

SOCIAL PROTECTION BUDGET BRIEF

SCALING UP SOCIAL PROTECTION TO IMPROVE LIVES AND LIVELIHOODS

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2023



KEY MESSAGES AND RECOMMENDATIONS

1

In order to safeguard lives and livelihoods of the poor and vulnerable, the Government of the Republic of Zambia increased budget allocations to Social Protection in 2023 by 28.6 percent, as well as scaled up coverage to over 1 million with a benefit package of K200 per beneficiary per month. This reflects a commitment towards social protection programmes.

RECOMMENDATION:

The Government should continue the current positive trend of increased resource allocation to Social Protection, ensuring programme expansion to adequately cover pregnant women, infants, school-going children, persons with disabilities as well as youths and adults in the working-age population. Presently, these groups are not adequately covered by the existing social protection programmes.

2

The Government has improved execution rates for social protection budgets in the last two years to average 98 percent. This ensures adequate funding to safeguard the lives and livelihoods of the most vulnerable population groups. However, given that spending remains below benchmark spending on social protection (1.5 percent of GDP), more needs to be done.

RECOMMENDATION:

Cooperating partners continue to play a significant role in bridging the financing gap. However, to supplement this important source, the Government needs to explore more financing options such as from the private sector and public-private partnerships.

3

A big part of the K2.4 billion allocation to the Public Service Pension Fund is meant for the dismantling of arrears. While this is welcome, it does not eliminate the fiscal costs emanating from the design of the scheme.

RECOMMENDATION:

The two-thirds lumpsum payment which generates unsustainable outlays for the scheme needs to be revised. The proposed reforms, which will enable retirees to access accrued benefits before retirement, will help in this regard.

4

Due to inflation, current transfer values may not be adequate to reduce poverty. However, timely data for effective policy and decision making remains a big challenge. There has not been a nationally representative survey for monitoring poverty and other living conditions since the 2015 Living Conditions Monitoring Survey (LCMS). This dearth of evidence makes it challenging to assess the efficiency and effectiveness of the social protection interventions that have been put in place over the last few years.

RECOMMENDATION:

The Government, through the Zambia Statistics Agency, needs to conduct more frequent and regular household surveys such as the Living Conditions Monitoring Survey, which will help determine, in a timely fashion, if the interventions put in place are achieving the intended results and the actual financing needs required.





INTRODUCTION

This Social Protection Budget Brief explores the extent to which the Government of the Republic of Zambia (GRZ) will financially support the social protection needs of the country in 2023. The brief analyses the size and composition of budget allocations to the social protection sector for the fiscal year 2023, as well as spending trends for the past few years in order to inform policy, strategies and legislation to tackle social protection challenges compounded by the COVID-19 pandemic.

Social protection programmes are implemented by several line ministries and agencies. Among the line ministries implementing social protection programmes are the Ministry of Community Development and Social Services; Ministry of Labour and Social Security; Ministry of Education; Ministry of Agriculture; and Ministry of Health.

However, the Ministry of Finance and National Planning's budget classification of social protection is narrower than that in the National Social Protection Policy. This brief uses the narrower scope of social protection as defined by the Ministry of Finance which notably excludes the Farmer Input Support Programme (FISP), the National Pension Scheme Authority and the National Health Insurance Scheme. The three main social protection programmes reported in the government budget speeches are Social Cash Transfer (social assistance pillar), Public Service Pension Fund (Social Insurance) and the Food Security Pack (Livelihood and Empowerment pillar).



OVERVIEW OF THE SOCIAL PROTECTION SECTOR

SOCIAL PROTECTION POLICIES, STRATEGIES AND PROGRAMMES

The right to social protection is enshrined in the Bill of Rights of the Constitution of Zambia and is also part of the country's long-term Vision 2030 which envisages "a nation that promotes and provides sustainable security against deprivation and extreme vulnerability". The Vision is operationalised through five-year national development plans, medium-term budget plans and annual budgets.

As part of the strategic development pillar on human and social development of the Eighth National Development Plan (8NDP), the Government intends to reduce poverty, vulnerability and inequalities.

To do this, the Government will, among other interventions, focus on improving coordination of social protection programmes; enhancing the welfare and livelihoods of poor and vulnerable people; reducing developmental inequalities and vulnerability; extending social security coverage; and enhancing multi-sectoral disaster management (Figure 1).

FIGURE 1: KEY SOCIAL PROTECTION STRATEGIC AREAS AND INTERVENTIONS



Source: Elaborated from 8NDP report

Improve coordination of social protection programmes. The Government will review and harmonise all social protection-related legislation and domesticate international and regional social protection agreements. Further, to assist in planning, policy formulation and eliminate duplication in social protection programmes, the Zambia Integrated Social Protection Information System (ZISPIS) will be fully utilised. The pensions system will also be reformed to inter alia, increase coverage, enhance its effectiveness as a social safety net and make it financially sustainable.

Enhance welfare and livelihoods of poor and vulnerable people. The Government intends to scale up key social protection programmes which include the flagship Social Cash Transfer (SCT) scheme; Home-Grown School Feeding Programme; Food Security Pack (FSP); and Keeping Girls in School (KGS). Further, through the 'Cash Plus' agenda, SCT beneficiaries will be allowed to access programmes such as the Food Security Pack, livelihood schemes and human capital investments (nutrition, early childhood development, primary and secondary education and skills development). Through the Constituency Development Fund (CDF), livelihood and empowerment schemes have been decentralised to the community level to ensure provision of resources directly to constituencies and wards, with particular focus on women and youth. The Government will also prioritise interventions to tackle gender-based violence, teenage pregnancies, child abuse and violence against the vulnerable such as the aged, persons with disabilities, including those with psychosocial disabilities. Concerted efforts will be made towards child protection and ending child marriage, as well as measures to rehabilitate and reintegrate street children. These and other interventions will contribute to the reduction of poverty levels to 45 percent by 2026 from 54 percent in 2015. Multidimensional poverty is targeted to reduce to 38 percent by 2026 from 44 percent in 2018.

Reduce developmental inequalities. In an effort to reduce developmental disparities, the Government will implement interventions to address gender inequality, as well as income and spatial inequalities. Interventions to promote gender equality will address issues related to the participation of women in decision-making positions at all levels of governance and sustaining and improving gender parity in education. To address income inequalities, livelihood and empowerment programmes will be enhanced to positively impact on incomes, while infrastructure development will be undertaken in different sectors to address rural-urban disparities. This will include accelerating programmes on rural electrification, rural access roads and enhancing access to other basic services. Other measures that will be implemented in the 8NDP such as decentralisation and enforcement of the rule of law will also contribute to reducing developmental inequalities. These interventions will contribute to a reduction in the income inequality with the Gini coefficient decreasing to at least 0.54 in 2026 from 0.69 in 2015.

Increase access to decent and affordable housing. To increase access to decent and affordable housing for all, during the 8NDP period, the Government will facilitate the provision of affordable housing finance, provide incentives for the private sector participation and promote investments in research on alternative building materials and technologies. The housing deficit is expected to reduce from 1,539,000 to 1,378,000 housing units by 2026.

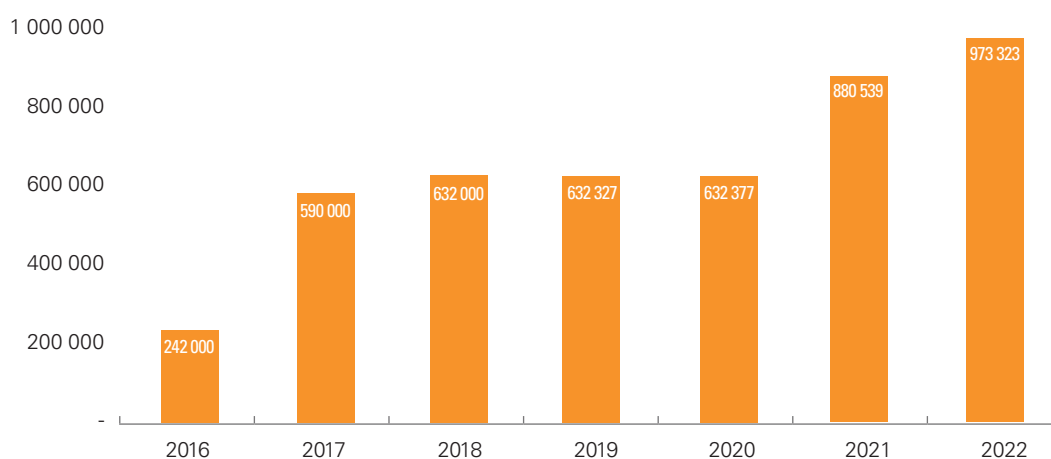
Enhance multi-sectoral disaster risk management. The Government will enhance the deliberate collaboration between stakeholders from multiple and diverse sectors and disciplines working towards the shared goal of enhanced emergency preparedness for disasters and climate risks by leveraging knowledge, expertise, strengths, reach and resources.

PERFORMANCE OF THE SOCIAL PROTECTION SECTOR

SOCIAL CASH TRANSFER

Transfer amounts for the Social Cash Transfer scheme have been repeatedly increased after periods of stagnation. This is important in helping beneficiaries to overcome the impact of the pandemic and the rising cost of living. Between 2014 and 2020, the transfer amount had only been revised twice. However, the transfer amount has now been revised three times in between 2021 and 2022. In the 2021 Budget, a monthly transfer amount of K110 was approved. This was later revised to K150. The 2022 Budget increased the transfer amount to K200. For persons with disabilities, the amount has increased to K400. These amounts are paid bi-monthly. The number of beneficiaries has also been on the increase and is expected to reach 1,374,500 in 2023 (Figure 2). However, given increasing inflationary pressures and lack of recent poverty depth data due to delayed household surveys, even the increased amounts may be inadequate to effectively reduce poverty levels.

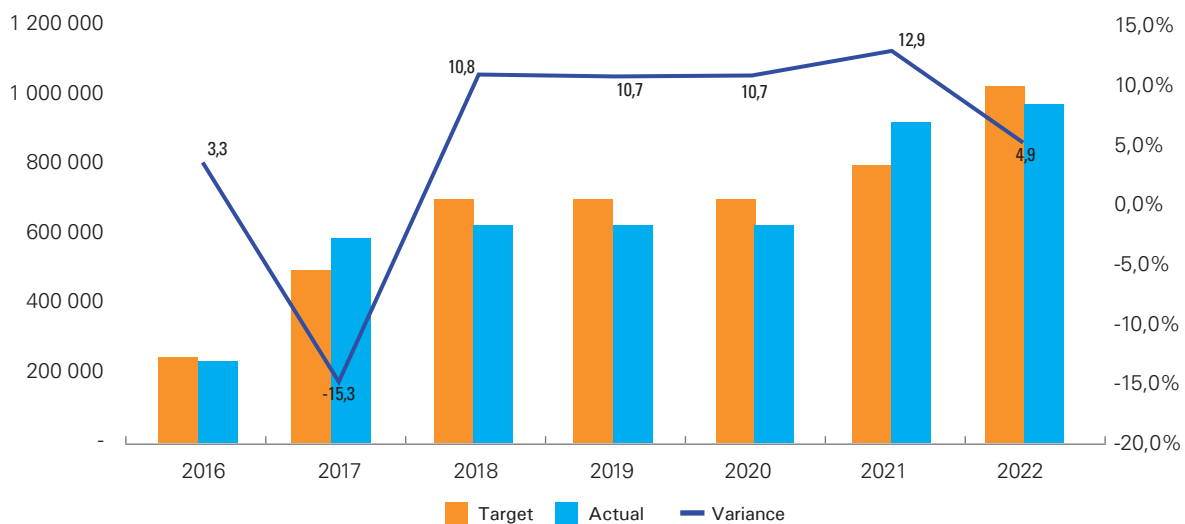
FIGURE 2: TRANSFER AMOUNTS AND NUMBER OF SOCIAL CASH TRANSFER BENEFICIARIES, 2016-2022



Source: Constructed from data from the Ministry of Community Development & Social Services

The identification and inclusion of additional beneficiaries has proved challenging as the target has only been met once in the last six years. During the period 2019-2022, on average 10 percent of the targeted beneficiaries in that particular year were not included on the programme. This was mainly on account of administrative challenges related to the identification of new beneficiaries that entails physically identifying vulnerable households in target areas. Figure 3 shows the actual beneficiaries of the Social Cash Transfer scheme against the set targets.

FIGURE 3: TARGET VS ACTUAL SOCIAL CASH TRANSFER BENEFICIARIES 2016-2022

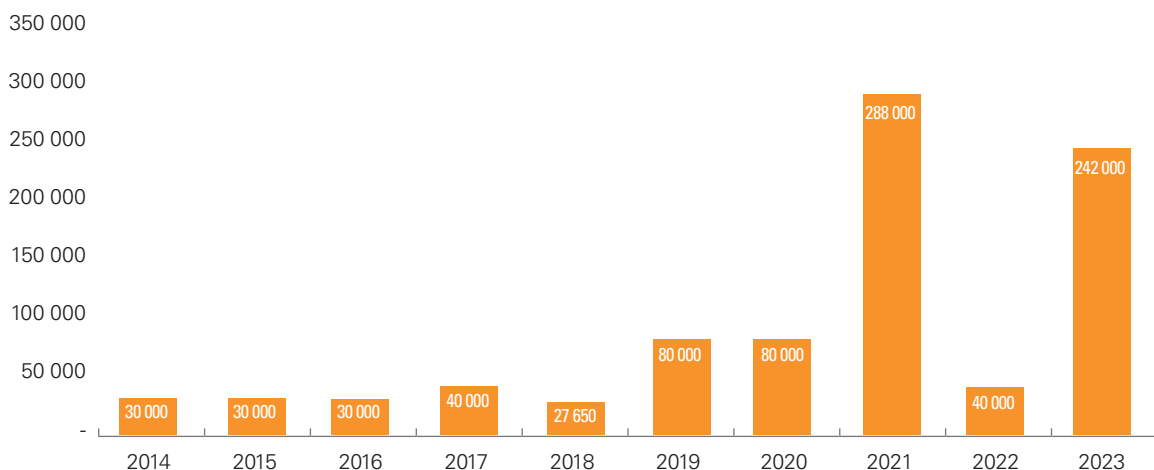


Source: Constructed from data from the Ministry of Community Development & Social Services

FOOD SECURITY PACK

The Food Security Pack (FSP) targets poor and vulnerable but viable farming households, especially female-headed households, with agricultural inputs and related social services to ensure household food security and nutrition at household and community level. When the programme was designed in 2000, FSP was meant to assist 200,000 households, covering about 20 percent of the vulnerable but viable small-scale farmers in the then 72 districts of Zambia¹. The project beneficiaries only increased to over 200,000 households after over 20 years of implementation in 2021. Clearly, the caseload has not allowed the programme to have a significant impact on food security at the national level.

FIGURE 4: NUMBER OF BENEFICIARIES FOR THE FOOD SECURITY PACK, 2014-2023



Source: Constructed from data from the Ministry of Community Development & Social Services

¹ UNICEF/World Bank (2021) Republic of Zambia – Social Protection and Jobs Public Expenditure Review 2021

KEEPING GIRLS IN SCHOOL

The Keeping Girls in School (KGS) initiative is a bursary scheme aimed at increasing access to secondary education for adolescent girls in Social Cash Transfer households. Bursaries are provided for the entire duration of secondary school (up to five years) for adolescent girls. The programme commenced in 2017 with 14,000 beneficiaries in 16 districts. As of 2020, KGS was operational in 29 districts, covering over 28,000 adolescent girls. This was scaled up to 28,964 girls in 2021 and expanded to 43,520 girls in 2022. Among those offered KGS bursaries, uptake averaged 60 percent during 2017-19. The low uptake is attributed to, among other things, operational challenges in reaching out-of-school girls through community structures and a high rate of pregnancies².

HOME-GROWN SCHOOL MEALS PROGRAMME

The Home-Grown School Meals (HGSM) programme provides one hot meal per day to every child enrolled in pre-primary and primary schools in 38 of the 116 districts. It covers over 1 million learners in over 2,800 schools in these districts, accounting for about a quarter of all children enrolled in pre-primary and primary schools in Zambia. A cost analysis determined that each child should be allocated US\$15 per annum, translating to about K300 million in 2021. However, the funding to the programme is about one-tenth of the ideal funding. Further, the disruption of the school calendar due to the COVID-19 pandemic deprived the learners of the much-needed nutrients.

SOCIAL PROTECTION AND COVID-19

Social Protection works and is key in cushioning the impact of the pandemic. A study conducted by UNUWIDER in 2021 showed that poverty and inequality increased as a result of the pandemic. The provision of emergency cash transfers to vulnerable households offered some protection. The COVID-19 Emergency Cash Transfer which was implemented by GRZ with support from the UN system provided households already receiving SCT with a top-up of K400 per month for a period of six months. The study found that although actual headcount poverty worsened by 2.2 percent, without the intervention, poverty could have worsened by as much as 3 percent.³



- The scaling up of funding to key social protection programmes such as Social Cash Transfer, Keeping Girls in School (KGS) and the Food Security Pack (FSP) safeguards the most vulnerable groups from the adverse effects of the economic slowdown and the COVID-19 pandemic.

TAKEAWAY

² UNICEF/World Bank (2021) Republic of Zambia – Social Protection and Jobs Public Expenditure Review 2021

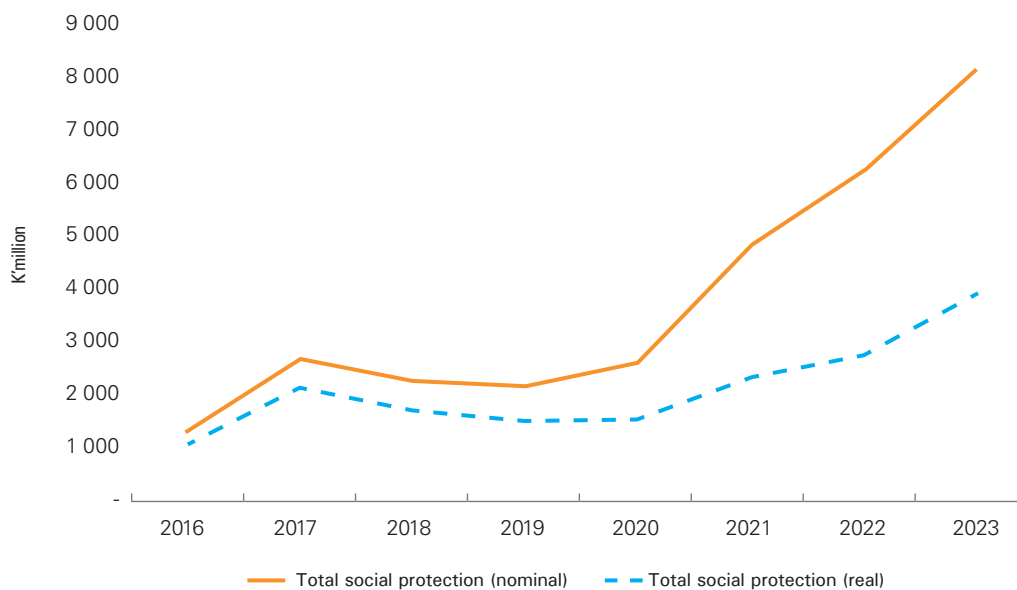
³ <https://www.wider.unu.edu/publication/distributional-effects-covid-19-pandemic-zambia>



SIZE AND SPENDING TRENDS

In 2023, a total of K8.1 billion has been allocated towards various social protection programmes. In nominal terms, this represents 28.6 percent increase compared to the 2022 allocation of K6.3 billion. In real terms (constant 2015 prices), the increase is from K2.7 billion in 2022 to K3.9 billion in 2023 or 44.4 percent. (Figure 5).

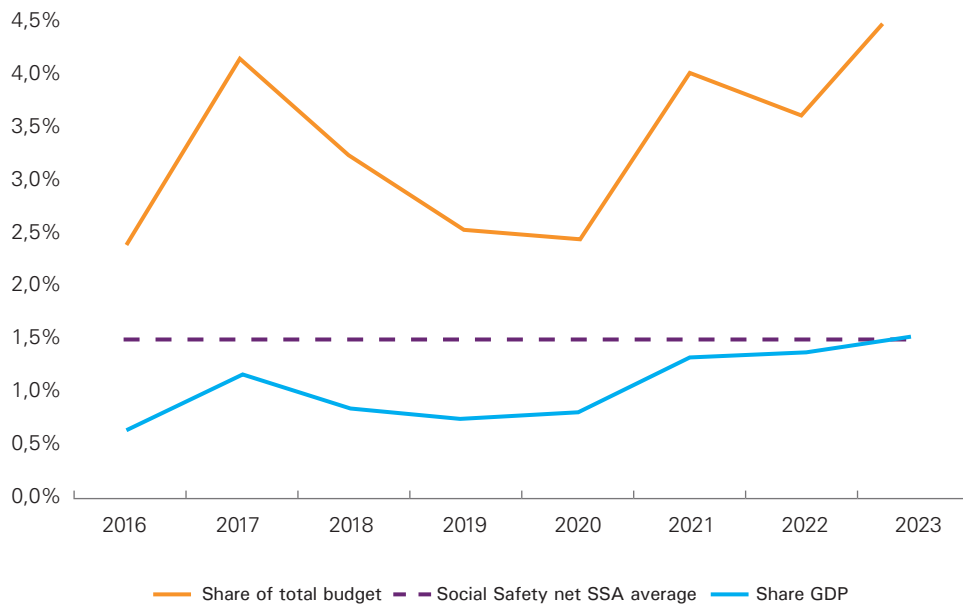
FIGURE 5: TOTAL SOCIAL PROTECTION BUDGET IN NOMINAL AND REAL TERMS (K 'MILLION)



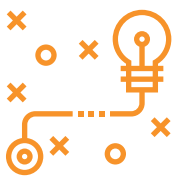
Source: Elaborated from Ministry of Finance Budget Speeches, and ZamStats' Consumer Price Indices

As a share of the total national budget, the social protection budget has increased in 2023. The share of social protection budget increased to 4.9 percent of the total budget from 3.6 percent in 2022. Since 2015, the share of the social protection budget has averaged 3.4 percent per annum. As a percentage of GDP, the social protection budget averaged 1 percent, which is even lower than the 1.5 percent average spending on social safety nets in Sub-Saharan Africa⁴.

FIGURE 6: PERCENTAGE SHARE OF THE SOCIAL PROTECTION BUDGET, 2016-2023



Source: Elaborated from Ministry of Finance Budget Speeches, and ZamStats' Consumer Price Indices



- The allocation to social protection in 2023 has increased both in real and nominal terms and is now in sync with the social safety net average expenditure of 1.5 percent for Sub-Saharan Africa.

TAKEAWAY

⁴ Source: World Bank, The State of Social Safety Nets 2018

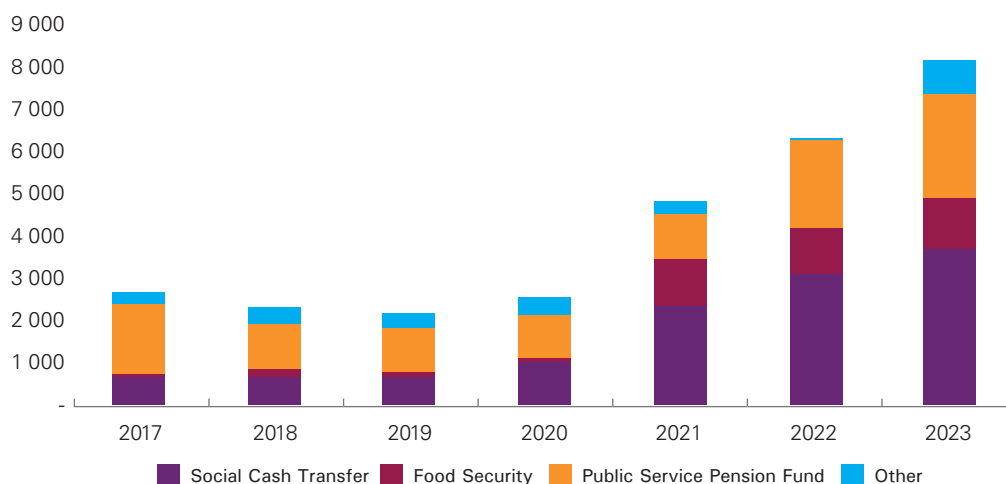


COMPOSITION OF SOCIAL PROTECTION SPENDING

SOCIAL PROTECTION BUDGET BY PROGRAMME

The Social Cash Transfer programme accounted for 45 percent of the social protection budget. The allocation to Social Cash Transfer increased from K3.1 billion in 2022 to K3.7 in 2023 or by 19 percent. However, as a share of the overall social protection budget, it reduced from 49.3 percent to 45 percent in 2023, followed by the Public Service Pension Fund (29.5 percent), and the Food Security Pack (14.8 percent). The allocation to Public Service Pension Fund was K2.3 billion in 2023 from K2 billion in 2022. This increase is largely attributed to government’s commitment to clear pension arrears under PSPF-financing gap. The allocation to the Food Security Pack increased by 9.7 percent in 2023 (Figure 7).

FIGURE 7: BUDGET ALLOCATIONS TO SOCIAL PROTECTION 2017-2023 (IN MILLIONS KWACHA)



Source: Constructed from the Ministry of Finance Budget Speeches 2017-2023

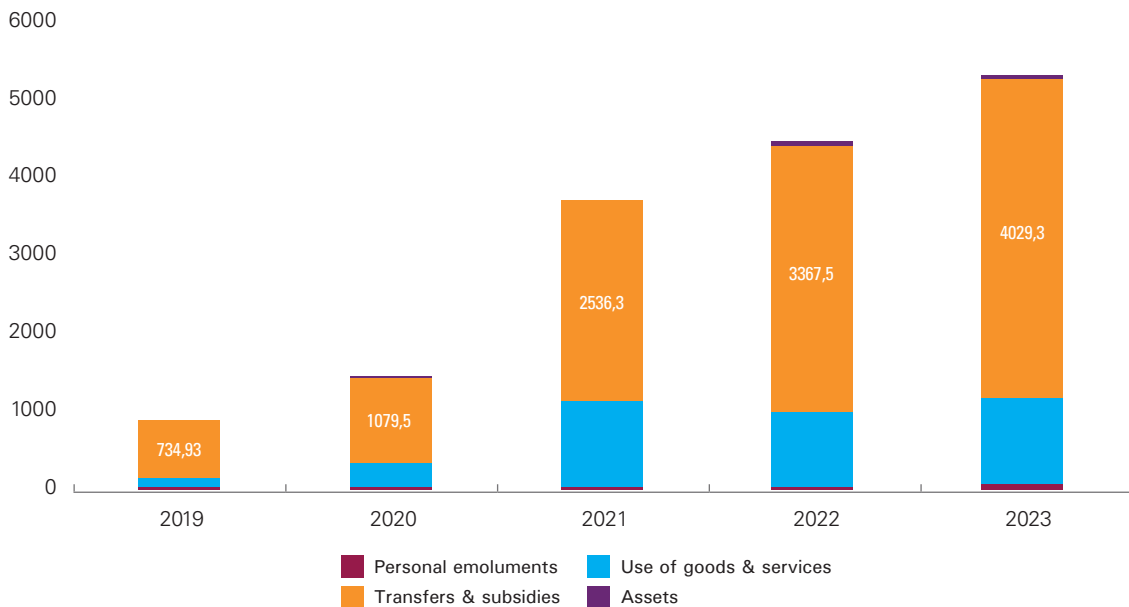
The increased budget allocation to the Social Cash Transfer is in line with increases in the number of beneficiaries. In 2023, the Government plans to increase the number of beneficiaries to 1,374,500 from 973,323 in 2022. This expanded SCT coverage raises the percentage of poor families that are covered by SCT and acts as a buffer against ongoing fiscal consolidation reforms that could be detrimental to poor households. In 2022, the Food Security Pack had 40,000 beneficiaries and with an increase in the allocations to this programme, the Government plans to cover 242,000 beneficiaries in 2023.

The Government is committed to dismantling pension arrears in 2023. In 2023, the Government has allocated K2.3 billion to the public service pension fund to dismantle arrears that have been owed to pensioners for a long time. The Government is also committed to reducing the waiting period of pensioners. The increased allocation will help reduce the burden of accumulating more pension arrears in 2023 and the years to follow.

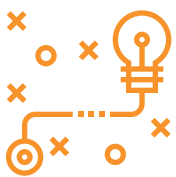
SOCIAL PROTECTION BUDGET BY ECONOMIC CLASSIFICATION

Transfers and subsidies continue to account for over half of the social protection budget. During 2019-2023, transfers and subsidies averaged 46 percent of the social protection budget. The bulk of these payments are allocations to beneficiaries of the social protection programmes. The second largest budget component during 2019-2023 was the use of goods and services.

FIGURE 8: SOCIAL PROTECTION BUDGET (MCDSS + OTHER) BY ECONOMIC CLASSIFICATION 2019-2023



Source: Constructed from the Ministry of Finance and National Planning Estimates of Revenues and Expenditure, 2019-2023



- The allocation to all three social protection programmes as a share of the total social protection budget has decreased in 2023.
- Unlike other social sector budget allocations such as health and education, the largest share of the budget goes to transfers and subsidies, thereby prioritising the intended beneficiaries rather than operational expenses.
- The increased allocation to pensions is intended to deal with the old problem of pension arrears for retirees.

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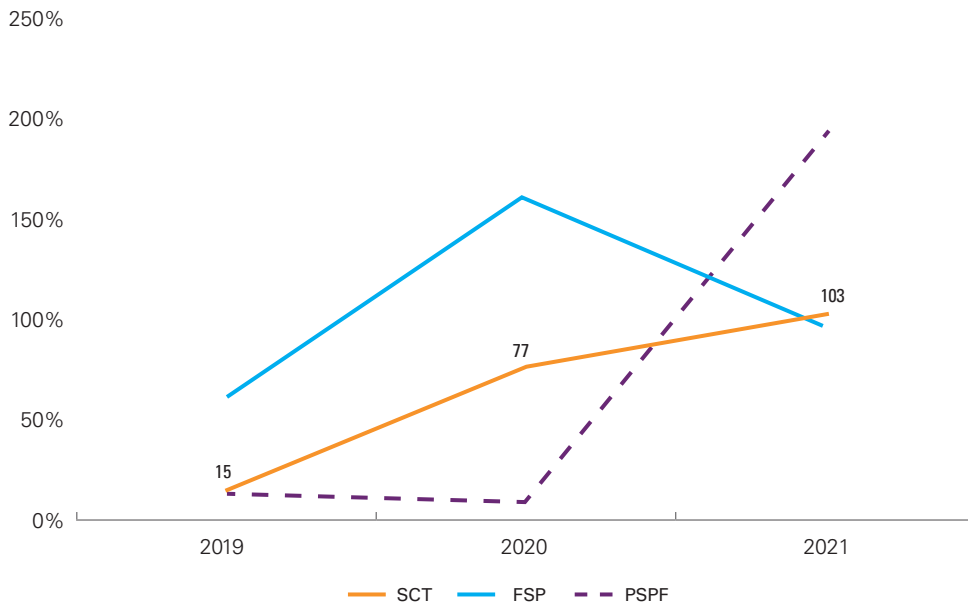


BUDGET CREDIBILITY AND EXECUTION

The execution rates in the last two years have greatly improved. Following the advent of COVID-19, the Government stepped up the funding to the three major social protection programmes. This has resulted in the higher than budgeted spending in both 2020 and 2021, particularly for pensions, to alleviate the plight of senior citizens. The execution rates for the Social Cash Transfer programme, which was underfunded by 85 percent in 2019, increased to 77 percent in 2020 and further increased to 103 percent in 2021. Additionally, the Food Security Pack also got a huge boost in 2020, recording an execution rate of 160 percent. This went down to 96 percent in 2021. The Government released K903.3 million for the Food Security Pack Programme by August 2022.⁵

⁵ Ministry of Finance and National Planning

FIGURE 9: EXECUTION RATES FOR MAJOR SOCIAL PROTECTION PROGRAMMES, 2019-2021



Source: Compiled from Ministry of Finance Annual Financial Reports, 2019-2021; Fiscal Tables 2019-21



- The improved execution rates in the last two years are meant to safeguard the lives and livelihoods of the most vulnerable population groups especially in light of the COVID-19 pandemic.

TAKEAWAY



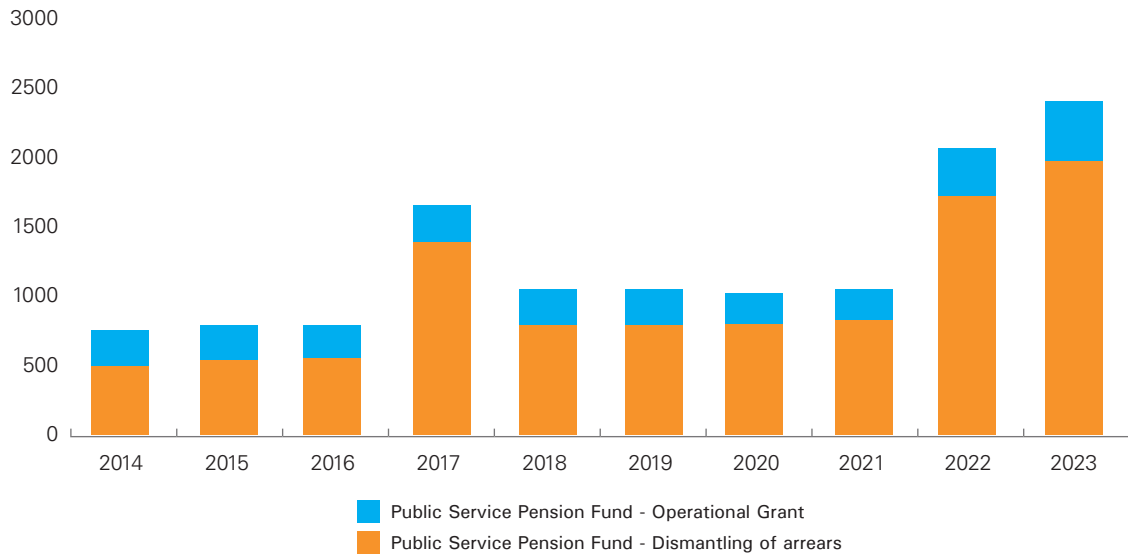
EQUITY OF SOCIAL PROTECTION SPENDING

The Government has been moving towards a more equitable distribution of social protection funds.

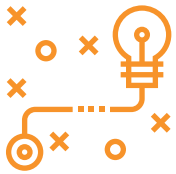
Given that the Social Cash Transfer targets the most vulnerable population, the huge allocation towards this programme ensures that the vulnerable are covered. Further, the prioritisation of clearing of pension arrears also ensures that this segment of the population is taken care of to, among other things, mitigate the adverse effects of COVID-19.

With regard to the Public Service Pension Fund, priority has been placed on the dismantling of arrears. Over the years, the Public Service Pension Fund has accumulated large actuarial deficits that arose from accrued pension liabilities. The deficits made it difficult to pay the pension beneficiaries on time. The Government has over the years been allocating in excess of K750 million annually to liquidate these arrears (Figure 10). The huge scale-up of funds allocated to pension arrears in 2023 is meant to deal with and eliminate the arrears. Absent of reforms, this is a major drain on resources as it crowds out other social protection spending.

FIGURE 10: SHARE OF OPERATIONAL GRANT AND DISMANTLING OF ARREARS FOR THE PUBLIC SERVICE PENSION FUND BUDGET, 2014-2023



Source: Compiled from Ministry of Finance Estimates of Revenue and Expenditure, 2014-2023



- Increased allocation to social protection programmes is a move towards increasing coverage and making the programmes more equitable
- The perpetual allocation of over K750 million to dismantle pension arrears is unsustainable. Reforms are required to free up resources and fund other social protection programmes.

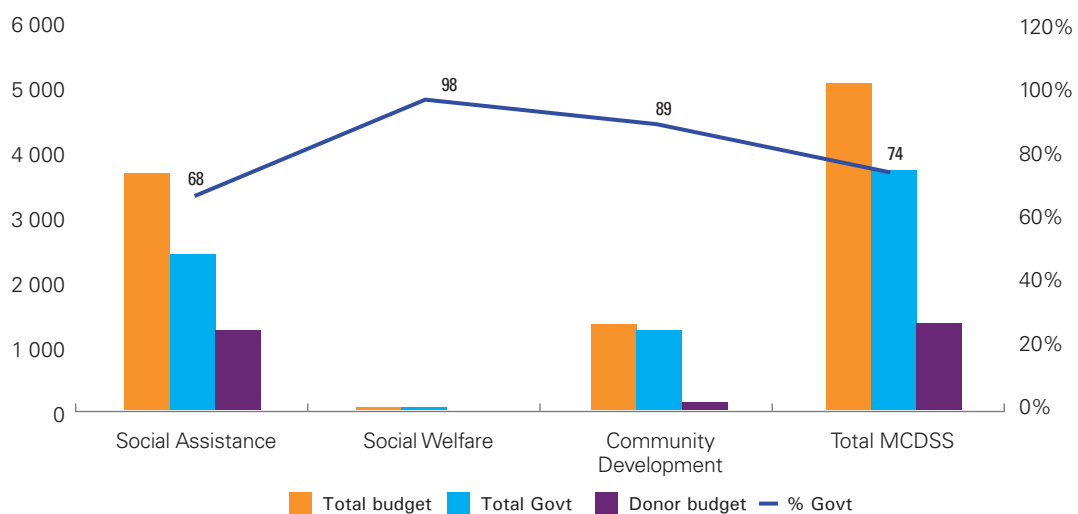
TAKEAWAY



FINANCING SOCIAL PROTECTION BUDGET

The largest share of the financing to the Ministry of Community Development and Social Services comes from the Government. Figure 10 shows that 74 percent of the Ministry’s budget in 2023 will be funded by the Government. Sixty-eight percent of the social assistance⁶, 98 percent of the social welfare⁷ and 89 percent of the community development⁸ budgets are government-financed.

FIGURE 11: TOTAL AND DONOR COMPONENT OF SOCIAL PROTECTION PROGRAMMES IN THE MINISTRY OF COMMUNITY DEVELOPMENT & SOCIAL SERVICES, 2023



Source: Compiled from Ministry of Finance Estimates of Revenue and Expenditure, 2023

⁶ Social assistance programme comprises the following sub-programmes: public welfare assistance, social cash transfer and care for older persons.

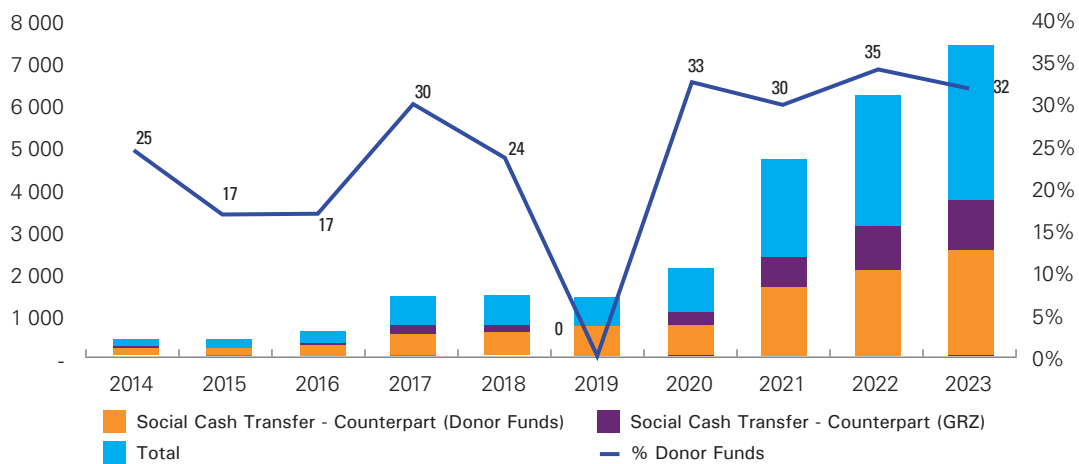
⁷ Social welfare programme includes disability affairs, juvenile welfare and probational services, child welfare and adoption services, and welfare and counselling services.

⁸ Community development programme includes the following sub-programmes: community self-help initiatives, livelihood and empowerment support scheme, food security pack and community skills development

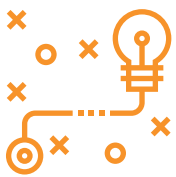
External support to social protection under the Ministry of Community Development and Social Services will increase in 2023. As shown in Figure 11, 26 percent of the allocation to Social Protection under the Ministry will be funded using external sources. External funding will amount to K 1.4 billion of which K1.2 billion (89 percent) will go towards the Social Assistance and K150 million will go toward Community Development. All the financing from Cooperating Partners are grants.

Donor support to the SCT has steadily increased in the last three years. Following the 2019 SCT misappropriation scandal when donor support dried up, 9 funding from external sources has steadily increased. The donor component has increased from K348 million in 2020 to K1.2 billion 2023, accounting for about one-third of the total support to the SCT.

FIGURE 12: TREND ANALYSIS OF GOVERNMENT AND DONOR BUDGET TO THE SOCIAL CASH TRANSFER SCHEME, 2014-2023



Source: Compiled from Ministry of Finance Estimates of Revenue and Expenditure, 2023



- The 26 percent donor financing of social protection programmes under the Ministry of Community Development and Social Services shows significant financing gap from local resources.
- The increased donor financing for the Social Cash Transfer scheme shows continued donor reliance.

TAKEAWAY

⁹ <https://www.bbc.com/news/world-africa-45560404#:~:text=An%20inquiry%20ordered%20by%20Zambia's,the%20poorest%2C%20Mr%20Chanda%20confirmed.>



KEY POLICY ISSUES

Funding to social protection has been increased, the question is Is it sustainable? While funding to social protection programmes has been scaled up due, in part, to the goodwill from cooperating partners, there has been no substantive discussion about financing social protection from domestic resources to ensure ownership and sustainability.

Absent of reforms and heightened dismantling of arrears, the Public Service Pension Fund will continue to be a major source of fiscal costs, thereby crowding out other social protection programmes. It is therefore imperative that a review of necessary legislation is undertaken in the short to medium term to reduce the burden on the Treasury.

Timely data for effective policy and decision making remains a big challenge. Given all the interventions that have been undertaken in the last few years, there has not been a nationally representative survey since the 2015 Living Conditions Monitoring Survey to definitively gauge poverty levels and determine if these interventions are making any meaningful impact. Due to inflation, current transfer values may not be adequate to reduce poverty.

There continues to be a mismatch in the scope of the social protection programmes between what is reported in the Yellow Book by the Ministry of Finance and National Planning and what is in the National Social Protection Policy. This call for the harmonisation of the scope of the two reporting systems. Further, the earmarking of 40 percent of the Constituency Development Fund for livelihood and empowerment programmes for youth, women, people living with disabilities and other vulnerable people in the community, as well as bursaries for vulnerable learners not only mitigates the challenge of fragmentation of social protection programmes, but also provides another important source of information for monitoring of the coverage of social protection.



Zambia

This budget brief has been developed by the UNICEF Zambia Social Policy team.

Special thanks to Claude Kasonka, Daniel Kumitz, Bob Muchabaiwa and Penelope Campbell for technical guidance and editorial support.

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