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**JCTR Press Statement on the Executive Budget Proposal for the Fiscal Year 2015**

The Jesuit Centre for Theological Reflection is pleased with the overall outlay of the 2015 Executive Budget Proposal as delivered to the National Assembly on Friday 10th October 2014 by the Minister of Finance Hon. Alexander Chikwanda. In particular the desire to fund 75 percent of the K46.7 billion from domestic revenues is impressive. Further, the budget theme of “Celebrating our Golden Jubilee as One Zambia One Nation by Making Economic Independence a Reality for All” appears opportune to the current course of our national history. Compared to this year’s initial budget estimate of K42.7 billion the proposed budget for the fiscal year 2015 amounting to K46.7 billion reflects an increase in the estimates of 9.3 percent equivalent to K4 billion.

The JCTR is of the opinion that there is general good will and fair understanding among government technocrats regarding the development priorities of the nation as spelt out in the 2015 National Budget. Yet reality has shown that due diligence is not given to the implementation of the budget. For example if we measure the performance of the 2014 budget against the four main functions of a national budget, namely the allocative, distributive, stabilization and developmental functions one notes that relative success was only scored in one area namely infrastructure development which is essentially a development function. In a sense the 2014 budget has performed meagerly in the allocative, distributive and stabilization functions. In allocations, on account of irregularity of funding and funding disparities in which sectors, institutions and provinces are experiencing funding gaps during budget implementation. Some local authorities and education institutions to-date are still lagging behind in receipt of their general support grants. We have rural schools in which teachers are subsidizing schools by contributing money from their salaries to buy chalk which ordinarily is supposed to be procured by government.

On the stabilization function, the 2014 budget failed to measure up to this standard. Wage and recruitment freeze, rising cost of living, increasing inflation from 7.0 percent in September 2013 to 7.8 per cent in September 2014. Interest rates rose from 16.4 per cent in January to 19.7 per cent in August 2014. Regarding the distributive function, we note with concern rising inequality in Zambia. The major reason why economic growth in Zambia, averaging 6.0% percent annually, has not translated into pragmatic poverty reduction is on account of inequality. Poverty levels in rural Zambia average 77 per cent while urban poverty is estimated at 23 percent. The kwacha tumbled during the first and second quarters of the year against major currencies, for example the exchange rate of the Zambian Kwacha to the US dollar depreciated from K5.53 in January 2014 to K7 in May and later to K6.61 in June 2014. Regarding revenues and expenditure performance the status quo by mid-year was such that by June 2014 total revenue and grants to the government were estimated at K31.62 billion and yet total expenditure outturn by June 2014 was estimated at K41. 29 billion reflecting a deficit of K9.67 billion.

Focusing on the 2015 fiscal year we appeal for strict avoidance of funding delays and funding gaps. We should avoid situations where funds released for implementation of activities in Provinces and Spending Agencies are marooned at ministerial offices in Lusaka on account of inertia in public officers.

The allocation to the constitution making process amounting to K29.3 million is indicative that the government has no desire to complete this exercise before the 2016 General Elections. In a sense it reflects the Patriotic Front’s conscious wish to go into the 2016 elections with the subsisting constitution under the misconception of the assumption that the current constitution is politically favorable and expedient. The reality is that the PF’s predecessors made similar and all too easy assumptions which resulted into the PF winning the 2011 elections. There is an invaluable lesson to be learnt on score!

We urge policy formulators, advisors and implementers alike to address the challenges affecting public service delivery in education, health and water and sanitation sectors. As JCTR we are concerned that nearly all the districts, cities and municipalities in Zambia are experiencing erratic water supplies. Unfortunately the situation has become a norm rather than an exception. We recommend forward thinking on this matter by way of a pragmatic intervention to address the looming crisis of water supply in the wake of rapid population and city growth in Zambia. We cannot afford to leave this issue to chance. We therefore appeal that as part and parcel of national infrastructure investment plan, expansion and improvement of water supply and quality be prioritized.

JCTR has observed that the greatest weakest in national budget formulation in Zambia has been the lack of realism in this important national process. This is evidenced from the differences between forecasts and attendant outturns. The Minister of Finance seemed pleased that inflation has remained within single digit during fiscal year 2014 yet the truth is that the country has challenges in containing rising inflation. Further, the Minister alluded to the fact that macroeconomic forecasts regarding year end inflation in 2015 is envisaged to be under 7.0 Percent, a little higher than last year’s estimate of 6.5 percent. Yet the Minister is well aware that given the current levels of inflation for September 2014 being officially reported to be at 7.8 Per cent and add to this the reality that the Patriotic Front Government by default pursues fiscal expansionary policies the estimate should have been higher than the stated figure.

Lacking in the Minister’s speech is a debt sustainability strategy. The Minister of Finance did not adequately enlighten the nation on how the country will handle soaring debt levels on account of government’s high appetite for commercial loans to address fiscal deficits. The Minister of Finance while announcing the Executive proposal affirmed that Zambia’s external debt was at US $4.7 billion while domestic debt is at K21.9 billion. Although he has consistently assured the nation that debt contraction is within the country’s debt sustainability levels we are of the view that the Minister is taking an over-simplified approach over the matter. For the PF the self-reinforcing appetite to contract debt through the commercial is merely an expedient avenue for avoiding the pain-staking work of undertaking local revenue mobilization through informal sector taxation and sealing mining revenue hemorrhage. Unfortunately this will certainly bear grave future socio-economic repercussions. We are of the view that the socio-economic policy objectives for 2015 which include raising domestic revenue collections to at least 18.5 percent of GDP is too modest and must be revised upwards in view of the recent information that Zambia’s GDP is 25% larger than previous figures had indicated.

In conclusion we commend our technocrats for the 2015 budget proposal. However, we wish to add three operating fundamentals to successfully executing the 2015 budget proposal; primary attention to fiscal prudence must be adhered to at all times. Secondly policy consistency and focus and thirdly broad policy consultations on high risk national issues which captures the policy opinions of major stakeholders including the ones government is averse to. If need be to update the nation on mid-year budget performance Reviews and Reports. However, whether the 2015 Budget Proposal will reasonably attain the allocative, distributive, stabilization and development functions only the ensuing socio-economic environment in 2016 will attest.

**For more information, contact the Social and Economic Development Programme of**

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