Jesuit Centre for Theological Reflection
JCTR
Promoting Faith and Justice

JESUIT CENTRE FOR THEOLOGICAL REFLECTION
3813 Martin Mwamba Road, Olympia Park
P.O Box 37774, 10101 Lusaka, Zambia
Email: jctr@jesuits.org.zm
www.jctr.org.zm
Tel: +260 211 290410 | **Fax:** +260 211 290759

2020 National Budget Doesn't Offer Much Relief to Ordinary Citizens

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Lusaka: On Friday, 27th September 2019, Finance Minister, Dr. Bwalya Ng'andu presented the 2020 National Budget under the theme "Focusing National Priorities towards Stimulating the Domestic Economy". As in the Presidential address, a fortnight ago, the Minister did acknowledge that the country's economy was at a low, expected to grow at only 2% by December 2019, half the projected growth of 4%. The situation calls for much concern when compared to a growth of 6 – 7% the country enjoyed when the Patriotic Front (PF) Party took over government.

In 2020, government has targeted a growth of 3%. This simply means that the current hardships majority citizens are facing will continue. Challenges such as lack of access to basic nutritious food, limited employment opportunities, inadequate income, and limited access to quality health care and safe drinking water will remain unaddressed. There are however, some progressive measures that government needs to be commended for, in the 2020 national budget. The decision to increase allocation to social protection from K2.18 billion in 2019 to K2.6 billion is commendable. If the funds are made available and prudently utilized, this support will bring some relief to the targeted beneficiaries. The decision has enabled vital components such as the social cash transfer (SCT) receiving increased attention. In 2019, government had reduced the allocation to SCT to K699 million from K721 million in 2018. But in 2020, the allocation to SCT has seen a significant increase to K1 billion. An allocation of K1 billion has also been made to off-set retirees' arrears.

Government's decision to increase attention to off-set debt it owes to local suppliers of goods and services is also commendable. With an allocation of K2.3 billion made to this cause compared to that of K437 million budgeted in 2019, this is money if timely released has potential to ignite business activity and innovation in the economy, thereby contributing to economic growth and widening employment opportunities, especially for the youth. Further, at the time when there is a push to increase domestic resource mobilisation, a decision to maintain the Value Added Tax (VAT) system is welcomed as opposed to effecting change to sales tax, a system which had been viewed by many as not appropriate. All government needs to do now is to prioritize fixing loopholes that have been leading to alleged cheating and reduced compliance towards VAT, and this needs to be addressed as a matter of urgency. We further applaud government for maintaining a sliding mineral royalty tax and its accompanying increases effected in 2019, on minerals such as copper and cobalt.

However, we have noted that government still faces challenge with regards to the widening of the domestic tax base. Government needs to consider inclusion of vibrant areas of the economy that have previously been inadequately taxed. For example, there should be a clear criteria to include some informal sector businesses in the domestic tax base in order to provide some relief to citizens in the formal sector who have carried the heavy tax burden for a long time, especially those currently earning between K3, 301 and K4, 000. We are disheartened that government has opted to maintain the non-taxable income threshold at K3, 300 despite statistics such as Central Statistics Office (CSO)'s monthly bulletin and Jesuit Centre for Theological Reflection (JCTR)'s Basic Needs and Nutrition Basket demonstrating that cost of living has significantly increased in the recent past. The CSO's measured inflation rate hit a record high of 10.5% in September 2019. Whilst the JCTR's Basic Needs and Nutrition Basket averaged K6, 200 in August 2019.

On the debt problem, there is nothing new. Government has made pronouncements to slow down or in some instances halt debt contraction as well as seek to pursue debt refinancing options. These pronouncements have been made before but we are still in the same situation. JCTR is of the view that a comprehensive approach is required to strengthen legislative oversight in public debt contraction and management. One such approach is to undertake the long awaited revision of the Loans and Guarantees Act to enable the Minister of Finance to table before parliament the justification for contracting debts.

In 2020 government plans to carry out a number of projects to promote water harvesting and irrigation initiatives. These are however insufficient, especially in the Southern part of the country, which in recent farming seasons, has greatly been hit by drought. Over 50% of the Zambian population is rural based and largely depend on agriculture. This calls for a serious government commitment to agriculture, in areas such as water harvesting, irrigation, diversified crop production that includes drought resistant crops and a well organised marketing system. We believe that these measures have potential to drastically contribute to poverty reduction. .

The reduction in the allocation to the education sector is of concern, both in nominal terms and as a percentage share of the total budget. Compared to K13.3 billion (15.3%) of K86.8 billion in 2019, government has allocated to the sector K13.1 billion (12.4%) of the total budget of K106 billion in 2020. To make matters worse, the decrease in allocation is happening at a time when government within 2019, slashed fees by half at secondary school level in public schools and is emphasizing free primary school education. The reduction in allocation will definitely negatively affect government support to schools in areas such as infrastructure, equipment, and teaching and learning materials. In the case of the health sector, though there was reduction in the percentage share of the total budget in 2020 compared to 2019, there was an increase in nominal amounts. The allocation in 2020 is K9.4 billion compared to K8.1 billion in 2019. However, despite this increase, allocation to essential areas such as drugs and equipment has remained low. In 2019, government reduced allocation to drugs from K1.2 billion in 2018 to K900 million. Despite persistent shortages of essential drugs in most health facilities, especially in rural areas, government in 2020 has still made the same allocation of K900 million.

Surprising though, is that despite Zambia enjoying reasonable peace and not at risk of civil strife, allocation to areas like defense and public order and safety, have continued to receive maximum special attention. In 2020, Defence has been allocated 6.2% compared to 5.8% as a percentage share of the total budget. Whilst public order and safety has been allocated 3.8% in 2020 compared to 3.3% in 2019 as a percentage share of the total budget.

An allocation of K1.1 billion has been made for investment in the energy power infrastructure to diversify and boost the electricity generation capacity. This is a positive move. However, we implore government to provide clear direction on how it plans to roll out diversification in the energy sector, and the sustainability of the new direction initiatives. We can and need to learn from countries like Kenya, a country currently leading in energy diversification in Africa.

Although there are positive elements in the 2020 National Budget, JCTR is of the view that this budget as expressed earlier does not offer much relief to ordinary citizens who are struggling to survive due to bad the combination of limited sources of income and high cost of living. The budget might be good for the business sector but an opportunity has again been missed to address the plight of the majority of the Zambians, especially the poor, whose hardships are projected to continue.

About JCTR: *The Jesuit Centre for Theological Reflection (JCTR), a faith based organization which operates to translate into action Christian principles and values in its quest to promote social justice in Zambia. It provides from a faith inspired perspective, a critical understanding of current social, political and economic issues and generates action to address them. The Centre engages in research, advocacy, education and consultant on key social issues like cost of living, social implications of debt servicing, accessibility of healthcare and education, and integrity of local democracy.*

For further information, please contact **Alice Mapulanga**, JCTR Media and Information Officer, at **jctr.info@gmail.com (0954-755-319**) or **Mr. Innocent Ndashe,** Programme Manager – Social and Economic Development Programme at **jctr.sed@gmail.com (0977-695-831)**.

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