

**JCTR/CSPR AND CCJDP BUDGET WORKSHOP FOR MEMBERS OF PARLIAMENT
WHOSE THEME IS “TOWARDS A DEVELOPMENT- ORIENTED BUDGET” AT
MULUNGUSHI CONFERENCE CENTRE; 24TH FEBRUARY 2007.**

CIVIL SOCIETY REMARKS PRESENTED BY MR. EMMANUEL MALI – CCJDP

**The Honourable Chairperson
Honourable Members of Parliament
Cooperating Partners
Representatives from the Private Sector and Unions
Fellow Civil Society Representatives
Distinguished guest
Ladies and Gentlemen**

On behalf of the Civil Society Organizations, I am privileged to present the Civil Society 2007 National Budget consolidated analysis at this momentous occasion. Our input this morning starts by reviewing the 2006 National Budget whose theme was “From sacrifice to equitable wealth creation” and also looks at how it ties up to the 2007 budget whose theme is “From Stability to improved Service Delivery”. Allow me to mention that this Civil Society 2007 National Budget analysis is a consolidated of analysis by Civil Society For Poverty Reduction (CSPR), Jesuit Centre Theological Reflection (JCTR) and Catholic Commission for Justice Development and Peace (CCJDP)

Allow me, Honourable Chairperson, to commend government for the positive macroeconomic indicators achieved in 2006, including the upward GDP growth rate of 5.8% (though short of the 2006 target of 6%); single digit end year inflation of 8.2% compared to the previous year’s end year inflation of 15.9%; and the within target domestic borrowing of 1.5% of GDP.

Honourable Chairperson, as civil society, we ask, has this macroeconomic stability been accompanied by institutional arrangements and other sets of policies that foster sustainable human development and the promotion of the dignity of a person. Your guess on this is as good as mine. No.

Honourable Chairperson, in spite of this macroeconomic stability occurring, the public service delivery system still leaves a lot to be desired. Most people in society are still enduring very high poverty levels. We are aware that 65 percent elderly, women and children in Zambia are still living in abject poverty. This situation is being compounded by the HIV and AIDS pandemic that has created tens of thousands of armies of orphaned and vulnerable children. We urge the government of Zambia to urgently address the economic problems still being experienced by the majority of the Zambian people. A close look at the state of the social infrastructure in both the urban and rural areas reveals a grey picture of the prevailing Socio-economic situation in Zambia.

It is painful to mention that last year did not see Agriculture, Tourism, and Manufacturing grow significantly level to enable them contributing to Gross Domestic Product. These sectors displayed a worrying trend in growth where for instance, growth in the agricultural sector despite the good harvest, was less than 4% and manufacturing was just over 3%. However, we registered a growth rate of 5.8%. But has this growth made a significant dent on poverty and overall quality of life in the country? The answer is a definite no and so the question is why?

Honourable Chairperson, It is evident that this economic growth is unfortunately not accompanied by real job creation; what we have is kind of jobless or job-shedding growth. What this country needs is a strategy to address issues of equity and economic empowerment among its people. Wouldn't it be nice if Zambia started pursuing a poverty reducing growth model rather than an economic growth model?

Honourable Chairperson, turning to this year's theme, which states: "From stability to improved service delivery" it is very appropriate as it underscores what Civil Society has been calling for in the last decade that macroeconomic stability is not an end in itself, but a means to an end. Improved service delivery focuses attention on the fight against poverty. Improved service delivery is a cornerstone for poverty reduction. It focuses on access to affordable quality education, health, water and improved infrastructure. A question is raised, in terms of allocations, is our social sector in a position to deliver improved services?

Honourable Chairperson, we have observed that the allocations to the two critical social sectors in poverty reduction, education and health have not seen significant increases relative to last year. In fact, as percentages of the total budget, allocations to the Health Ministry have reduced by 0.21% from the 2006 budget while allocations to the Ministry of Education have only increased by 1.29%. Both of these allocations are lower than the 2007-2009 MTEF and FNDP projections.

Honourable Chairperson, the Health sector cannot deliver improved service because of inadequate staff (due to brain drain and HIV/AIDS impact), inadequate drugs, dilapidated infrastructure, obsolete equipment and long distance to health centres.

We have observed that the allocation for this year and like that of last year and the year before in the health sector have all being below the Abuja declaration, which states that nations should allocate up to 15 percent of their national budgets for health. We know that this target cannot be achieved overnight; however, efforts to achieve this should be incremental.

In the Education Ministry, Honourable Chairperson, we see a similar trend. The allocations to the Ministry of Education have only increased by 1.29%. Several questions come to mind when we look at the allocation to education; like: - What are the proportions actually spent on recruitment, rehabilitation and construction, how many schools are we talking about? How sustainable is the teacher retention program? In what ways is industry directing education in terms of what expertise needs to be built to drive industrialization and the economy in general?

We appreciate government's intention of recruiting additional staff in the sector. The Challenge, however, is how to retain critical personnel. We wonder in what way the sector will deliver improved service with inadequate funding. We ask what strategy government has to retain critical front line service deliverers in education and health?

Honourable Chairperson, we strongly commend government for allocating 2.9% of the 2007 national budget to social protection compared to 0.4 % in 2006. However, this increase is misleading since it encompasses K266 billion for pension arrears, which should have been classified under domestic debt.

As Civil Society, we have observed that 2007 National Budget is neither gender nor child responsive; it does not offer an effective path through which the various issues affecting

women and children including street children can be addressed. This can be seen from the inadequate budgetary allocations to activities related to issues of women, children and young people.

Honourable Chairperson, while noting the government promise to exercise strong control on its expenditures by reducing non-priority expenditures, the civil society questions the convergence in the definition of 'priority' and 'non-priority' expenditures in and outside the political realms. We have observed with dismay that most of the 2007 National Budget PRP are de-link with the immediate welfare of the poor. We therefore, Honourable chairperson, ask government to clearly define and classify what constitutes Poverty Reducing Programmes (PRPs).

Honourable Chairperson, the civil society is concerned with the rate at which the implementation of the decentralization process is going. It is very evident that government is dragging its feet in creating the appropriate capacities to enable speedy and effective decentralization. This is feasibly seen in the allocation of K102 billion. We wonder as civil society what delivery of services will be improved in the peri-urban areas where roads are in a deplorable state, lack of clean water and dilapidated sewage facilities coupled with huge heaps of uncollected garbage.

We further urge government to actually put in place a mechanism for involvement of civil society in the implementation of the decentralization process as outlined in the Implementation Plan, including disbursements of the funds to civil society for this purpose.

The 2007 Revenue Measures, Honourable Chairperson, quick glance at last years budget performance reveal that "there were revenue shortfalls, which negatively affected budget execution". According to preliminary total revenue, receipts amounted to K8, 240.9 billion, which was 8.4 percent below the budget estimate. What does this tell us about our resource mobilisation strategies? So then propose a K12 trillion-plus budget for 2007 it may after all not be raised in its full total and hence some programmes will not be done.

Honourable Chairperson, the 2007 budget intends to collect more revenue from workers relative to the corporate bodies' i.e.17.3 percent of the total revenues will come from pay as you earn—PAYE while 7.7 percent will come from company taxes. Clearly, although the Government has revised upwards the tax exempt threshold from K320, 000 to K500, 000 per month, it is a step in the right direction but the relief is limited especially in the face of the rising cost of living in the nation.

As Civil Society, we feel that there is great need to review the current level of 17.5 % Value Added Tax (VAT), our goal as a nation should be the enhancement of people's purchasing power through higher disposable incomes by refusing to reduce VAT, government is not send right signals when it comes to reducing the cost of doing business. Honourable Chairperson, VAT tends to hurt the poor most because they spend nearly 80 % of their income on consumption goods and services such as food, transport, housing, water, etc

The elimination of the K200 million thresholds for VAT is a welcome move as it will alleviate the unfair playing field small scale businesses have faced. Efforts to reduce arbitrariness and ambiguities in tax administration are welcome as they will reduce corruption. The reduction of input tax on petrol is a welcome move as it will reduce production and transport costs.

We appreciate the measures proposed to broaden the tax base and encourage government to expand the Informal Sector tax and consider introducing and revising other corporate taxes, to give relief to the burden of the workers. The slapping of a 5 % tax on clear beer and cigarettes is a welcome development and it will not only improve the government's revenue position but also social wellbeing.

The Civil Society strongly commends the government for its pronouncement to renegotiate the mineral royalties upwards from the current 0.6 % to 3 %. There is need to revisit the development agreements from the perspective of the Zambian people rather than from that of the companies and make them the development agreement public. In revisiting these agreements, the government must work closely with all stakeholders. We also urge government to build capacity in its negotiating skills to guarantee favourable outcomes.

Honourable Chairperson, allow us to express our disappointment at the failure by government to speed up the implementation of the loan contraction and debt management reforms. The reform will ensure that the establishment of appropriate transparency and accountability measures is achieved. These include parliamentary scrutiny and approval for future loans as well as a parliamentary determination of ceiling for annual borrowings.

Before, I leave the platform, Honourable Chairperson; allow me to say on behalf of the Civil Society, few words on the Multi- Facility Economic Zone (MFEZ) and on the allocation to the Ministry of Commerce, Trade and Industry (MCTI);

Multi- Facility Economic Zone (MFEZ); While the idea is good, it is important that the legal framework provided does not disadvantage others who are not operating in the same zone but producing similar goods and does not compromise labour and environmental standards. What principal products will be produced in the already identified MFEZ? What type of skills will they demand? It is important that the products are identified, levels of value addition determined and linkages to other economic actors, even producers and businesses at different levels of production chains outside the MFEZ established. The MFEZ activities should be led by information of economic activities in Zambia. The processing initiatives should seek to further develop quality and create market opportunities for local products. We also wonder as Civil Society the extent the ministry of education and science and technology are ready to meet the demands of skills in the MFEZs?

We have noted with dismay that the budget allocation to the Ministry of Commerce, Trade and Industry (MCTI) is only 0.6% of the total budget. We are aware of government's intention of promoting an export led growth, which we must say is a good thing but this depends on the way our trade, commerce and industry is organized. Honorable Chairperson, It is difficult to see how trade will contribute meaningfully to economic growth and poverty reduction if allocations remain below 1 %.

In concluding, Honourable Chairperson, allow me to call upon all stakeholders to be vigilant and demand that programmes are duly implemented. We also call on you Honourable Members of Parliament to seriously provide oversight controls in the budget execution.

With the recent revelations in the Auditor General's report about the K36 billion of public resources that corruptly went into a few personal accounts in the civil service, the Government has a mammoth task to repair its image in the public eye. As civil society, we feel that allocations should be made and money be spent in such a way that value for money is

maximized and wastage minimized. It is not enough to note that some money went “missing”—some sanctions must be imposed on the culprits!

We, however, commend the government for the Public Expenditure Management and Financial Accounting (PEMFA) reforms and other expenditure reforms that are taking place. The government could do even better in 2007 by plugging the holes of corruption in public offices in order to minimise financial wastage in the national budget. We also want to urge Government to make the budgetary process more transparent and inclusive especially at the provincial and district levels for better outcomes.

To this end call on government to formalize civil society engagement in the national budget process to enable it effectively and meaningfully input in the national budget formulation, monitoring and implementation levels.

Honourable Chairperson; I Thank you