www.mofnp.gov.zm/index.php/downloads/viewcategory/6-financial-reports), 2014 and 2015 calculations based on figures are from Medium Term Expenditure Framework 2016-2018 and 2016 figures based on 2016 Budget address

Social Sector Budget Analysis

Overall social sector[4] budgeted expenditure is projected at 29.6% in 2016, down from 35.3% in 2015. Education represents the largest share of the social sector budget at 58% (2015: 59%), health care expenditure follows at 28% (2015: 28%), social protection expenditure is third at 8.1% (2015: 8%), housing and community amenities represents 5 % (2015:5%), environmental protection 1% (2015: 1%) and recreation, culture and religion is least at 0.5% (2015: 0.7%).

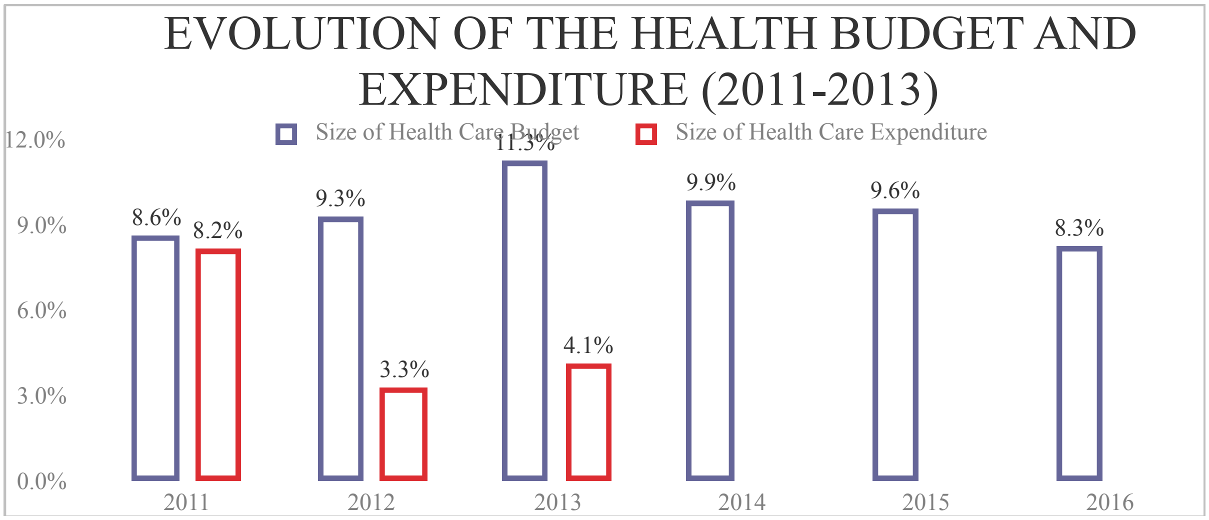
However in this part we analyse expenditure and budgets for the health care, water and sanitation (part of housing and community amenities), education, and social protection sectors. Thus we have excluded two subsectors of environmental protection and recreation, culture and religion.

Headline messages:

- Zambia's Health Budget in 2016 receives 8.3% of the total budget;
- This health budget allocation is 6.7 percentage points below the Abuja Declaration target of 15%, which was agreed upon in 2001 by the Heads of State of the Organisation of African Unity;
- Recent financial reports indicate that the national health budget received its biggest share of the overall allocation in 2013 at 11.3%. Yet, actual reported expenditure was only 4.1% of total reported Government expenditure in the same year.

[4] Social sector expenditure includes six sub sectors namely education, health, social protection, housing and community amenities, environmental protection and recreation, culture and religion. Due to data classification issues, singling out budgets and expenditure for child protection and child nutrition was not feasible in the current analysis.

Health Budget



The share of the health budget in the 2016 national budget has declined from 9.6% to 8.3% and the budgeted amount has declined by 0.7% from 4.464 billion in 2015 to ZMW 4.431 billion in 2016. With the recent strong depreciation of the Kwacha, this means the quantity of medicines which are mostly imported will likely decline in 2016. At this rate, Zambia is 6.7 percentage points below the Abuja health budget target of 15%. WHO found Zambia to be among the 15 countries that have made insufficient progress to achieve the Abuja target.[5]

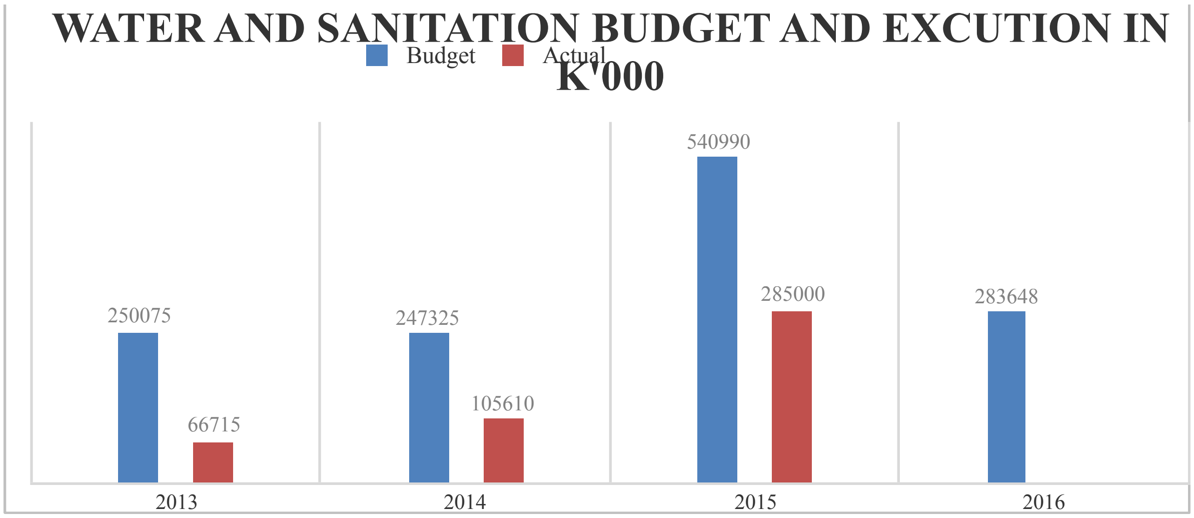
From the chart above we see that relative to the national budget, the health sector received its biggest share of the national budget in 2013 at 11.3%.

In 2016, 1.7% (2015: 1%) of the health budget is planned to go towards recruitment of frontline health personnel, 17% to essential medicines, 8.7% to construction/ improvement of health facilities and the balance of 72.6 % will go towards payment of salaries and other costs incidental to running the sector

Water and Sanitation Budget

Headline messages: ■ The 2016 budget for Water and Sanitation has declined by 48% from what was budgeted for in 2015; ■ The Water and Sanitation sector has a low performance when it comes to actual expenditure. The 2016 budget was set at the level of 2015 actual projected expenditure. The highest level of actual expenditure for the sector in the last 3 years was 53%.

[5] http://www.who.int/healthsystems/publications/abuja_report_aug_2011.pdf?ua=1

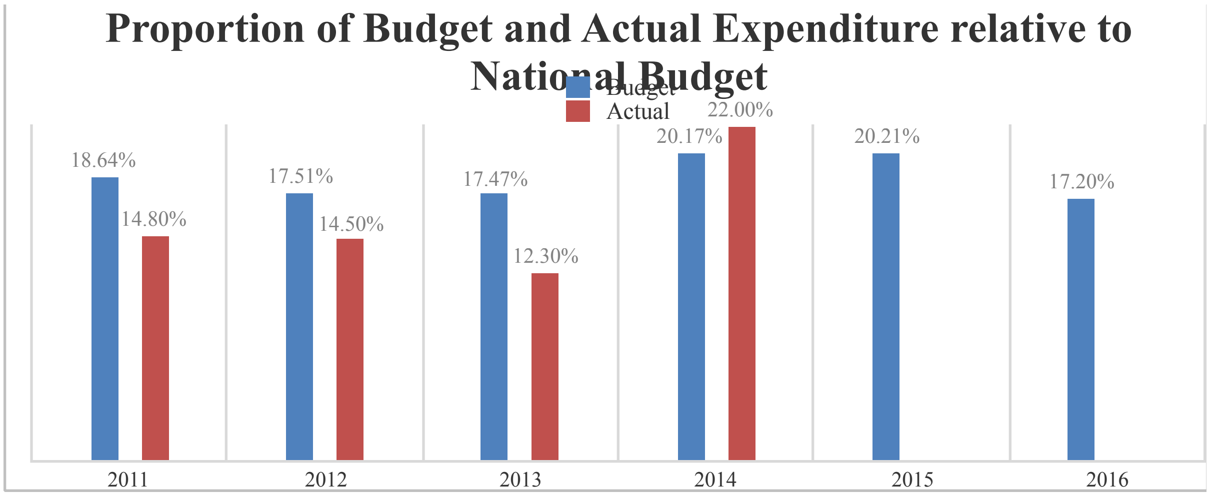


The sector budget has declined by 48% from 540 million in 2015 to 284 million in 2016. Disbursements have been very low to the sector at only 27% in 2013, 43% in 2014 and 53% in 2015. This budget represents only the allocation for the Ministry of Local Government, which is responsible for proving water in the various districts. However, the Vice President's Office and the Ministry of Chiefs and Traditional Affairs also run specific water and sanitation projects. Although the budget for 2016 has significantly declined it still represents and amount equivalent to the entire projected actual expenditure for 2015.

Education Budget

Headline messages:

- In 2016, the education budget represents 17.2% of the overall budget;
- The 2016 education budget share is about 3 percentage points below the budget target set by the Dakar framework for Education for All, agreed by the Conference of Ministers of Education of the African Union in 2000;
- Recent expenditure reports show that the Ministry of Education in 2014 spent 99.5% of its



Source: 2011-2013 figures based on GRZ Financial reports, 2015 to 2016 Annual National Budget speech

The share of educational budget has declined by 3 percentage points from 20.2% of the national budget in 2015 to 17.2% in 2016 (from ZMW 9.4 billion in 2015 to ZMW 9.1 billion). 11% of this budget (1 billion) will be spent on infrastructure projects in the sector and ZMW 217.8 million will be used to recruit additional 5,000 teachers. To enhance the cognitive ability of vulnerable children and encourage school attendance Government proposes to spend ZMW 35.6 million on rolling out the School Feeding Program

Social Protection Budget

Headline messages:

- Using the official classification, social protection expenditure accounts for 2.4% of overall proposed expenditure for 2016. About 60% of this is allocated to the Public Service Pension Fund;
- The Social Cash Transfer scheme budget has increased by 67% from 2015 and will cover 250,000 households, up from 143,000 in 2015;
- A broader analysis of transfers and subsidies reveals that in 2016 the fertilizer subsidy under

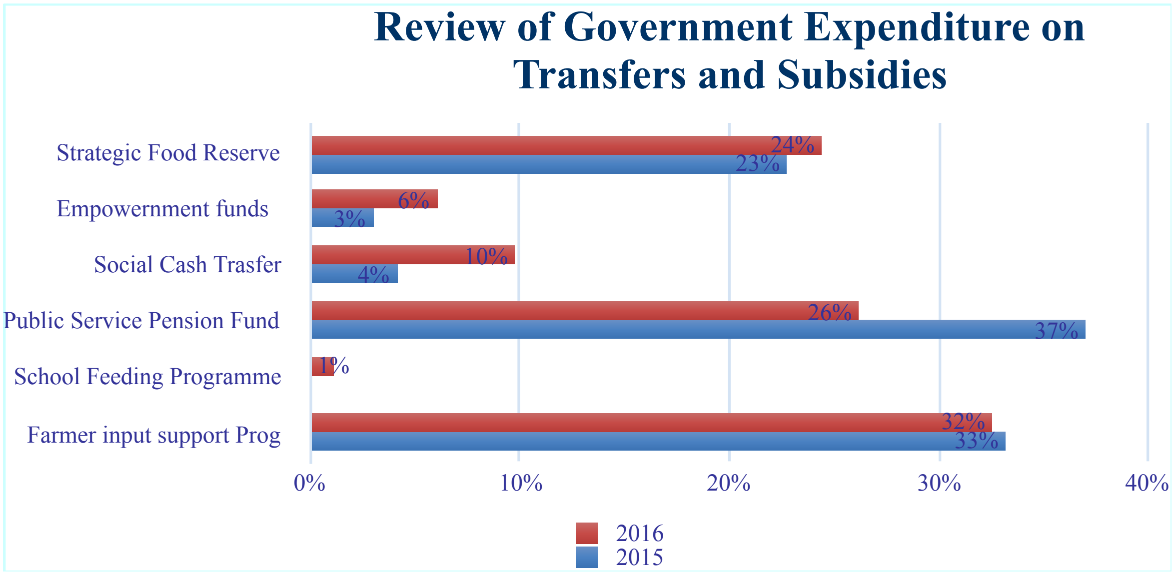
Expenditure	**as per Budget Classification**	**as per NSPP**
	K'000	**K' 000**
Public Service pension Fund	805,000	805,000
Social Cash Transfer Scheme	302,000	302,000
Food Security Pack	20,000	20,000
Farmer input Support Programme		1,000,356
Empowerment Funds		185,756[6]
School Feeding Programme		35,600
As a % of National Budget	**2.4%**	**4.4%**

The Ministry of Finance classification for social protection budgeted expenditure only includes budgeted expenditure for the Public Service Pensions Fund[7], the Social Cash Transfer scheme and the Food Security Pack. The National Social Protection Policy (NSPP) on the other hand extends the list to include expenses such as for the Farmer Input Support Programme (FISP) and the Women Empowerment Programme under the

6 Excludes K187.5 million allocated to Citizens Economic Empowerment Fund.

7 Only part of civil service pension expenditure as staff employed after 1st February 2000 are in the National Pension Scheme which also has private sector members. The government expense is included in the salaries and wages

Economic Affairs category in the budget. As a consequence, the table below shows social protection budgeted expenditure as per the national budget classification on the one hand, and per the national social protection policy on the other. As shown in the table above, social protection expenditure as classified according to the policy is significantly higher than when using the official classification. .



The Public Service Pension Fund accounts for 26% of total projected expenditure on transfers and subsides in the 2016 budget, the Farmer Input Support Program reaches 32%, and the Strategic Food Reserve (FRA maize purchase) 24%. This contrasts with a 10% share for the Social Cash Transfers, which remains Governments only explicitly poverty-targeted transfer programme.

2016 REVENUE MEASURES

Description	2016 ZMW Million	2015 ZMW Million	2014 ZMW Million
Total Tax Revenues	31,401.50	31,281.66	26,642.86
Direct Taxes	14,340.30	11,793.25	12,966.40
Company Tax	3,239.10	2,399.44	4,046.96
Other Income Tax	3,166.80	1,926.91	1,601.65
PAYE	7,934.40	7,466.90	5,132.08
Insurance Premium Levy	44.00	-	-
Value Added Tax	9,893.50	6,576.73	8,099.06
Domestic VAT	1,503.40	157.00	81.38
Import VAT	8,390.10	6,419.73	8,017.68
Customs & Excise Duty	7,123.70	6,974.80	8,017.68
Customs Duty	2,488.90	3,341.38	2,330.88
Export Levies	-	-	-
Excise Duty	3,643.60	3,633.42	3,246.52
O/W Fuel Levy	991.20	903.13	861.00
Non Tax Revenues	8,809.70	3,822.68	2,895.70
Mineral Royalty Tax	2,889.10	5,936.88	2,185.71
Domestic Borrowing	2,509.50	3,771.95	3,501.75
Earmarked Bond Proceeds	-	2,417.95	-
Total Domestic Revenues & Financing	45,609.80	41,294.25	33,040.31
Foreign Grants	545.90	1,213.59	1,083.86
Foreign Financing	7,971.30	4,158.72	7,015.12
Project Loans	3,954.30	2,676.13	5,500.00
Programme Loans	4,017.00	1,482.59	1,515.12
Total Foreign Grants and Loans	8,517.20	5,372.31	8,098.98
Total Revenue & Financing	53,135.83	46,666.56	42,681.96

Budget Size

The table shows an increase from 42.6 in 2014, 46.7 in 2015 to 53.1 for 2016

Financing Sources

The 2016 budget will be financed largely by domestic revenue. This calls for relevant policy to ensure compliance to taxes through collection in real time. This will prevent tax avoidance by various institutions and raise adequate revenue for the government budget. However there is a increase from the 2015 budget of 36,104.35 to 42,109.1 for 2016.The increase in foreign financing and grants from 5,372.31 to 8,517.2 does call for a reassessment of policy for in view of the sustainability.

Internal Sources

Non-tax revenues have increased substantially from the 2015 budget K3.8 to K11.6. It is important for a detailed breakdown of the source of this revenue and who will bear the burden. We also propose a careful selection of stakeholders to include the IDC, Ministry of Agriculture and Commerce Trade and Industry in formulating a concerted strategy to increase the annual GDP growth rate. To increase domestic revenue mobilization to the projected 20.4 percent from 18.1 percent of GDP in 2015, government must consider various forms of taxation for the informal sector through reducing the cost of registration for small businesses at PACRA or formulation of special packages for informal traders to formalize businesses. Another option to be considered is collection of taxes through the district councils to add to their existing mandate. We propose a percentage of this revenue goes to the Sinking Fund.

Domestic Financing Sources

The increase in domestic financing from 75.2% to 79.24% needs to be broken down further to show the actual source of revenue as another 4.7% of the budget is from domestic borrowing. This coupled with the increase in non-tax revenue may affect the bank interest rates negatively. The 2016 budget has also not adequately addressed measures to contain a single digit inflation. With an increase in food inflation to 8.1 percent from 7.4 percent government must create a policy environment that protects local food producers from flooding of the market to increase local food production and food security. The cost of living has been increasing in the past year in Zambia, which requires government to re-strategize for 2016 in order to contain costs of basic needs for the average citizen.

External Sources

The 2016 budget contains a higher amount of foreign financing from project and Programme loans at 15% of the budget which is an increase from 8.9% in the previous 2015 budget this means that in addition to long term loans that the country has accrued, total interest repayment on foreign financing will increase the expenditure of the budget.

Foreign Financing

This has increased substantially from 11% to 16% of the budget raises alarm in that the rate of accumulation of debt in too short a time may plunge the country into unsustainable debt servicing. We recognize that many sectors benefited from the Euro bond raised in 2015 including infrastructure development in the transport, health, education and agriculture sectors. However, there is no clear indication of how the Sinking fund will be maintained and where the funds will be derived from with a deficit in the 2016 budget. Government runs the risk of borrowing further to maintain this fund.

Concession Measures

1. **Measures to encourage sustainable supply of energy**
    a. Both measures to increase capital allowances and carry over loses period have a positive impact on energy investment and sustainable supply of electricity. The VAT measure and the removal of customs duty on pitch coke, which is used in generators, also have positive effects. However there are inadequate measures that could have directly benefited individuals. These measures introduced will be exploited by big businesses and the benefits may not be passed on to consumers. Government should have reduced customs duty on Generators, solar panels and all accessories that would enable households have access to alternative sources of energy

2. **Reduction of property transfer tax from 10% to 5%**
    a. This measure must be accompanied by quickening the processing of titles deeds; otherwise the measure may not yield the desired results of compliance.

3. **Introduction of withholding tax on local consultancies** – there are a lot of people earning a living from Consultancy and it is good that this tax has been introduced.

4. **Introduce Customs Duty and Export Duty on Wood** – This is a very good development. In the long run, government should issue a ban on the exportation of unprocessed wood. It will not only bring in additional revenue but encourage value addition.
5. **Increase of Plastic Carrier Bags** - a similar increase was effected the previous year's budget but it is unclear if this measure resulted in any improvement in the use of plastic bags and earned the country revenue on non-compliance. It might be necessary to review the impact of the increase before another one is effected, which may just increase the cost on consumers rather than institutions producing them. Production must reduce and an alternative form made in addition to this.
6. **Introduction of surcharge of K2, 000 and increase of customs duty of Motor Vehicles** – The measures will ensure that newer vehicles are imported with positive impact on the environment and for commercial purposes.

Compensating Measures

1. **Increase of consideration fees for land acquired by non-Zambians and land acquired in high cost residential area and for commercial purposes** – a good measure that will not only bring additional revenues but curb the indiscriminate amassing of land by the wealthy and foreigners at the expense of ordinary Zambians
2. **Upward revision of fees and fines collected under various Ministries to cost recovery levels of providing the services** – the rates have not been given and this must be clearly tabulated. However, Fees and fines should not be treated as a source of revenues as compared to other taxes such as income tax. This creates greater pressure on citizens
3. **Upward revision of tax-free threshold is missing (PAYE)** – This measure would help people in formal employment to address the ever-increasing cost of living. It is actually more needed now that the cost of living has increased. Government must therefore look into this issue.

Worth noting is that the role of IDC in diversification and value addition/ agro processing is not clearly specified. This is an important partner in the industrialization of agriculture and a relevant partner in value addition to goods for export. Government must therefore include IDC in the process of national planning to enable concerted planning for national growth. The 2016 budget earnings expected or allocated by the IDC is not specified. Government must also allocate IDC an annual revenue target as they must earn revenue and contribute to national revenue of the country for sustainability.

This is because the expected revenue gains from tax adjustments of K93.9 million are insufficient to meet the expenditure and repay debt. However, some commendable measures such as the introduction of tax on unprocessed wood encourages the manufacturing industry. Tax on imported edible oils increased from K2.20 to k4 will encourage local production that will in turn reduce the local price of oil

OTHERS

Public Financial Management

To enhance prudent public financial management, the Planning and Budgeting Bill aimed at integrating planning and budgeting will be presented to parliament for enactment. In the same vein, the Public Finance Act is being reviewed. Other reforms include implementation of the pilot Output Based Budget (OBB) that aligns budget allocations more closely with national development priorities and provide more relevant information for Government's budget proposals and performance monitoring. The OBB pilot project is expected to be rolled out in 2017.

Other measures the Government will undertake to enhance public financial management include the roll-out of the Integrated Financial Management Information System to line Ministries and spending agencies to be rolled out in 2016. The operationalization of the Treasury Single Account, where all payments by the Ministry of Finance will be made through the single account will also to be rolled out in 2016.

To enhance transparency in the mining sector, the development of the Mineral Output Statistical Evaluation System for monitoring of the country's mineral value chain has reached an advanced stage. The prototype has been developed and piloting of the system is expected in the fourth quarter of 2015. The full roll-out and implementation is targeted for June 2016 and Government expects all mining companies to cooperate with the implementation of the programme.

In addition to this, government needs to institute performance contracts at levels in government to ensure efficiency in its operations and the civil service. This can also be used a tool for rewarding performance and eliminating inefficiencies.

Development Planning

Government has commenced the process of preparing the Seventh National Development Plan as the Revised Sixth National Development Plan is coming to an end in 2016. Apart from national priorities, the Plan will incorporate, among other issues, international and regional initiatives such as the Sustainable Development Goals and the African Union's Agenda 2063.

This is very vital for national development especially in view of the new ministry of Development Planning which gives an opportunity to plan differently as a country and use the set up structures to wipe the other ministries into line with the plans.

Fiscal Decentralisation

In line with Government's policy of decentralization, funds for devolved functions will be transferred directly to districts through the Treasury Single Account. Full fiscal decentralization will be implemented once capacity has been built in local councils. Government is reviewing the modalities for implementing The Constituency Development Fund because the working of the fund has not always met the noble objective of empowering local communities. Once the Fund has been reformed to make it more transparent and effective in meeting the development aspirations of local communities, Government will once again consider raising the allocation to the Fund.

Conclusion

Each year, the preparation and implementation of the national budget presents a new opportunity for the Government to promote structural equality, remediate past injustices, and provide a better life for the poor. A human rights based national budget is not the "silver bullet" to ending poverty in Zambia. However, a budget that supports accountability and the core elements of fundamental human rights is necessary to reverse the downward trend of human development that has characterized Zambia since independence. Rather than make empty political promises, we urge the Government to "put its money where its mouth is" by financing the progressive projects that bring in immediate benefit and that we expedite economic development

The lack of a challenge function in the budget process means that there have been few incentives to improve the efficiency of public spending. This is a long standing problem which appears to have been unaffected by the increased levels of budget support.

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