Zambia Institute for Policy Analysis & Research

UNITED NATIONS ZAMBIA

An Analytical Brief on the Social Sector Budget 2022

Increasing social sector spending for sustained inclusive development

4th November 2021

This Social Sector Budget Brief explores the extent to which the Government of the Republic of Zambia (GRZ) will support social sector needs in the country in 2022. The brief analyses the size and composition of planned budget allocations to the social sector for the fiscal year 2022, as well as spending trends for the past few years. The aim is to inform policy, strategies and legislation that invest in Zambia's human capital, and in doing so, have the potential to save lives and sustain livelihoods. The budget brief aims to synthesise complex budget information and offer recommendations to support budget execution to help bring about improvements for the wellbeing of the Zambian people.

Key messages

- Despite challenging economic conditions, the Government has committed to increase funding to the social sectors.
- Commitments to provide free education, build schools and the mass recruitment of teachers will contribute to improving the education sector and human capital development.
- The provision of free education may be hampered by the financing mechanism which could lead to over-reliance on Government grants to schools which have previously been vulnerable to financing challenges.
- Plans to recruit 11,200 health workers coupled with significant allocations towards drugs and medical supplies will enhance the fight against COVID-19 and contribute to the continuity of essential health services.
- The increase in allocations towards social protection programmes, including higher transfer amounts for the Social Cash Transfer (SCT) programme, has the potential to help build resilience and minimise the impact of COVID-19 on recipient households, as well as future potential shocks like droughts, floods and other public emergencies. It would also have positive spill over effects to reduce wider vulnerability and poverty and stimulate the local economies, especially in rural areas.
- The COVID-19 pandemic has resulted in increased demand for water, sanitation and hygiene (WASH) services. However, despite a nominal increase in allocations, the allocation falls short of what is required to match the demand for WASH services.
- The increase in allocations to the Constituency Development Fund and ringfencing for women's empowerment and youth empowerment is welcome, as it has the potential to have a positive impact on the social sectors.
- Early Childhood Education received a huge boost in allocations of 700%. This commitment is a welcome step to allow children to get into a rhythm of learning. Greater emphasis on comprehensive Early Childhood Development programmes at the community level is encouraged, as the allocation to early learning translates to only 1% of the total education budget.
- Investments in nutrition will be critical to underpinning progress across the social sectors but these are not as yet articulated.
- The above being said, the past experience of poor budget out-turn remains a source of concern and a focus on enhanced budget execution will be very

important. From recent years, announced budget allocations do not always translate into actual disbursements. This risk is heightened given that a significant proportion of the Budget is expected to be funded through debt whose acquisition is not guaranteed.

- With high debt servicing costs, coupled with the wage bill, the non-wage component of the social sectors is vulnerable to financing challenges given that domestic revenues are not even enough to cover the wage bill and debt service.
- In order to sustainably finance social spending, the Government should look to innovative ways of financing social spending. Possible measures include ring-fencing revenues from mining exports and enhancing efforts to curb illicit financial flows.

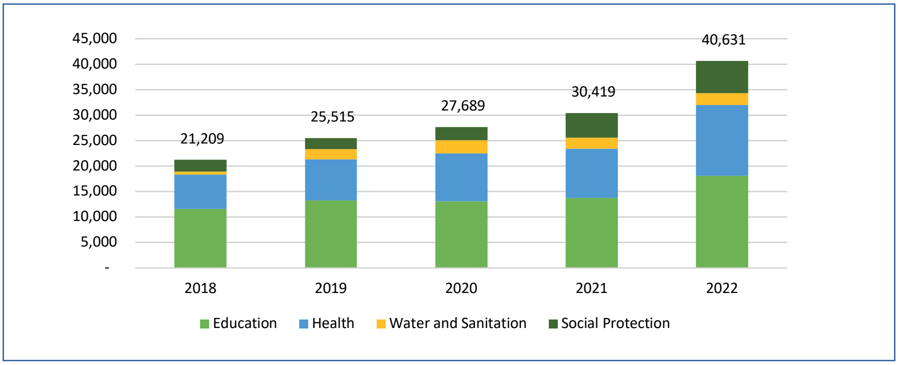
1 Introduction

Government spending on the social sectors is crucial to ensure that the Zambian population has access to basic services such as health care, education, water, sanitation and hygiene (WASH) and social safety nets. These services, together, constitute the key elements of a strategy that policymakers use to reduce poverty, improve welfare and escalate the accumulation of human capital for the most vulnerable, in line with leaving no one behind.

Inheriting an economy weighed down by constrained fiscal space, extreme indebtedness and the COVID-19 pandemic, the new government has embarked on an ambitious social spending plan that includes: the recruitment of 30,000 teachers and 11,200 health workers; the construction of 120 secondary schools; the abolishment of school fees for tuition, parent teacher associations and examinations that learners pay in public schools; and the decentralisation of the provision for bursaries through the enhanced Constituency Development Fund.

Other measures announced include the 50% increase in the number of beneficiaries of the Keeping Girls in School programme; increased financing towards epidemic and pandemic management to prepare for unforeseen diseases such as Ebola and COVID-19; improved access to clean and safe drinking water as well as provision of sanitation services; the increased number of beneficiaries and the transfer value for the Social Cash Transfer programme and other social protection programmes; as well as pension reforms.

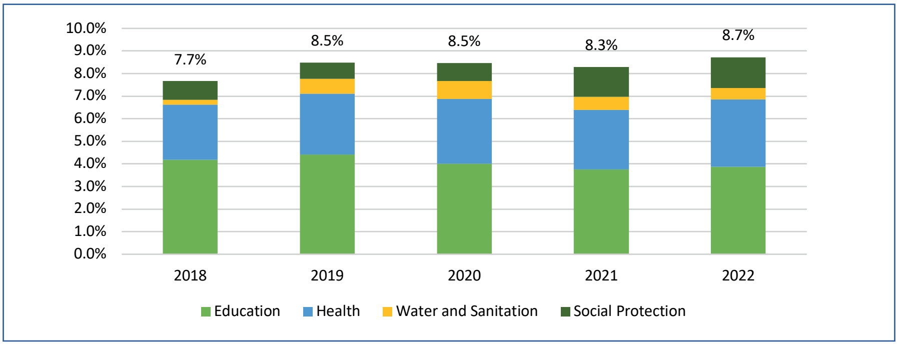
Figure 1: Budget allocation to the Social Sectors, 2018-2022 (Kwacha million)



Source: Authors' own construction from the Ministry of Finance Budget Speeches

As a result of these measures, the social sector budget is projected to increase from K30.4 billion in 2021 to K40.6 billion in 2022, an increase of 34% (Figure 1). In relation to the size of the economy, the social sector budget is expected to increase from 8.3% of GDP in 2021 to 8.7% of GDP in 2022. The biggest gainer is the health budget which has increased from 2.6% of GDP to 3.0% of GDP, while the size of budgets for education, water and sanitation as well as social protection has largely remained the same (Figure 2). The increased social sector spending is despite planned increased debt servicing expenditure in the coming years with major debt repayment deadlines approaching.

Figure 2: Budget allocation to the Social Sectors, 2018-2022 (Share of GDP)



Source: Authors' own construction from the Ministry of Finance Budget Speeches

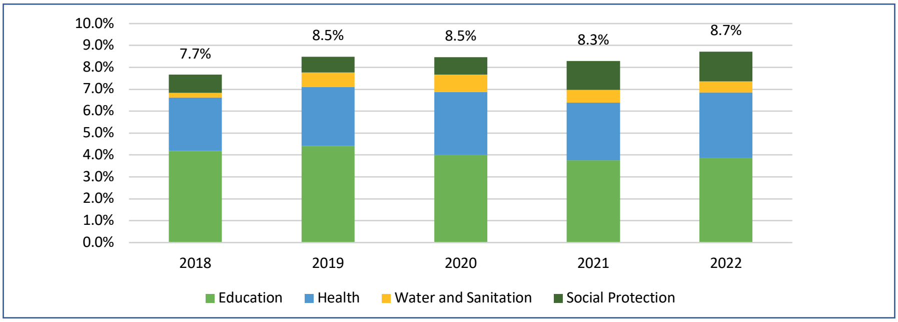
2 Minding the gaps in the quest to deliver Quality Free Education for All

The Government through the 2022 Budget announced that it would deliver on the promise of free education, a major manifesto commitment in the 2021 August elections. In a quest to provide free education, the Government announced that it had abolished Parent Teacher Association (PTA) contributions, and Tuition and Examination fees charged on public early childhood education and secondary schools. The intention to move towards free education is commendable as access to secondary school education is extremely poor with only 1 in 5 eligible children enrolled.[1] Further, a study conducted by the Zambia Institute for Policy Analysis and Research (ZIPAR) revealed that between 2014 and 2018, the number of households with children out of school increased by three percentage points.[2] Other key pronouncements made included plans to recruit 30,000 teachers as well as build 120 schools.

In the 2022 Budget, the Government announced an K18 billion allocation towards education. The proposed expenditure on education represents a 31% increase compared to the 2021 allocation of K13.8 billion. This amount also represents a marginal increase compared to the 2021 figure when expressed as a share of GDP as shown in Figure 3. However, as a share of total expenditure, the allocation to education has reduced from 11.5% in 2021 to 10.4%.

The 2022 Budget makes further commitments to increase grants to schools; a critical component given schools will face a loss of income with the cancellation of fees. Plans to increase allocations towards school operations is also commendable as the education budget has been previously skewed towards personal emoluments. In previous years, personal emoluments accounted for up to 75%[3] of total education budget. In 2022, school grants under the Ministry of Education will account for about a quarter of the allocation.

Figure 3: Trend of Public Education Expenditure Budget, 2015-2022



Source: Authors' own construction from the Ministry of Finance Budget Speeches

1 Educational Statistical Bulletins, Ministry of General Education, 2019
2 National Multidimensional Poverty Index, April 2020
3 Estimated for the Ministry of Finance Yellow Books

While the move to provide free education is commendable, the structure in income for schools poses a risk to their operations. The loss in income from tuition fees and PTA contributions implies that the schools will now wholly depend on the Government for non-wage expenditure. Schools will now have to wait for disbursements of grants from the Government, as opposed to the current situation in which school fees are directly collected by learners and monies are readily available for use. It will be important to reverse the trend of poor budget execution and late disbursements and to have enhanced implementation and predictability and regularity of payments so that school operations will not be at risk of being crippled if grant commitments are not fully met and disbursements are not made in a timely manner. As debt servicing costs have increased over the years, social sector expenditure has been characterised by poor budget execution and late disbursements for programmes such as the Social Cash Transfers (SCTs) that rely on periodic disbursements.

The removal of examination fees will provide relief to households. However, the Government will need to be alert to potential unintended consequences that could adversely affect education outcomes. In 2012, the Government's decision to abolish examination fees at Grade 9 adversely affected the implementation of the two-tier learning system which awarded trade certificates to learners that successfully passed the trade tests administered by TEVETA. The scrapping of the examination fees was done without reallocating resources to meet the cost of the trade tests and thus the programme was discontinued.[4] Learning from the past, the Government must ensure that resources are adequately reallocated to meet examination-related costs.

Another key pronouncement made in the 2022 budget was the plan to recruit 30,000 teachers by the end of 2022. The recruitments will provide a huge boost to the education sector. The proposed recruitment will positively impact the pupil-teacher ratio, significantly reducing it from an average of 39 to 30. It is also hoped that this improvement will come as part of a stronger focus on the provision of quality education for all learners. The planned recruitments imply that the actual number of teachers will increase from 107,000 to 137,000 representing a 21% increase. In comparison to previous years, the number of teachers increased at a rate of 1.1% between 2011 and 2018. To enhance the efforts towards achieving Zambia's industrialisation agenda through a highly skilled labour force, the Government is urged to ensure recruitments are targeted towards priority subjects such as the Science, Technology, Engineering and Mathematics (STEM) and the delivery of Vocational Education Training (VET).

The Government also announced plans to build 120 secondary schools. This initiative is commendable as it will contribute to improving access to education. However, there currently exist 9,000 primary schools against 1,000 secondary schools, translating to nine primary schools for every secondary school. Unfortunately, even with this

4 Parliamentary Submission; Skills and Career Development in Primary and Secondary Schools submitted by the Committee on Education, Science and Technology on Thursday, 22nd October 2020

addition and welcome investment, the deficit of secondary schools remains high. Thus, the Government must develop a medium-term plan to continue constructing secondary schools to meet demand.

Early Childhood Education (ECE) received a huge boost in 2022 as ECE will now be provided for free. Though not highlighted in the Budget Speech, a total of K102 million was allocated to ECE representing a 700% increase compared to the 2021 allocation of K12.7 million. While this increase is significant, it translates to less than 1% of the total education budget. In 2022, the Government intends to increase targeted ECE learners from 150,000 in 2021 to 284,000 in 2022. Further, a total of 270 low-cost ECE Centres will be established in 2022. These measures will significantly improve access to early childhood education.

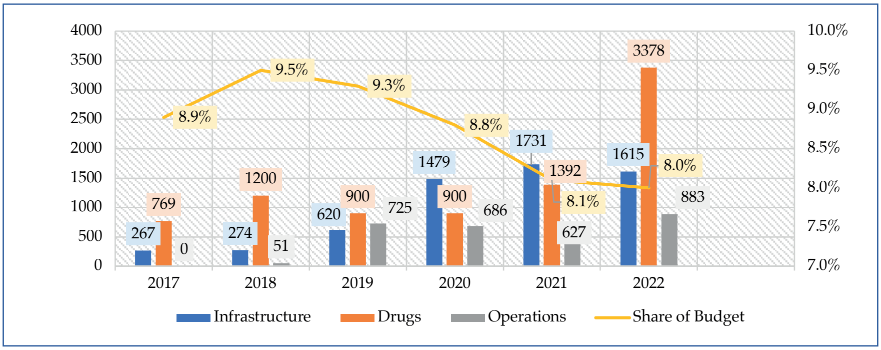
The free education initiative must be supplemented with a robust medium-term strategy to revive Zambia's education system and improve the quality of the education delivered. Even for those currently able to access education, learning outcomes after years of schooling are low, signalling an urgent need to upgrade what happens within the classroom.

3 Arming the health sector for the battle against COVID-19

Zambia's health sector has come under strain in the last two years as the country seeks to respond to the COVID-19 pandemic. The strain on the health system has exposed inadequacies such as limited bed capacity, inadequate staffing levels and shortages of essential drugs and medical equipment. As of 30 October 2021, Zambia had recorded 209,722 confirmed cases of COVID-19 and 3,661 deaths whereas the total number of fully vaccinated people stood at 553,655.

As the country continues its battle against the pandemic, the Government has announced in the Budget the allocation of K13.9 billion towards the health sector. In nominal terms, this represents a 44% increase compared to the 2021 allocation of K9.6 billion. However, expressed as a share of the total national expenditure, the allocation represents 8.0% of total expenditure - a marginal decline from 8.1% in 2021. The increase indicates efforts to boost a strained health sector. The increase in the health budget is mainly on account of two key pronouncements in the sector. These are (i) plans to recruit 11,200 health workers and (ii) plans to procure COVID-19 vaccines.

Figure 4: Decomposition of Health Budget 2017-2021



Source: Authors' own construction from the Ministry of Finance Budget Speeches

A total of K3.3 billion is allocated towards Drugs and Medical Supplies in 2022. This allocation represents a 135.7% increase compared to 2021. The K3.3 billion includes K700 million allocated for the acquisition of vaccines. The increased allocation towards medical supplies and drugs is commendable and indicative of strong government commitment to tackle the pandemic. However, COVID-19 vaccination rates remain low despite the availability of free vaccines to all adults in Zambia for the past few months. As of 30 October 2021, only 6% of the eligible population had been fully vaccinated.[5] In October 2021, the Government revised its vaccination targets downwards from 70% of the eligible population to 30% by December 2021, an indication of slow uptake of the vaccine. The President appointed a COVID-19 Adviser and on 7 October led a re-launch of the national vaccination programme. This effort must be complimented by further efforts to encourage more citizens to take up the vaccine as the fight against COVID-19 hinges on the vaccination levels.

Another key pronouncement in the 2022 Budget was the plan to recruit 11,200 health workers. This initiative is critical in providing relief to an understaffed health sector. According to the National Health Strategic Plan, the health sector had an approved staff establishment of 63,057 positions, with only 68% (42,630) filled. The plan to recruit 11,000 staff will undoubtedly improve staffing levels. However, this will still leave a deficit of over 10,000 health workers. As committed to in the Budget, the Government must develop a medium-term strategy to recruit health workers so as to address this deficit.

5 ZNPHI Daily Updates, October 2021

4 Social Protection: Still Winning but Execution Remains a Factor

Zambia's social protection system has in the recent past faced tremendous pressure due the double tragedy of dampened growth and ravaging effects of COVID-19 pandemic. Since the onset of the pandemic, headcount poverty is estimated to have increased by 2.2%, mainly on account of loss of income and general disruptions in livelihoods (UNU-Wider, 2021). However, Zambia's social protection system was vital in cushioning the impact of the pandemic. Evidence showed that implementation of an Emergency Cash Transfer programme combined with the Social Cash Transfer programme reduced the impact on poverty by 1 percentage point (UNU-Wider, 2021).

As a result of this impact, Social Protection has yet again received a boost in the 2022 budget with allocations increasing to K6.3 billion from K4.8 billion in 2021. This increase represents an upward adjustment of 56.8%. Although the allocation when expressed as a share of GDP has remained unchanged at 1.3%, it represents a significant increase in nominal terms. The current social protection system has four broad categories, namely: Social Assistance, Social Insurance, Livelihood and Empowerment, and Protection or Social Care Services, each of which is executed through one or two flagship programmes.[6]

Social Cash Transfer. The allocation towards the Social Cash Transfer programme increased by 33% from K2.3 billion in 2021 to K3.1 billion in 2022. The number of beneficiaries and transfer amounts will also see increase from 880,539 in 2021 to 1 million in 2022, while monthly transfer amounts will be raised from K150 to K200. In addition, transfer amounts for households with members with disabilities have been raised from K300 in 2021 to K400 in 2022. The increase of 33% is more than the 2021 inflation and follows an increase from K90 to K150 in the previous year. While the 2021 increase indexed the SCT value back to its original value, the 2022 increase will effectively make the transfer slightly more meaningful and hopefully increase the poverty reduction impact of the same.

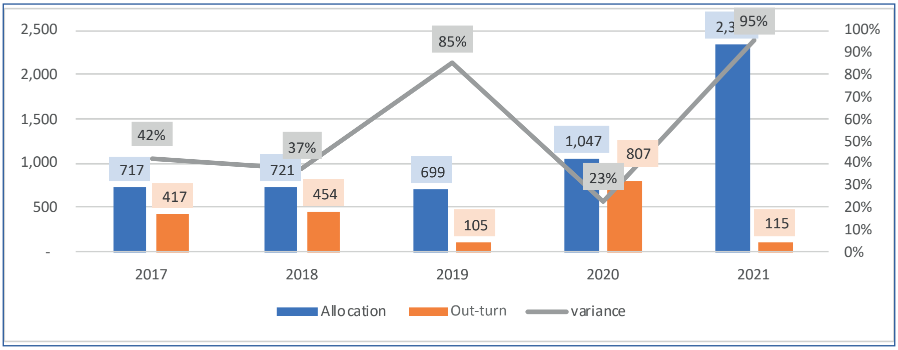
The increase in transfer amounts is therefore commendable as it will help build resilience and cushion families from the impact of the COVID-19 pandemic on their livelihoods. However, the increase in beneficiaries will increase administrative costs. To lower these costs and costs related to disbursements, the Government must enhance the use of Information Communication Technologies (ICTs).

Worryingly, past experience has shown that allocations have not matched out-turns due to the shrinking fiscal space as shown below in Figure 5. Thus, the Government is urged to ring-fence social sector expenditure, which includes SCTs, to ensure that funding commitments are realised. This is particularly relevant against the fact that

6 National Social Protection Policy 2014

the current SCT budget is largely financed externally from a World Bank loan and grants of cooperating partners.

Figure 5: Social Cash transfer budget allocations vs Out-turns



Source: Authors' own construction from the Ministry of Finance Budget Speeches

Pensions. Allocations towards Pensions leaped by 100% from K1 billion in 2021 to K2.1 billion in 2022. The increase in allocations is mainly targeted at completely dismantling pension arrears which stood at K2.7 billion in the fourth quarter of 2020.[7] Pensions arrears have accumulated over the years and have been characterised by poor budget out-turn. The move to dismantle pension arrears is commendable and must be actualised by improving budget out-turn. Further, the proposed reforms of the Public Service Pensions Act Cap 260 of the Laws of Zambia, Local Authorities Superannuation Fund Act Cap 284 of the Laws of Zambia, and the Pension Scheme Regulation Act No. 27 of 2005 to enable retirees to access accrued benefits before retirement, is progressive as it will unlock funds to stimulate economic activities.

Food Security Pack. Allocations towards the Food Security Pack remained largely unchanged at K1.1 billion in the 2022 budget. However, an increase from 263,000 to 290,000 in the number of targeted beneficiaries was pronounced. The increase in beneficiaries, despite the allocation remaining unchanged, can be attributed to the appreciation of the exchange rate which imply that more inputs can be imported. The increase in beneficiaries is critical in helping to build resilience for vulnerable households that have already been adversely affected by the COVID-19 pandemic.

5 WASH – Consolidating the Gains Beyond COVID-19

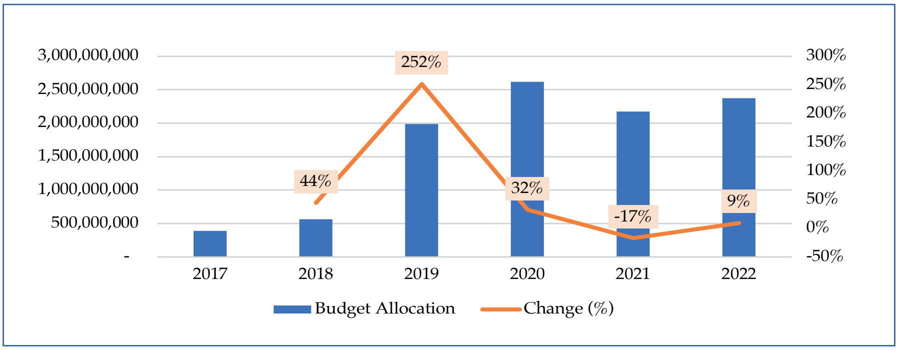
Water, Sanitation and Hygiene (WASH) is important for preventing contagious diseases, such as cholera outbreaks and the recent COVID-19 pandemic. COVID-19 prevention and control has increased demand for WASH, particularly handwashing.

7 2020 Annual Economic Report, Ministry of Finance

.[8] The washing of hands with soap is one the most prevalent practices prioritised by households to reduce the risks of the transmission of COVID-19. The Social Economic Impact Assessment of COVID on Households Survey (2021) indicates that 85% of households reported having washed their hands or used sanitiser to prevent COVID-19 (93% in urban areas and 78% in rural areas). Similarly, handwashing practices have improved in schools, health facilities and other public settings.

The increased demand for WASH facilities has however not been matched by significant increases in the national budget. In 2022, the WASH budget has turned around, registering a 9% nominal increase from K2.2 billion in 2021 to K2.3 billion in 2022, after being on a downward trend from 2019 to 2021.

Figure 6: Budget Allocation to WASH (2017-2022)



Source: Authors' own construction from the Ministry of Finance Budget Speeches

Although the WASH budget increased in nominal terms, there has been a reduction in terms of its share of the national budget. The share of the WASH budget to the national budget has reduced from 1.9% in 2021 to 1.4% in 2022. This implies the WASH budget is getting a smaller share of the cake, even when the national budget increase is significant.

Additional investments in the WASH sector are required to achieve universal coverage by 2030. According to the COVID-19 Recovery Needs Assessment (2021), achieving Zambia's universal WASH coverage goals by 2030 requires an estimated USD 584 million annually[9]. At present, the estimated 2022 budget is expected to cover approximately 24% of the sector investment needs from 2021-30, leaving a financing gap of approximately USD 444 million per year. This financing gap notwithstanding, the increase in the CDF allocation from K1.6 million to K25.7 million may also support new water infrastructure particularly in rural areas where access is limited.

8 https://www.dutchwatersector.com/news/wwweek-at-home-increased-demand-reported-by-water-entrepreneurs-due-to-covid-19

9 UNDP, UNICEF et' al. 2021. COVID-19 Recovery Needs Assessment

In order to increase access to clean water, the Government has in the 2022 budget abolished fees for application and registration and annual fees to drill domestic boreholes. This is expected to lower the cost of drilling domestic boreholes. The move to abolish borehole fees must be complimented by efforts to enhance enforcement of borehole drilling regulation to avoid contamination of drinking water, particularly in developing areas in urban set-ups.

In the 2022 budget, the Government has placed emphasis on providing infrastructure in order to ‘reduce the distance that mothers and children travel to fetch water. This need to also go hand-in-hand with a focus on softer issues such as improving menstrual hygiene among school-going girls. Menstrual hygiene for teenage girls in school has continued to be ignored since the 2017 budget when it was last mentioned. The lack or limited availability of facilities for girls will likely affect the dropout and school attendance rates with an eventual effect on human development. In addition, WASH in schools should also not be ignored, as well as the linkages between provision of water, sanitation and good hygiene with good nutrition and reduction of stunting.

6 Sustaining the gains in Nutrition

Nutrition indicators in Zambia has improved over the last few years. Particularly, stunting declined from 40% in 2014 to 35% in 2018. However, at 35%, it stills remains high. Sustaining the gains in nutrition particularly at a time when the COVID-19 pandemic has impacted adversely livelihoods and food security, requires significant budgetary allocation towards nutrition intervention. The only nutrition-related commitment in the 2022 Budget Speech is the plan to increase allocation towards the school feeding programme.

In the 2022 “Yellow Book”, K 979,000 is allocated towards school feeding at ECE while K38 million is allocated towards school feeding at primary school. These allocations represent increments of 14% and 15%, respectively. Under primary health care, a total of K 11.2 million is allocated towards nutrition supplements representing an increase of almost 100%.

The tracking of budgetary allocation towards nutrition remains a challenge as expenditure is embedded within other programmes. We urge the Government to undertake a review of the budgeting process to ensure that priority programmes, including nutrition programmes, are more identifiable.

7 Taking development closer to the people through decentralisation

Of special note is the Constituency Development Fund. The K4 billion CDF allocation comprises community development projects (60%), women and youth empowerment funds (20%) and secondary school and skills development bursaries (20%). The increase in the allocation to CDF not only decentralizes the provision of social services, it also has the potential to have a positive impact on the social sectors, and particularly investment in children. The decentralization of the provision of bursaries provides an opportunity for equitable and increased access to education for secondary school-going children. The ring-fencing of women and youth empowerment funds partly addresses the consolidation of hitherto fragmented empowerment programmes and poor targeting. Community development projects would undoubtedly help to meet the limited infrastructure for Early Childhood Development centres in the communities.

8 Sustainably Financing Social Spending

To ensure sustained and continued protection of the poor and vulnerable, particularly given the adverse effects of the COVID-19 pandemic; the Government has demonstrated in its proposed budget, that it can increase investment in education and skills development, health, water and sanitation as well as social safety nets. This is despite experiencing a combination of continued deterioration of economic conditions, low domestic revenues and weak economic buffers.

However, with debt servicing costs projected to increase by 129% in 2022, coupled with an increase in the total wage bill, the non-wage component of the social sector budget will increasingly be financed from foreign grants and borrowing. Absent debt restructuring and increased growth, coupled with the fact that the US$3 billion Eurobond debt is due in the next five years, financing of social spending will increasingly be a challenge.

Table 1 shows that the wage bill (projected at 31.5% of domestic revenues) and debt service (80% of domestic revenues) will absorb over 110% of the budget's domestic revenues in 2022. This does not leave room for operational and other priority spending and also requires some borrowing to cover these two components of the budget.

Table 1: non-discretionary spending as a share of domestic revenues, 2018-2022

	2018	2019	2020	2021	2022
Domestic revenues	52,802	60,492	65,722	89,629	98,859
Non-discretionary expenditure	40,956	50,761	54,618	63,994	112,325
Debt Service	19,100	27,779	27,737	34,385	78,680
Personal emoluments	21,856	22,982	26,881	29,609	33.645
Surplus/deficit from domestic revenues	11,847	9,731	11,104	25,635	-13,466
Surplus/deficit as % of domestic revenues	22%	16%	17%	29%	-14%

Source: Authors' own estimates from Ministry of Finance budget economic reports

Given that the non-wage component of the budget is largely discretionary expenditure, social sectors with the largest non-wage components are more vulnerable to financing constraints. Table 2 shows the size of the non-wage component of the social sectors which largely has to be financed from foreign grants or borrowing. It is clear that water and sanitation and social protection are the sectors most likely to be unfunded given their large discretionary expenditure component.

Table 2: Social spending by the share of non-wage component, 2022

	Proposed Expenditure 2022	Estimated wage bill, %	Estimated wage bill	Estimated Non-wage expenditure	Non-wage expenditure, % of total expenditure
Education	**18,073**	75%	13,537	4,536	25%
Health	**13,912**	54%	7,512	6,399	46%
Water and Sanitation	2,352	0.1%	2	2,350	100%
Social Protection	**62,943**	2%	1,259	61,684	98%
TOTAL	97,280		22,310	74,969	77%

Source: Authors' own estimates based on 2022 Budget Speech

In order to sustainably finance social spending, the Government will need to devise sustainable ways of financing social spending. Measures include enhancing growth, ring-fencing revenues from mining exports and enhancing efforts to curb illicit financial flows.

The Budget identifies agriculture, livestock and fisheries; tourism; mining, manufacturing, transport and information, communication and technology as the key drivers of revamping growth in the near-term. Mining is a quick win given that it is largely private sector driven and would only require the Government to facilitate a predictable and favourable environment in order to bring back investments and therefore growth. The proposed measure to make mineral royalties deductible for Corporate Income Tax assessment purposes is a step in the right direction. This positions the country for the further anticipated increase in copper prices in the coming years.

Learning from a country like Botswana, Zambia can invest some of the anticipated mineral revenues in social and socio-economic development by establishing a sovereign wealth fund, aimed at preserving part of the income from mineral exports for future generations[10]. The Government of Botswana applies a strict policy principle according to which all mineral revenues must be saved or reinvested into economic, social and human capital. This is on the assumption that these types of investments offer higher rates of returns than financial assets. Allocating fiscal resources to social spending therefore has high priority and is used as an important policy instrument. The anticipated high copper prices in the coming years will be a great opportunity for Zambia to build a reserve fund which, like Botswana, could go towards funding human capital development.

Billions of dollars have been lost from Zambia through illicit financial flows, which include transfer mispricing, trade mis-invoicing and profit shifting. Mudenda (2019) established that the extent of resource movement through trade mis-invoicing in Zambia in the period 1997 and 2016 ranged from US$16.7 billion to over US$19.7 billion[11]. For 2022, the Government intends to amend the Transfer Pricing Regulations to clarify or resolve ambiguities in the current regulations. This is particularly in relation to Country-by-Country Reporting regulations which enable the automatic exchange of information between tax authorities in jurisdictions where multinational enterprises operate.

9 Conclusion

Overall, the 2022 budget reflects an increased commitment to the social sectors, with significant nominal increases to education, health, social protection, WASH and nutrition sectors. These increased allocations have far-reaching benefits, particularly for women and children. To meet the social sector aspirations in 2022 in the midst of a high debt burden and tight fiscal space, government will need to improve budget out-turns by ringfencing social sector budgets and exploring additional financing mechanisms. The CDF also provides additional options for financing and is likely to build on the investments allocated to social sectors. Finally, government should continue investing in the early years, particularly the first 1000 days of life, through multi-pronged coordinated efforts such as early learning, nutrition and health, to build a stronger base for human capital development. That way, Zambia is poised to meet not only short-term needs but also long-term national goals as espoused in the Vision 2030.

10 Stefan Urban, Luis Frota, Fabio Duran, Kelobang Kasiganyo and Hiroshi Yamabana (2016). Financing Social Protection Through Taxation on Natural Resources – Botswana. International Labour Organisation, Social Protection Floors in Action: 100 success stories to achieve Universal Social Protection and SDG 1.3

11 Mudenda, D. (2019). Capital Flight through Trade Mis-Invoicing in Natural Resources: The Case of the Zambian Mines. Bank of Zambia Working Paper Series, WP/2020/1, December 2019

ZIPAR in Partnership with the UN System in Zambia

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