

SOCIAL SECTOR BUDGET BRIEF

KABWE



BRIDGING FUNDING GAPS TO ADDRESS THE
NEEDS OF KABWE'S CHILDREN

2023

KEY MESSAGES AND RECOMMENDATIONS

1

The Kabwe Municipal Council has accumulated K151 million in statutory liabilities owed mostly to other government agencies. This debt overhang, which is 117 per cent of the 2023 Budget, affects the delivery of services to Kabwe residents, including children.

RECOMMENDATION:

While measures such as obtaining a loan and debt swap have been put in place to liquidate these arrears, there is need to engage the concerned statutory institutions and agree on a medium-term debt restructuring plan.

2

Kabwe has enormous environmental concerns through lead and zinc contamination of the municipality's water supply and agriculture land, which disproportionately affects children more than adults. The Council's allocation to the public health and environmental protection budget, including a mere K6,639 for pollution control, is grossly inadequate.

RECOMMENDATION:

Significant resources are required to reverse this contamination scourge from all key stakeholders as it cannot be left to the local authority alone.

3

Local authorities rely heavily on central government for funding: 58 per cent of the 2023 Budget is planned to be financed by the Central Government, mainly through grants (14.4 per cent) and the Constituency Development Fund (CDF; 44 per cent). The dependency on central government, and on one programme, leaves the local authority vulnerable to any possible funding challenges from the centre.

RECOMMENDATION:

There is need for Kabwe Municipal Council to increase its capacity to raise own-source revenue. With property rates for both residential and commercial properties accounting for the largest share of own-revenue generation (a little over one-third of the total revenues), there is urgent need to ensure the completion of the updating of the valuation roll, which will greatly enhance local revenues and bridge the financing gap.

4

The allocation of only 0.05 per cent of the total budget and 0.2 per cent of the social sector budget to Early Childhood Education (ECE) reflects low prioritisation of early childhood development by the local authority. This is in stark contrast to the efforts made to prioritise payments to retirees.

RECOMMENDATION:

The resolve placed on liquidating pension arrears by the local authority can similarly be applied to support ECE to enhance children's development and future lifetime opportunities.



INTRODUCTION

Kabwe is the capital of Central Province, one of the ten provinces of Zambia. Straddling between the nation's capital, Lusaka, which is 140 km to the south and Ndola on the Copperbelt 180km to the north, Kabwe has an estimated population of 299,206 in 2022, with children under age 15 years accounting for 40 per cent of the population.

Kabwe is an important centre for transportation, correctional services and fire service training. It is a major transportation hub, with road and rail links providing easy access to Lusaka and the Copperbelt. It also hosts the headquarters of Zambia Railways Limited; however, the importance of the railway system has waned over the years. It is also the headquarters of the Zambia Correctional Services, which has a strong footprint in agriculture production, public health and road works, and is also a source of cheap labour for the local authority. Kabwe also boasts the only National Fire Service Training School in the country run by the Ministry of Local Government and Rural Development.

Kabwe has a long history of lead and zinc mining, centred around the now closed Broken Hill Mine. The town is considered one of the most contaminated places in the world with high lead, zinc and cadmium levels in the town's water supply as well as its agriculture land. Lead can cause stunted growth, anaemia, learning difficulties, organ damage, coma, convulsions and even death. Children are particularly vulnerable. Through the Zambia Mining Environmental Remediation and Improvement Project, a US\$65 million project funded by the World Bank,¹ efforts are being made to reduce environmental risks by, among other things, strengthening the capacity of government to address the legacy of lead. Despite the environmental concerns, mining of lead and zinc still goes on, albeit illegally, and is carried out on a small-scale basis.

¹ <https://www.worldbank.org/en/news/feature/2020/12/17/living-with-lead-in-zambia-creating-hope-for-the-children-of-kabwe>



This Local Authorities Budget Brief explores the extent to which the Kabwe Municipal Council will support the social needs of its residents in 2023. The brief analyses the size and composition of budget allocations to the social sector budget for the Kabwe Municipal Council for the fiscal year 2023 to inform policy, strategies and legislation to tackle social challenges. Being the second year of implementing the Output-Based Budgeting (OBB) system, no spending trends for the past few years are available.

Based on the available data, the brief covers education and skills development; social protection; health; and water, sanitation and hygiene (WASH). Education only covers early child education. The social protection programmes covered are the social assistance programmes for secondary school bursary and empowerment programmes for women, youth and vulnerable population in the enhanced Constituency Development Fund (CDF). The health sector covers health inspections. The WASH sector covers water supply and solid waste management.

OVERVIEW OF LOCAL GOVERNMENT POLICIES, STRATEGIES AND PROGRAMMES

Legal mandate

The existence of the Local Government in Zambia is provided for through constitutional and statutory provisions. Part IX, Part X and Part XI of the Constitution of Zambia (Amendment) Act No. 2 of 2016, hereafter referred to as the Constitution, recognises the general principles of devolved governance and prescribe the systems of governance, and the sub-structures of local government. The Constitution in Article 147 prescribes a system of devolved governance in which the management and administration of political, social, legal and economic affairs shall be devolved to the local government level. In Article 148 of the Constitution, it is stated that local governance shall be undertaken through sub-structures.

The Constitution lays out the principles for the functioning of local authorities. Article 151 of Part XI includes, among other things, the transfer of functions, responsibilities and resources from the national government and provincial administration to the local authorities in a co-ordinated manner; the establishment of a sound financial base for each local authority with reliable and predictable sources of revenue; the overseeing of the performance of persons employed by the national government and provincial administration to provide services in the sub-structures by local authorities; the monitoring of government services and the implementation of projects in sub-structures; and the ensuring of accountability of local authorities.

The functions of the local authorities are also recognised and prescribed under the Constitution.

It provides local authorities the authority and spending obligations regarding a wide range of powers and functions. These include pollution control; levies, tariffs and tolls; vehicle licencing; liquor licencing; electricity; district health; firefighting services; local tourism; community childcare facilities; water and sanitation services; refuse removal, refuse dumps and solid waste disposal. Tertiary education is administered at central government level while all other levels of education are concurrently central and provincial functions. Health services are also concurrently administered at central and provincial levels.²

Additional functions of local authorities are contained in Section 16 (2) and the accompanying First Schedule of the Local Government Act of 2019. These include maintaining public order; registration of births, marriages and deaths; provision of water supply, sanitation, drainage and hygiene services; licencing and control of food and drink to the public; establishing and maintaining public amenities including parks, planting of trees, social and recreational facilities, and transport services; local roads; gardens and landscaping; agricultural support services; building regulations; and the regulation of the erection and display of advertisements and advertising devices.

The Local Government Act of 2019 also spells out functions devolved to the local authorities. These include communication services; postal services; municipal public works only in respect to the needs of municipality in the discharge of their responsibilities to administer functions specifically assigned to the local authority under the Constitution or any other written law; storm water management systems in built up areas; refuse removal, refuse dumps and disposal of solid waste. Following the enhancing of the CDF, some aspects of social protection has been devolved to local authorities. These are bursaries for secondary school learners in boarding school and for skills development as well as youth, women and community empowerment. However, despite being listed as direct and/or devolved functions of local authorities, some functions are yet to be devolved. These include registration of communication services, postal services, births and deaths, electricity and vehicle licencing.

² The provincial level in Zambia is an extension of central government.

To support the financing of devolved functions, an Intergovernmental Fiscal Architecture (IFA) framework was implemented from 2018. The IFA framework is anchored around the establishment of the Local Government Equalisation Fund (LGEF). It guides, matches and integrates the allocation of expenditure functions, the assignment of revenue resources, the design of the intergovernmental fiscal transfer system and the framework for local level borrowing and debt management. The introduction of the LGEF through the Local Government (Amendment) Act of 2014 has helped to stabilise the local authorities financially. The fund has since been enshrined under Article 163 of the Constitution. The allocation of the LGEF is formula-based using parameters, such as population size and poverty levels. Further, Article 47(1) of the Local Government Act earmarks the use at least 20 per cent of the funds received by a local authority from the Equalisation Fund, in any financial year, to finance capital expenditure.

Article 162 of the Constitution provides for the establishment of the CDF. The Constituency Development Fund Act of 2018 provides for the management, disbursement, utilisation and accountability of the CDF. The CDF provides financial resources earmarked for community projects (60 per cent); youth, women and community empowerment; and secondary boarding school and skills development bursaries (20 per cent). Currently, each constituency is allocated the same amount—K28.3 million each.

Budget Process

In line with the 2014 Planning and Budgeting Policy, the Government of the Republic of Zambia has been implementing a more strategic and performance-based approach to the planning and management of the National Budget. This involves transitioning from Activity-Based Budgeting (ABB) system, that was introduced in 2004, to an OBB system. The shift from ABB to OBB has improved the performance of the implementation of the budget by focusing on actual results and the mandate of the spending agency. The phased implementation commenced in 2015 and has since been fully implemented at the Central Government level. Informed by the successful implementation of the reform at Central Government level, the OBB is now being rolled out to local authorities. By the end of 2022, all 116 local authorities had migrated to the OBB system. Kabwe is in its second year of the implementation of OBB.

Integrated Development Plan³ and 2023 Budget

Kabwe's development agenda is premised on the four pillars of the Eighth National Development Plan (8NDP). Being one of the fast-urbanising towns in Central Province, Kabwe Municipal Council intends to open up new areas for development in 2023, with a focus on promoting and creating an enabling environment to support the quality of life and attract investors. The Kabwe Municipal Council is in the process of developing an Integrated Development Plan. With community consultations, the municipality planned to have the report ready by the end of 2022.

³ We have to collect more information on the IDP to determine how the 2023 Budget is aligned to this long-term plan.



PERFORMANCE OF THE KABWE MUNICIPAL COUNCIL

Over the last few years, the Kabwe Municipal Council has had a narrow revenue base and only managed to pay salaries on a net basis, hence incurring arrears on personal income tax and pensions. As a result, a huge stock of statutory liabilities hangs over the local authority. The Council owes the National Pension Scheme Authority (NAPSA), Zambia Revenue Authority (ZRA) and the Local Authorities Superannuation Fund (LASF) in excess of K152 million as at September 2022. This is about 17 per cent above the 2023 budget.

The CDF has a number of challenges. These include the limited understanding of how to implement the added components of the CDF (secondary and skills development bursary; and youth and women empowerment). The grant component of the CDF requires certificates of registration which take some time to be issued. Cooperatives are also expected to produce bank statements to show that they are active; as well as business proposals, which most cooperatives do not have the capacity to develop. Further, Ward Development Committees are still learning how to write proper reports, and they still await loan empowerment guidelines that will enable them to identify financial institutions to manage the loan component of the CDF.

Amidst these challenges, the Kabwe Municipal Council has shown that all is not lost. To liquidate part of its debt owed to retirees, the local authority obtained a commercial loan from the Zambia National Commercial Bank, which it paid back two years before it was due through revenues from own sources and part of the 20 per cent Local Government Equalisation Fund (LGEF) earmarked for capital projects. It used some of the proceeds of this loan to construct a new bus station. The local authority has also engaged in debt swaps and embarked on the updating of its Valuation Roll, with field work presently being finalised.

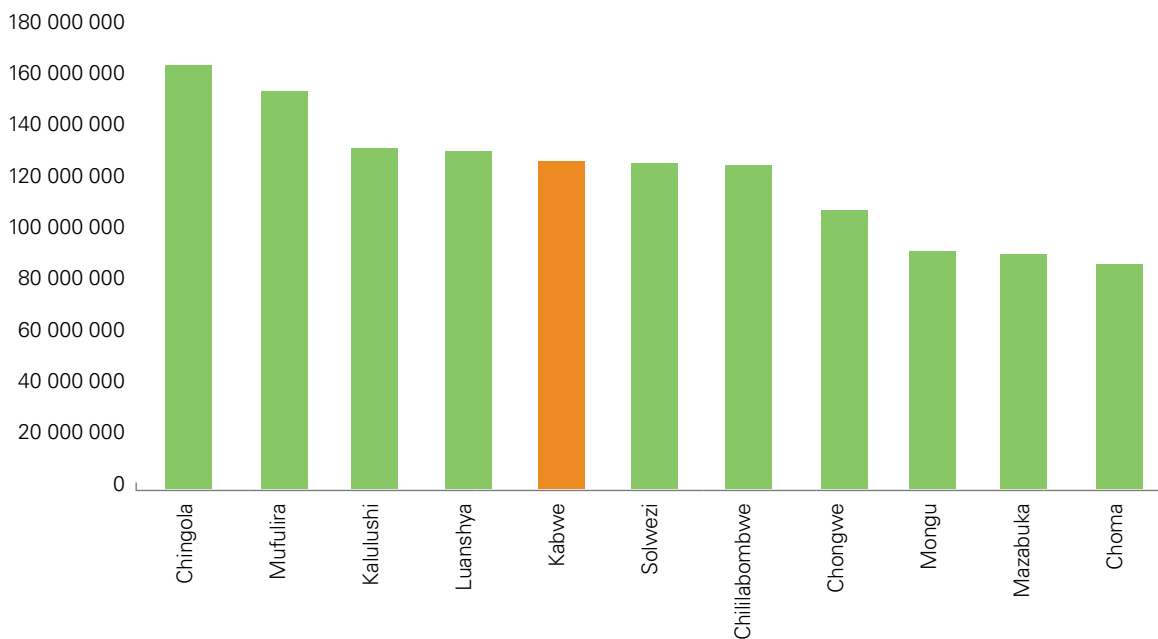
Taking advantage of being a major transit hub, the local authority has built a truck yard using money from the LGEF. The local authority has also managed to be up-to-date with payments to the National Health Insurance Scheme and Madison Insurance to ensure that its members of staff access health insurance benefits. It is also in the process of repairing its old abattoir to bring it to modern standards, embarked on repairing traffic lights and bought vehicles and tractors for waste management.

With regard to the CDF, a USAID Zambia-funded “Local Impact Governance Project” has been helping to build capacity. This is particularly about the CDF application process.

OVERVIEW OF TOTAL BUDGET SIZE, SPENDING TRENDS AND COMPOSITION

The Kabwe Municipal Council proposes to spend K129.6 million in 2023. This is 0.07 per cent of the 2023 national budget and 0.02 per cent of the projected GDP for 2023. Kabwe's 2023 budget is in the middle of the pack of the 11 municipal councils that have migrated to the OBB.

FIGURE 1: POSITION OF KABWE MUNICIPAL COUNCIL AMONG THE 11 MUNICIPALITIES, 2023



Source: Constructed from Ministry of Local Government and Rural Development, 2023 Output-Based Annual Budget for Local Authorities

In per capita terms, this is about K433 (or approximately US\$21). Most of the budget will go towards expenses (68 per cent), with personal emoluments dominating and accounting for 32 per cent of the total budget. Capital expenditure is also expected to take up 32 per cent of the total budget. No liabilities are reported. The seemingly balanced budget masks the huge statutory liabilities discussed above.



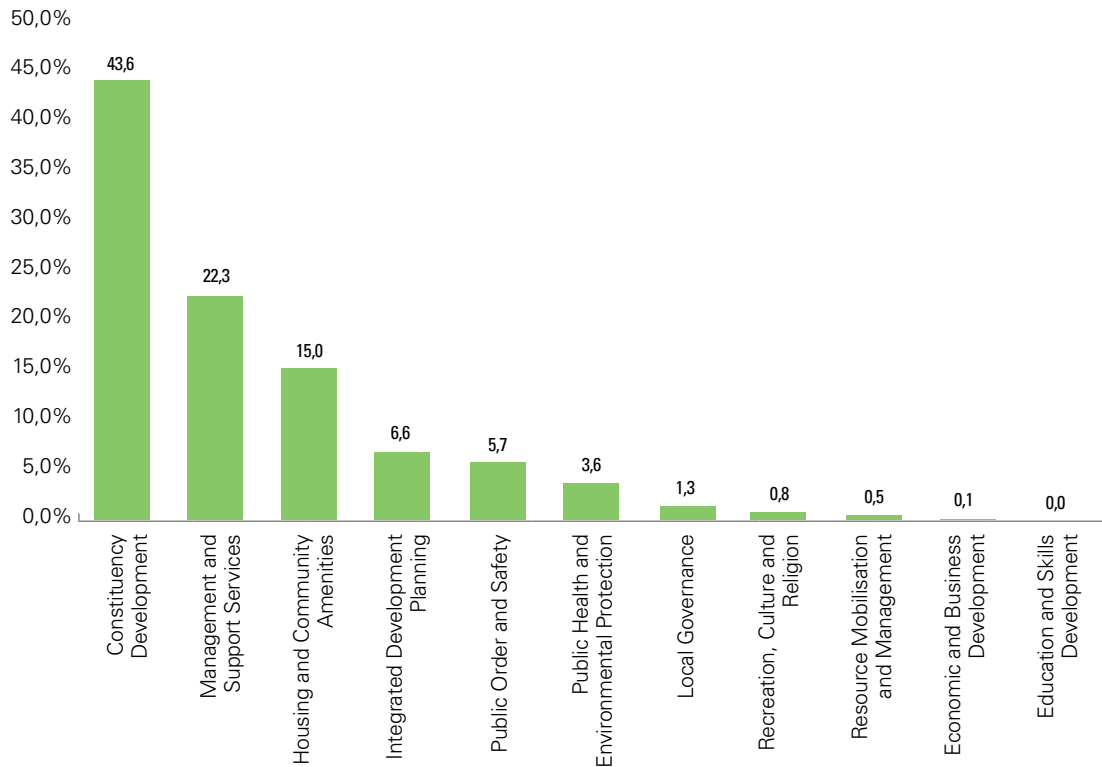
TABLE 1: BALANCE SHEET OF THE KABWE MUNICIPAL COUNCIL, 2022 & 2023

	2022	2023
Revenue	114,587,177	129,652,285
Local Development Fund	51,400,000	56,627,806
Grants from Central Government	17,571,381	18,771,381
Local taxes/rates	13,889,357	24,031,317
Fees and Charges	12,667,000	9,317,585
Other revenue	19,059,439	11,535,293
Expenditure		
Expenses	78,088,488	85,671,835
Personal emoluments	36,297,553	43,960,809
Use of Goods and Services	21,230,935	19,059,903
Transfers and Subsidies	20,560,000	22,651,123
Assets	36,498,689	43,980,448
Non-financial assets (capital expenditure)	36,498,689	43,980,448
Liabilities	-	-

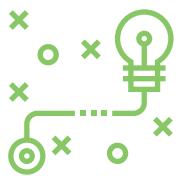
Source: Constructed from Ministry of Local Government and Rural Development, 2023 Output-Based Annual Budget for Local Authorities

The 2023 Budget is dominated by three programmes that take up over 80 per cent of the total allocation. These are Constituency Development (44 per cent), Management and Support Services (22 per cent) and Housing and Community Amenities (15 per cent). Figure 2 shows the percentage distribution of the programmes on which the Budget is earmarked for.

FIGURE 2: COMPOSITION OF THE COUNCIL BUDGET BY PROGRAMME, KABWE, 2023



Source: Constructed from Ministry of Local Government and Rural Development, 2023 Output-Based Annual Budget for Local Authorities



- Despite a huge debt overhang, the local authority has shown initiative to liquidate its statutory obligations, rather than just depending on central government.
- Property rates presently provide the best way to raise additional revenues; therefore, the updating of the valuation roll is critical.
- The budget allocation to public health and environmental protection does little to reverse the lead contamination in the district.

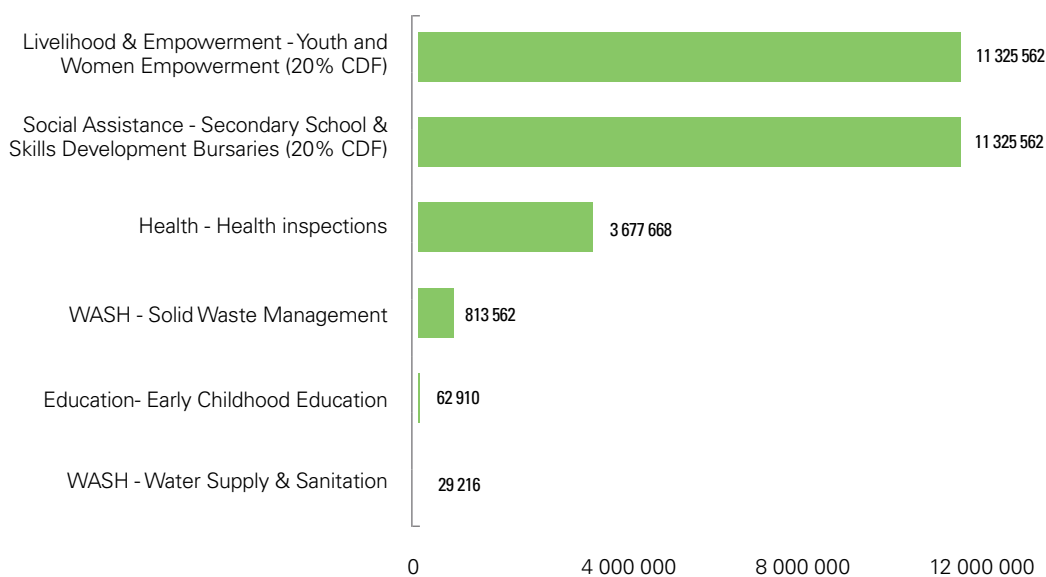
TAKEAWAY

OVERVIEW OF SOCIAL SECTOR BUDGET SIZE AND COMPOSITION

Of the K129.6 million budget, K27.2 million or 21 per cent has been allocated to the social sectors.

About 83 per cent of the social sector budget is earmarked for Social Protection, 13.5 per cent for Health, 0.9 per cent for WASH, and a paltry 0.2 per cent for Education. The two programmes identified under Social Protection are secondary school and skills development bursaries, which is social assistance for vulnerable learners as well as youth and women livelihood empowerment. WASH has two main programmes identified – i.e., water and sanitation services and solid waste management.

FIGURE 3: ESTIMATED BUDGET FOR THE SOCIAL SECTORS, KWACHA, KABWE, 2023



Source: Constructed from Ministry of Local Government and Rural Development, 2023 Output-Based Annual Budget for Local Authorities

The remainder of the brief discusses these social sector programmes in more detail.

Education

The Education and Skills Development programme is allocated K62, 910 and is exclusively for early childhood education (ECE). This accounts for 0.2 per cent of the allocation to the social sector budget or 0.04 per cent of the total municipal budget. The Council aims to enrol 100 children at pre-school level. The ECE spending is not only the lowest allocation of the social sectors, but it is also the lowest allocation to any programme overall. The Council supports only two ECE centres in Makululu, a large shanty compound.

Social Protection

With the enhancing and ring-fencing of some sub-programmes under the CDF, social protection programmes feature prominently in the budget allocation for 2023. Social Protection programmes account for 83 per cent (or K22.6 million) of the K27.2 million social sector budget. The two main components of the social protection budget are (i) secondary school boarding school and skills development bursaries; and (ii) empowerment programmes for women, youth and other vulnerable people. It should, however, be noted that these programmes have broader objectives than social protection whose beneficiaries cut across several demographics.

The secondary school and skills development bursaries are a form of social assistance meant to help vulnerable learners in the communities. Based on the CDF guidelines, 20 per cent of the CDF budget allocation is earmarked for this programme. This amounts to K5.6 million for 2023. The bursary directly benefits vulnerable children who are unable to pay boarding fees. The target is to offer 75 Secondary School and 520 Skills Development bursaries.

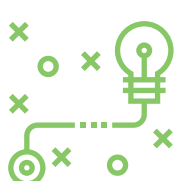
The enhanced CDF not only decentralises empowerment programmes to the local level, but it also earmarks 20 per cent of the CDF budget allocation and will help consolidate the livelihood and empowerment programmes. The allocation to youth empowerment would, in principle, include the youngest segment of the youth population (i.e., those aged 15–17 years). The Kabwe Municipal Council plans to empower 29 Women groups and 20 youth groups in 2023. To cover these programmes, 20 per cent of the CDF (K5.6 million) has been allocated to these empowerment programmes. Notwithstanding the challenges of the CDF discussed earlier, disbursements have since commenced in Kabwe.

Health

The Kabwe Municipal Council plans to spend K3.6 million on health inspections. This accounts for 13.5 per cent of the total social sector spending and 2.8 per cent of the total budget. The Council plans to undertake fifty (50) food and water samples, and two thousand (2,000) premises will be inspected. This is with respect to adherence to public health guidelines and regulations.

Water Supply, Sanitation and Hygiene

Under the Public Health and Environmental Protection programme, the Kabwe Municipal Council will focus on the management of solid waste, promotion of sanitation, and provision of clean and safe water in the district. The Council has allocated K842,778 towards WASH services in 2023. This accounts for 3 per cent of the social sector budget and 0.7 per cent of the total budget. Clearly, the WASH resources are too meagre to cover all the Kabwe residents.

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- Social sector programmes are dominated by CDF, a programme still fraught with teething challenges, thereby money is not yet trickling down to the intended recipients.
 - The low ranking of ECE spending by the Kabwe Municipal Council reflects low priority to the education sector.
 - Given the enormity of the lead and zinc contamination problem, the allocation to WASH services as well as Public Health and Environmental Protection is rather small.

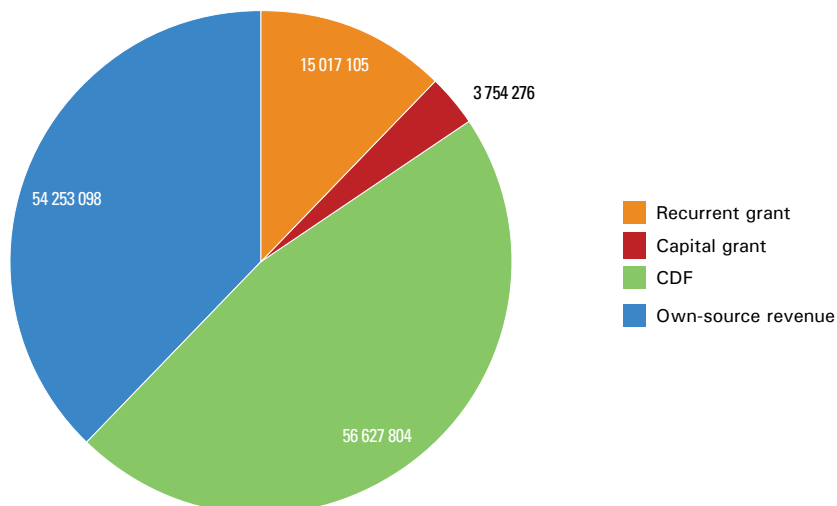
TAKEAWAY



SOURCES OF FINANCING

Over half of the Budget (58 per cent) will be financed by the central government. This is through recurrent and capital grants (12 per cent and 3 per cent, respectively) as well as the CDF (44 per cent). The CDF allocation is for two constituencies: Kabwe Central and Bwacha.

FIGURE 4: COMPOSITION OF SOURCES OF FINANCING FOR KABWE MUNICIPAL COUNCIL



Source: Constructed from Ministry of Local Government and Rural Development, 2023 Output-Based Annual Budget for Local Authorities

The generation of own-source revenues accounts for 42 per cent of the total financing. Property rates for both residential and commercial properties account for the largest share of own-revenue generation (a little over one-third of the total revenues). This is followed by fees and charges (7 per cent) and permits (4 per cent).



KEY POLICY ISSUES

The shifting from Activity-Based Budgeting to OBB has been challenging. Given that OBB only concentrates on the reporting of outputs, it may not be a true reflection of the level of effort that the local authority would have put in to achieve the output. Due to the limited capacity of the staff, formulating of programme indicators has been a challenge. With only three people trained in OBB and coupled with transfers of staff across other local authorities, there is need for continuous training of staff to ensure that all staff are adequately trained.

Despite taking up more devolved functions, the fiscal part of these new responsibilities has not been devolved. As a consequence, the council has had to incur increased costs for these devolved functions without corresponding financing. For example, officers from the devolved functions come to the council when they do not have fuel to do their operations, thereby placing an extra funding burden on the local authority and affecting funding to critical social sectors.

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

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