



Zambia Episcopal Conference
P.O Box 31965, Kapingila House, Plot 60
Kabulonga Road, Lusaka, Zambia
Tel: 260-211-260980/262730
Fax: 260-211-260950/262730
Cell: +260 977749400
+260966860795

Pre budget Speech - Statement for 2022 National Budget

1.0. Preamble

The New Dawn government will be presenting its first 2022 National Budget on 29th October 2021. We look forward with hope and high expectations for a national budget that recognizes the importance of achieving the Sustainable Development Goals and makes significant allocations to areas that directly have positive impact on the livelihoods of the people, especially the poor and vulnerable. One of the areas worth noting is social security. Social security is a human right. Article 22 of the UN Charter provides that "everyone has the right to social security and is entitled to progressive realization of the economic, social and cultural rights indispensable for their dignity and the free development of their personality".

And article 25 states that "everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control".

Social Protection is interconnected with SDGs especially numbers 1,3,5,8 and 10. In fact we can say that any government that runs a good and effective social protection programme is more likely to record positive achievement in meeting the SDGs and vision 2030.

Caritas Zambia is looking forward to the National Budget that will respond to the socio-economic challenges that many Zambians have been facing, especially in the last ten years. Zambia's poverty and socio-economic development statistics make sad reading. While economic growth is going down, poverty levels are going up. This situation has continued to challenge our past government as they tried to reduce poverty and economic inequality among the 18 million people. The extremely poor people account for about 42 percent of the total population while the moderately poor account for 18.2 percent. This shows that a large segment of the population in Zambia are failing to adequately meet their basic needs. According to the 2021 Global Hunger Index, Zambia has been ranked sixth among the countries categorized as *serious*. We need new hope and energies to tackle these social economic challenges.

2.0. Tackling Inequality

Caritas Zambia's work and presence across the country reveals evidence that strong progressive action by government in the areas of taxation, social spending and labour, have played a key role in reducing the gap between the rich and the poor and between men and women. While this is not the only thing governments can do to help reduce inequality in their countries, no country in history has managed to become significantly more equal without sustained government action in each of these three areas. Therefore, Caritas Zambia expects that measures are put in place in the 2022 Budget to tackle inequality. This should be seen in the way government will:

1. Increase the proportion of total spending on public services and social protection to lift people out of poverty.
2. Prioritize progressive taxation and ensure that tax policies recognize unequal gender roles and work to transform them, not entrench them. The government needs to ensure that the burden of value-added taxes on low-income Zambians is offset through tax credits, and that revenues generated are used for progressive purposes.
3. Improve labour standards and legislation to provide workers with more power. This can be done for instance through, having a minimum wage pegged per hour, indexed to inflation.

3.0. Other Measures

3.1. Social sector

The fight against poverty cannot be won without meaningful investment in the social sectors (Health, Education, water and sanitation and social protection). Investment in the social sector should not be seen only in terms of increased allocations but also where the increased allocations are being targeted. The targets are as important as the allocations in ensuring quality of service delivery. If the increments are not targeted towards Poverty Reduction Programmes, then the increments would not yield positive results in the fight against poverty and inequity.

3.1.2. The new Dawn government should support the creation of a signature program/funding envelope to invest and support culturally relevant quality education, that ensures the transmission of traditional languages and culture while preparing learners to fulfill their life plans for the betterment of themselves and their communities.

3.1.3 Zambia should champion a gender transformative approach to development and humanitarian work, and tackle the root causes that perpetuate gender inequality and unequal power relations. Through funding, policy development,



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technical support and demonstration of best practice, Zambia should be a leader in funding gender transformative programming.

3.1.4. Ensure climate investment prioritizes flows to local communities for climate adaptation and resilience.

3.2. *Economic sectors*

The government should not be fixated on economic figures only. We acknowledge that growth figures are important however, GDP growth serves merely as an indication that a nation's economic output is growing. It does not indicate whether the growth in output is 'economic' in the literal sense of increasing benefits faster than it increases costs. Only when the growth in output is 'economic', does sustainable well-being increase, suggesting, therefore, that the growth in a nation's output can also be 'uneconomic' if it reduces a nation's sustainable wellbeing. Caritas Zambia is concerned about the long term impact of economic growth with regards, to government overall objective; overall accrued impact on people's livelihood and also on job creation. The real debate should be over what drives longer-term growth and government's expectation from its growth projections.

We recommend that, in the context of the above and acknowledging that Zambia's economy largely depends on foreign-operated industries and extractives, special attention be paid to gross national income (GNI), rather than to Gross Domestic Product (GDP), since payments to foreign-owned businesses are likely to be substantial and do not contribute to national wealth. That is not to say that foreign investment and extractive activities cannot contribute to national wealth, indeed they can and are through adequately sharing revenues with the government and through the employment of national growth factors, mostly labour.

In addition, government should put young people at the heart of Zambia's efforts to support inclusive economic growth, by supporting programmes that promote social and economic empowerment for girls and boys to successfully transition to decent livelihoods and work. This will help to break the intergenerational cycle of poverty. Some of the areas government can support include:

- Promotion of integrated transferable skills (life-skills) training, including functional literacy and numeracy, financial literacy and savings, and resilience to natural shocks through formal and non-formal education.
- Access to decent and practice-based productive education which equips young people with market-driven and technical skills for agroecology and industrial production that are responsive to the needs of the environment and

ecosystems. This may include apprenticeships, internships, entrepreneurship initiatives, and vocational training in formal and non- formal education settings.

3.3. *Agriculture*

Caritas Zambia expects the National Budget to:

- Meet the Maputo declaration of 10% allocation to Agriculture.
- Support the establishment of a system to monitor budget performance.
- Reduce on allocation to FISP and Increased budget allocation to Agroecological practices, extension services and research.
- Make meaningful allocation to sustainable Natural Resource use and management.
- Provide for a recovery mechanism, following the negative effect of COVID-19. This will serve as a resilience package and an alternative to FISP.
- Provide for the improvement and boosting of food systems by supporting the entire value chain including value addition.
- Provide support to local economies that depend on agriculture through small holder irrigation schemes.
- Speaks to the green economy, the environment, youths and women.
- Elevate the value of local solutions to drive the local economic recovery and enhance livelihoods.

3.4. *The Challenge of Zambia's Sovereign Debt*

It is recognized that the government is under pressure to borrow for capital projects, finish up some of the infrastructure development and deliver its election promises. However, continued borrowing by the government from the country's limited savings has an adverse impact on interest rates. The government will be 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. This is largely because interest rate is forced upwards. We therefore recommend that government reduces 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 Kwachas through tax avoidance and tax evasion that is amplified by tax holidays, tax incentives and corruption.

3.5. *Employment*

We expect the government to put employment target as a macroeconomic indicator. Empowering people with respectable jobs that ensure sustainable livelihood to



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Zambia**

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individuals and their families is one of the best and effective ways of unblocking the resources and empowering the local people. Macroeconomics targets become meaningless if they do not translate into any tangible positive effect in people's lives. We however, acknowledge that it is not enough to have indicators only – this should be accompanied by employment strategies that the government will need to use to generate decent jobs.

Apart from the employment indicator, we expect the government to also introduce health and education indicators. This will help us to know what government is aiming to achieve in its respective policies and financing to the said sectors.

In conclusion, Caritas Zambia expects government to fulfill its election promises by making sure that the needs of citizens drive the budget formulation and contents and that close collaboration, meaningful engagement and dialogue with citizens and stakeholders, including private and public sector, communities, and civil society organizations, becomes the feature of the implementation of 2022 budget. We look forward to close engagement with the government in the 2022 National Budget, and we also urge government not to shy away from altering/changing allocations and areas of funding once parliament and other stakeholders suggest any reasonable changes to be made. It is pointless to have parliament debate figures they know will never change.

Given on the 28th of October, 2021

Eugene Kabilika

Director