

## THE 2005 NATIONAL BUDGET: CONTINUING WITH THE STATUS QUO?

With the national Budget for 2005 having been presented, the *Jesuit Centre for Theological Reflection* (JCTR) is asking the question: to what extent will the 2005 national budget uplift the lives of average Zambian families? Budget analysis has been the talk of the nation for the past few weeks, and the JCTR looks to add its voice to the discussion.

The annual budget provides the sole opportunity for a government to transform its political statements into concrete plans for action, with budget lines illustrating government priorities and strategies to better serve the people. Based on these criteria, the 2005 budget lacks the boldness and the holistic vision to make tangible impact on the living situation of Zambian people, especially for the poor majority of the country. Neither the budget statements by the Minister of Finance and National Planning nor the budget lines clearly explain what separates this budget from past budgets that have failed to uplift the lives of people on the ground.

Taking into consideration the dire socio-economic situation of the nation, the people of Zambia have long deserved a bold budget to help people move from less to more human conditions. Unfortunately, the proposed 2005 budget fails to assess the current potential and struggles of the people, and consequently fails to offer a holistic strategy to exploit Zambian potential in order to overcome the country's problems. The JCTR's monthly *Basic Needs Basket* exercise helps illuminate the basic struggle faced by all Zambians to afford the rising cost of basic needs and therefore provides an important platform for beginning an assessment of the budget.

The JCTR *Basic Needs Basket* is a measure of the cost of essential food and non-food items for a family of six living in one of six specific urban areas: Luanshya, Ndola, Lusaka, Kitwe, Livingstone and Kabwe. In January 2005, the *Basic Needs Basket* totaled K838,410 for Luanshya, K988,280 for Ndola, K1,340,840 for Lusaka, K973,910 for Kitwe, K1,108,750 for Livingstone, and K842,900 for Kabwe. Furthermore, the cost of *basic food alone* was K511,610 in Luanshya, K501,180 in Ndola, K492,940 in Lusaka, K479,210 in Kitwe, K453,350 in Livingstone, and K424,780 in Kabwe. For the same month, the Central Statistical Office (CSO) calculated an average Basic Needs Basket across all of Zambia at 920,441 Kwacha, with the average cost of basic food for a Zambian family measured at 640,982 Kwacha.

The JCTR strongly supports the Catholic Commission for Justice, Development and Peace (CCJDP) and others who have called for an upward increase in the Pay as You Earn (PAYE) exemption threshold. In the 2002-2003 Living Conditions Monitoring Survey, the CSO classifies a family as 'extremely poor' if it is unable to afford the monthly cost of basic food items and 'poor' if it is unable to afford the monthly cost of the full Basic Needs Basket. ***By setting the PAYE exemption threshold at K280,000 per month, the government is admittedly taxing Zambian people who cannot afford to put food on the table for their families, the same group it classifies as 'extremely poor!'***

Furthermore, the K20,000 increase in the PAYE exemption threshold actually falls short of the average year-end inflation of 17.5% for 2004, or in other words, fails to maintain the status quo. Based upon both the JCTR's *Basic Needs Basket* and the CSO's average survey of cost of living across the nation, it is extraordinary that the PAYE exemption threshold remain below K600,000, if not K900,000 to allow Zambian families to afford basic non-food expenditures such as housing, water and electricity.

Of course an increase in the PAYE exemption threshold would lower the annual tax revenue and possibly hinder resources from reaching critical social sectors such as health and education. In light of these two equally important but competing needs for investment,

towards basic food items and social programmes, the government must think holistically and proactively to find alternative solutions that will not negatively affect the people. For example, the government could take a more aggressive effort to broaden the tax base in the country to target those groups of people who are not paying their fair share. Continuing to think holistically, the fundamental method of broadening the tax base is to help foster employment creation in the formal sector.

*The 2005 national budget is very modest in its strategy of employment creation yet this is an area which should be as robust in strategy as possibly can looking at Zambia's current context.* In the budget address, the MoFNP made promises to create an encouraging business environment in the country. One significant challenge to this healthy business climate is the monstrous domestic debt that totals more than \$US 1 Billion and grew by 6% in the period 2003-2004.

Though the government is making efforts to reduce the identified longstanding problem of growth in domestic debt, its efforts must go beyond just reducing the growth of this debt but also tackling the principle in order to facilitate quick private sector development and employment creation. Realizing that one of the most important ways through which any country can uplift its people is by ensuring that its citizens have access to employment, government also needs to pay attention to the remuneration of created positions. The remuneration must be that which enables people to have an income for food, housing, health, etc.

Returning specifically to the Lusaka *Basic Needs Basket*, the January 2005 total was K1,340,840 compared to K1,147,840 in December of 2004. This significant increase in cost is mainly due to an upward adjustment in the cost of rent for a basic three-bedroom house in the city. The JCTR's *Basic Needs Basket* demonstrates the extreme shortage of affordable housing that exists across many urban areas particularly in Lusaka. Does the 2005 budget outline a plan to assure that Zambians can afford their basic human right to adequate housing?

It is important to realize that at all time education and health should be the primary consideration in investment in human capital. Unfortunately, the current situation obtaining in the country with regard to education is not assuring Zambia's development. Our country's efforts as seen in the 2005 national budget are more of a strategy to deal with a backlog of problems of the education sector than advancements in terms of quality, promoting enrolment, etc.

In conclusion, the 2005 national budget makes an effort to address some negative off-shoots of failed economic measures in the past, including the imposed wage and recruitment freeze that affected critical areas of staff needed for achieving development. However, the budget lacks a holistic, decisive strategy within each sector to empower the nation to move beyond the status quo of unemployment and poverty. *In the present context, Zambia desperately needs a budget that not only refrains from negatively impacting the people, but outlines a bold strategy to immediately address inadequacies in the social sector.*

"The 1998 African Development Report," says Muweme Muweme of the JCTR, "reminds us of the above fundamental principal particularly as we continue to discuss the processes of making our economy grow in GDP terms. The Report stated: 'Once a generation of children is exposed to life without adequate health and nutrition or school, there is little that can be done during their adulthood to reverse the damage. For these reasons, investment in human capital cannot be put off until economic conditions are better.' Unfortunately, there are many of Zambia's children who are in an irreversible state of damage!"

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