

SOCIAL SECTOR BUDGET BRIEF

LIVINGSTONE



REALIGNING LIVINGSTONE CITY COUNCIL'S
FUTURE DEVELOPMENT AGENDA

2023

KEY MESSAGES AND RECOMMENDATIONS

1

The development of the 2020–2030 Integrated Development Plan is a major milestone achieved by the Livingstone City Council as it provides an opportunity to link policy, planning and budgeting to improve planned outcomes. However, there is a mismatch between the plan and the programme outputs in the 2023 Budget.

RECOMMENDATION:

There is need to, as far as possible, align the budget to the annual budget so that resources are allocated on the basis of clear policy choices to achieve the intended strategic objectives.

2

The 10 per cent increase in the Constituency Development Fund budget allocation will greatly boost the local authority's direct capacity to implement programmes at community level.

RECOMMENDATION:

In consultation with the parent ministry, the City Council must resolve current bottlenecks regarding the implementation of the CDF which has a bearing on the disbursement of funds for social protection to ensure committed resources achieve intended objectives, particularly given that the secondary boarding school bursary and part of the youth empowerment funds directly apply to children.

3

The missing allocation to early childhood education, at 0 per cent of the total budget, is a missed opportunity.

RECOMMENDATION:

The budget allocation to early childhood education should not only be included but increased and realigned to rehabilitate the dilapidated community centres across the city, as well as construct new learning centres to help absorb the anticipated increased enrolments due to the free education policy that has been put in place by the Government.

4

The seemingly balanced budget masks an unsustainable burden in statutory liabilities amounting to 128 per cent of the 2023 city budget.

RECOMMENDATION:

The city authorities must devise a robust revenue mobilisation strategy coupled with a medium-term debt management and payment strategy to reduce Livingstone's debt burden and free up resources for development.



INTRODUCTION

Livingstone is one of the five districts designated as cities and the only one in Zambia's Southern Province.¹ The city, which is 472km from the capital Lusaka and 695km² in size, has an estimated population of 177,393 in 2022. With a median age of 19.9 years, Livingstone has a young population, and 75 per cent of the population is under the age of 30 years. The under-five and school-going children (ages 5–19 years) accounted for close to half (49 per cent) of the population in 2020. The pattern is similar for both males and females with a sex ratio of 97 males per 100 females. The young population indicates that a sizeable allocation of fiscal resources is required to ensure adequate public resources for children. These services include early childhood education, primary and secondary education as well as health care. The population growth rate remains high, averaging 2.7 per cent per annum in the last decade, and signalling future demand for services and facilities.

Livingstone's main economic activity is tourism. It is the nation's tourism capital boasting of the Victoria Falls situated in the Mushi-o-tunya National Park, one of the seven natural wonders of the world and a UNESCO World Heritage Site. It attracts hundreds of thousands of domestic and international visitors annually. Livingstone was, until 2011, the main administrative centre for the Southern Province. It is also a major transport hub by road and rail from Southern African countries, such as Zimbabwe, Botswana, Namibia and South Africa. It also has an international airport—the Harry Mwaanga Nkumbula International Airport. The COVID-19 pandemic and the loss of provincial capital status has had major implications on the revenue base of the city.

¹ The other cities are Lusaka, Kitwe, Ndola and Chipata



This Local Authorities Budget Brief explores the extent to which the Livingstone City Council supports the social needs of the city's residents in 2023, with a particular focus on children. The brief analyses the size and composition of budget allocations to social sectors for the Livingstone City Council for the fiscal year 2023 as well as spending trends for the past few years, to inform policy, strategies and legislation to tackle social challenges.

This is the first social sector brief for Livingstone. Based on the data available, the brief covers three aspects of the social sector: (i) education and skills development; (ii) social protection; and (iii) water, sanitation and hygiene (WASH). Education only covers early child education. The social protection programmes covered are the empowerment programmes for women, youth and vulnerable population covered in the enhanced Constituency Development Fund (CDF), as well as community centres. The WASH sector covers water supply and sanitation services. There is insufficient data to cover health as all the budget lines under the Public Health and Environmental Protection programme relate to water supply and sanitation.

OVERVIEW OF LOCAL GOVERNMENT POLICIES, STRATEGIES AND PROGRAMMES

Legal mandate

The existence of the Local Government in Zambia is provided 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 over 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 of 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 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 Output-Based Budgeting (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. Livingstone was among the first local authorities to implement the OBB system – the others being Kafue, Kaoma and Lundazi. By the end of 2022, all 116 local authorities had migrated to the OBB system. Being among the pioneers, Livingstone not only has a four-year OBB time series (2020–2023), but it also has fairly better developed output indicators than the local authorities that have recently come on board.

Integrated Development Plan and 2023 Budget

The Livingstone City Council plans to establish a thriving industrial city with harmonised socioeconomic, environmental and spatial development by the year 2030. To achieve this, the local authority has put in place the 2020–2030 Integrated Development Plan (IDP) in accordance with the Urban and Regional Planning Act No. 3 of the 2015. The IDP for Livingstone is anchored on three overarching goals: (i) diversify the local economy; (ii) ensure a healthy environment with security of land tenure and adequate basic human rights; and (iii) achieve an IDP area anchored on sustainable development and equity. Figure 1 shows the three overarching goals of the IDP.

FIGURE 1: OVERARCHING GOALS OF THE INTEGRATED DEVELOPMENT PLAN FOR LIVINGSTONE



Adapted from the 2020-2030 Livingstone District Integrated Plan

The IDP is operationalised through annual budgets. The Council's 2023 Budget is, therefore, focused on the provision of efficient, effective and sustainable public services whilst preserving the environment and ensuring that communities are engaged in the entire process. This will be done through implementing development programmes and projects with a focus on the upgrading of townships and feeder roads, improved refuse collections and sensitisation of the community on disease outbreaks, such as the COVID-19 pandemic. Further, the local authority has planned to operationalise the Livingstone Town Centre Market and sink a borehole at the Livingstone Inter-City Bus Terminus. Completion of other projects that have been under construction for some time as well as the provision of fire services in to improve the living standard of the city's citizenry is also part of the 2023 plan.

However, there are clear misalignments between the IDP and the programme outputs in the 2023 Budget. Table 1 shows an example of misaligned programme outputs on Early Childhood Education (ECE). While the IDP emphasises infrastructure development for ECE, in line with the policy objectives in the Eighth National Development Plan (8NDP), the policy objective is to facilitate literacy and skills development in the communities, while the programme outputs include the number of inspections to be carried out in ECE centres to enforce minimum standards—strictly, a process indicator as opposed to an output indicator.



TABLE 1: COMPARISON OF PROGRAMME OUTPUTS ON EARLY CHILDHOOD EDUCATION IN THE IDP AND OBB, 2023

INTEGRATED DEVELOPMENT PLAN				2023 OUTPUT-BASED BUDGET			
Goal	Objective	Programme outputs	2023 Budget (K)	Programme	Objective	Programme outputs	2023 Budget (K)
To diversify the local economy and enhance the tourism industry with adequate support infrastructure	To ensure that all girls and boys complete free, equitable and quality education by 2030	ECE: Infrastructure development: construct 1 ECE centre	-	Education and skills development	-	-	
	(8NDP: Enhanced access to quality, equitable and inclusive education)	ECE: Infrastructure development: construction/extension of 10 classrooms in old annex centres	600,000			-	
		Pilot alternative mode of ECE	100,000			-	

Source: Livingstone Integrated Development Plan, 2020-2030 and 2023 Output Based Budget for Local Authorities

RECENT PERFORMANCE OF THE LIVINGSTONE CITY COUNCIL

In the last few years, the Livingstone City Council has scored a number of development successes.

These includes an increased revenue base achieved through the development of a new valuation roll and implementation of an e-billing system. Developed entirely from own resources, the new valuation roll will result in increased revenue collection in the next five years from over 3,471 new properties captured. The city authorities have also embarked on implementing an e-billing system which is expected to track client ledgers by promoting accuracy and efficiency as well as save time in the distribution of bills.

The city authorities recognise that waste is an unexploited resource. To make Livingstone a climate-smart city, the City Council has embarked on the construction of a Recyclable Collection Centre and a Material Recovery Facility. The construction of the two facilities will increase revenues, improve waste management, driving towards achieving zero waste in the district and ultimately decommissioning of the dumpsite currently located in Dambwa local forest.

However, revenue collection was adversely affected by the COVID-19 pandemic in 2020. Being heavily dependent on tourism, the city was majorly affected by the containment measures instituted to combat the COVID-19 pandemic. The measures included travel restrictions, which led to reduced demand and the subsequent closure of the Harry Mwaanga Nkumbula International Airport, as well as most accommodation and food facilities. This resulted in reduced revenue collection, particularly the collection of property rates, which are the largest contributors to the city' council's revenue base. As a result, revenue collections from own-resources have been a challenge in the last 2–3 years.

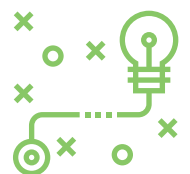
Other recent events have also resulted in the erosion of the revenue base. The shifting of the provincial capital to Choma in 2011 has contributed to subdued economic activity as the government was a major employer and economic player in the city. Further, the recent relocation of the Zambia Revenue Authority port office to the Kazungula Bridge has reduced economic activity from transporters who used the city as their base when transiting from neighbouring countries. Due to this and other challenges, the once-thriving informal financial services sector has dwindled.

As with other districts, the implementation of the enhanced CDF in Livingstone has been challenging.

With a national utilisation rate of 10 per cent by August 2022, there are several administrative challenges that has beset the implementation of the CDF. These include a highly centralised approval processes required under the law, cumbersome procurement procedures and limited capacity in project preparation. To address these challenges, the government plans to amend the Act in 2023 to streamline the approval processes and give more decision-making powers to the local communities; streamline the guidelines relating to the management of the CDF budget; and undertake capacity building and awareness in the communities.

TAKEAWAY

- The mismatch between the IDP and the annual budget is likely to derail the achievement of strategic objectives.
- The erosion of the revenue base due to, among other things, COVID-19 and the loss of provincial capital status, calls for a rethink and diversification of the Livingstone economy.
- The low utilisation rate of the CDF implies that social protection funds earmarked for empowerment and bursaries largely remains unutilized.



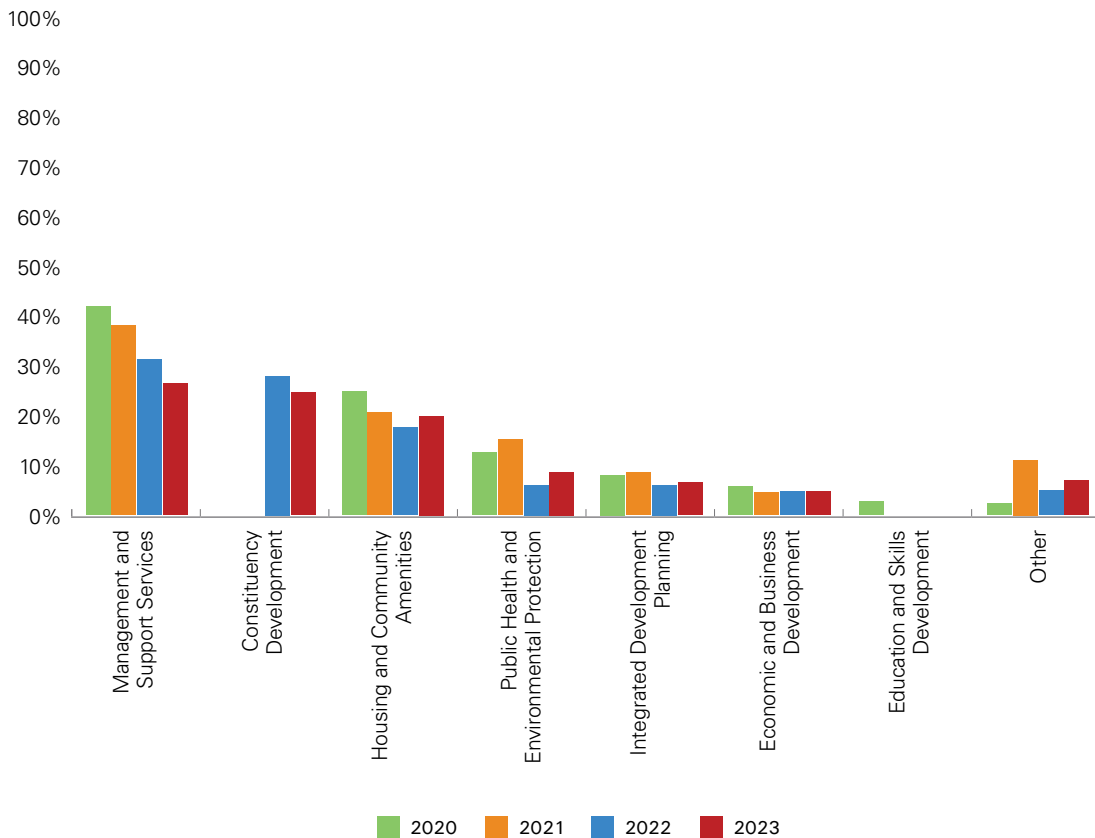
OVERVIEW OF TOTAL BUDGET SIZE, SPENDING TRENDS AND COMPOSITION

The Livingstone City Council proposes to spend K112.5 million in 2023. This accounts for 0.06 per cent of the 2023 national budget and 0.02 per cent of projected 2023 GDP. Of the five cities in the country, Livingstone has the smallest budget in 2023 of the K1.4 billion total budget for the five cities. The Livingstone budget accounts for only 8 per cent and is lower than Lusaka (43 per cent), Kitwe (22 per cent), Ndola (19 per cent) and Chipata (8 per cent). However, Livingstone's per capita budget of K634 (or approximately US\$34) is the highest in per capita terms for the five cities.

The Livingstone budget for 2023 nominally increased by 23.4 per cent compared to the 2022 budget. In per capita terms, the increase is 16.3 per cent. However, in real terms, the budget has increased by 13.7 per cent. The increase is primarily due to the 10 per cent upsurge in the CDF allocation and 16 per cent increase in the LGEF.

The 2023 Budget is dominated by three programmes that take up over three-quarters of the total allocation. The bulk of the K112.5 million is earmarked to be spent on Management and Support Services (27 per cent), Constituency Development (25 per cent) and Housing and Community Amenities (20 per cent). Collectively, these three programmes account for 72 per cent of the Budget for 2023. 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, LIVINGSTONE, 2020-2023³



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

³ Find out why Resource Mobilisation and Management is a programme on its own rather than under Management and Support Services.

There have been some significant reductions in the shares of most programmes in the last four years.

Most importantly, the share of management and support services have declined from 42 per cent in 2020 to 27 per cent in 2023. This signals the increased prioritisation of resources from administration and support services to core functions of the city council.

By economic classification, the 2023 Budget is categorised into two main groups: expenses and non-financial assets. Most of the budget will go towards expenses (93 per cent), with goods and services dominating. Amounting to K95.8 million, expenses increased by 12 per cent over the 2022 expense budget of K85 million.

TABLE 2: FISCAL FRAMEWORK OF THE LIVINGSTONE CITY COUNCIL, 2021–2023⁴

	2021	2022	2023
Expenditure	67,322,338	91,267,738	112,588,999
Expenses	59,994,215	84,910,323	95,819,607
Personal emoluments	32,122,614	29,490,393	44,624,996
Use of Goods and Services	27,871,601	55,419,930	51,194,611
Assets	7,328,123	6,357,415	11,535,293
Non-financial assets (capital expenditure)	7,328,123	6,357,415	11,535,293
Liabilities	0	0	0
Revenue	67,322,340	91,267,739	112,588,999
Local taxes/rates	31,424,288	31,602,640	32,309,737
Other revenue	18,546,052	15,650,299	33,564,462
Total own-resources	49,970,340	47,252,939	65,874,199
Grants from Central Government	17,352,000	44,014,800	46,714,800

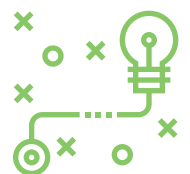
Source: Constructed from Ministry of Local Government and Rural Development, 2023 Output-Based Annual Budget for Local Authorities

While the budget is seemingly balanced, it masks the huge statutory liabilities that exceed the budget.

The Livingstone City Council owes the National Pension Scheme Authority (NAPSA), the Zambia Revenue Authority (ZRA) and the Local Authorities Superannuation Fund (LASF) in excess of K142 million. These statutory liabilities are 26 per cent higher than the K112 million budget for 2023. While ZRA and LASF debt is manageable, NAPSA penalties, which are 20 per cent per month and compounded, are too high and unsustainable. This accumulation of liabilities is partly attributed to excess staff as recruitments are not demand-driven and are made from central government level.

TAKEAWAY

- The increased funding to the core functions places the city council in a position to achieve its intended objectives.
- The huge statutory liabilities call for intervention from higher authorities and the development of a local debt management and restructuring strategy.
- The reduced own-revenue generation is unsustainable and makes the council more vulnerable to funding challenges from central government.



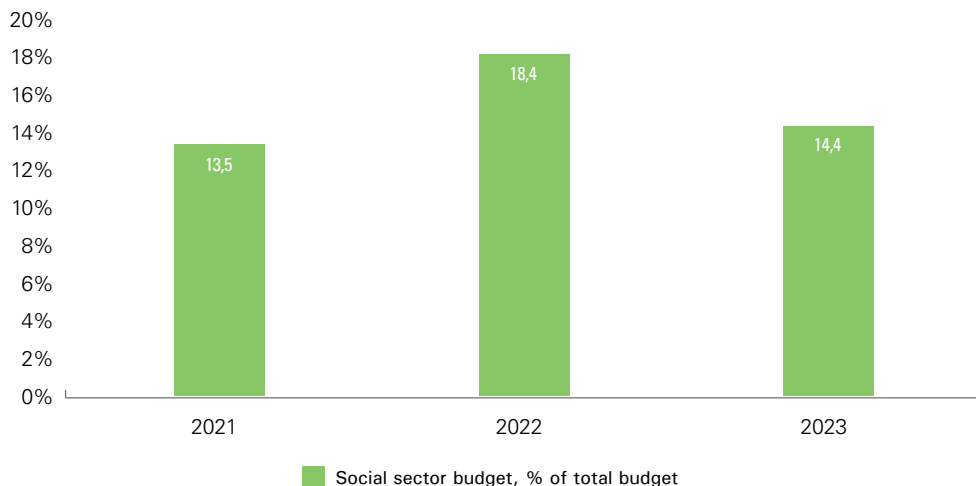
⁴ Outturn numbers for 2021 – 2023 not reported



OVERVIEW OF SOCIAL SECTOR BUDGET SIZE AND SPENDING TRENDS

Allocation to social sectors (education, social protection, health and WASH) accounted for less than one-fifth of the budget. Of the K112.5 million budget, K16.2 million or 14 per cent has been allocated to the social sectors. Over the last three years, the social sector budget has averaged 16 per cent of the total budget per annum. The allocation to social sectors decreased from a share of 18 per cent in 2022 to 14 per cent in 2023 (see Figure 3). The decrease in 2023 was primarily due to no allocation to early childhood education and community centres.

FIGURE 3: TRENDS IN THE SOCIAL SECTOR BUDGET AS A PERCENTAGE OF THE TOTAL BUDGET, 2021–2023

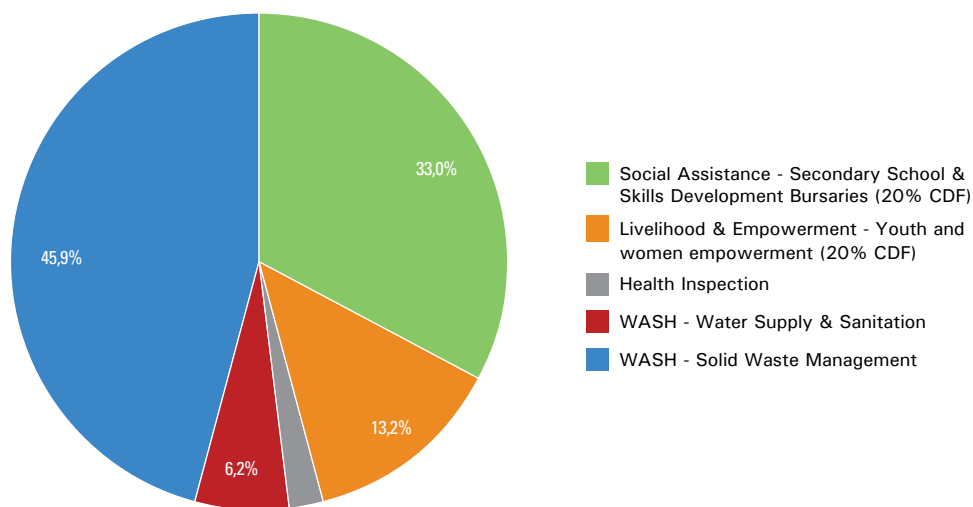


Source: Constructed from Ministry of Local Government and Rural Development, 2023 Output-Based Annual Budget for Local Authorities

OVERVIEW OF SOCIAL SECTOR BUDGET COMPOSITION

The social sector budget for Livingstone in 2023 comprises of education, water, sanitation and hygiene; and social protection.⁵ Half of the social sector budget is earmarked for WASH (52 per cent), 46 per cent for Social Protection, and a paltry 1 per cent for Health. The three programmes identified under social protection include secondary school bursaries, youth and women empowerment, community centres as well as WASH with two main programmes identified – i.e., water and sanitation services and waste management.

FIGURE 4: BUDGET ALLOCATION TO THE SOCIAL SECTORS, 2023



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

Aside from the increase in allocation for water supply and sanitation, the social protection allocation for youth and women empowerment has declined. While the overall social sector budget decreased by 23 per cent, it was driven by the decrease in CDF Youth and women empowerment despite the 10 per cent increment on CDF. Early Childhood Education and community centres were not budgeted for in 2023. The solid waste management budget has increased by 42 per cent in 2023 compared to 2022 as shown in Table 3.

⁵ Despite having a Public Health and Environmental Protection programme, health is conspicuously missing because the subprogrammes relate to WASH only

TABLE 3: ALLOCATION TO SOCIAL SECTORS BY PROGRAMME, LIVINGSTONE, 2021–2023

		2021	2022	2023	% Change
Education	Early Childhood Education	161,120	114,770	0	
Social Protection	Social Assistance - Secondary School & Skills Development Bursaries (20% CDF)		5,140,000	5,377,000	4.6%
	Livelihood & Empowerment - Youth and women empowerment (20% CDF)		5,140,000	2,150,800	-58%
	Community centres	728,524	656,827	0	
Water Supply, Sanitation & Hygiene	Water Supply & Sanitation	554,000	480,000	1,002,000	108%
	Solid Waste Management	7,655,103	5,235,121	7,471,715	42%
Health	Health Inspection			278,400	100%
Total social sector budgets		9,098,747	16,766,718	16,279,915	-3%
Total Budget		67,322,340	91,267,742	112,588,999	23%

SOCIAL PROTECTION

With the enhancing and ring-fencing of some sub-programmes under the Constituency Development Fund, social protection programmes feature prominently in the budget allocation for 2023. Social Protection programmes account for 46 per cent (or K7.5 million) of the K16.7 million social sector budget. The three main components of the social protection budget are (i) secondary school boarding school and skills development bursaries; (ii) empowerment programmes for women and the youth; and (iii) community centres. However, 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 people in the communities. Based on the CDF guidelines, 19 per cent of the CDF budget allocation is earmarked for this programme. This amounts to K5.3 million for 2023. The bursary directly benefits vulnerable children who are unable to pay boarding fees. The target is to sponsor 58 secondary school and 1,247 tertiary learners in the city.

Before 2022, livelihood and empowerment programmes were fragmented across ministries and other agencies. The enhanced CDF is a game changer—it not only decentralises empowerment programmes to the local level, but it also earmarks 7.6 per cent of the CDF budget allocation and helps to 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 City Council plans to empower 121 youth groups and 121 women’s groups in 2023. To cover these programmes, 7.6 per cent of the CDF (K2.1 million) has been allocated to these empowerment programmes. However, the delayed disbursement of the CDF will result in implementation delays of the social protection programmes.



- The decentralisation of school bursaries and empowerment programmes to the constituency level will help to improve targeting of intended beneficiaries, including children, and help minimise the fragmentation of the social protection programmes.
- However, the delayed disbursements will hamper the implementation of these social protection programmes.

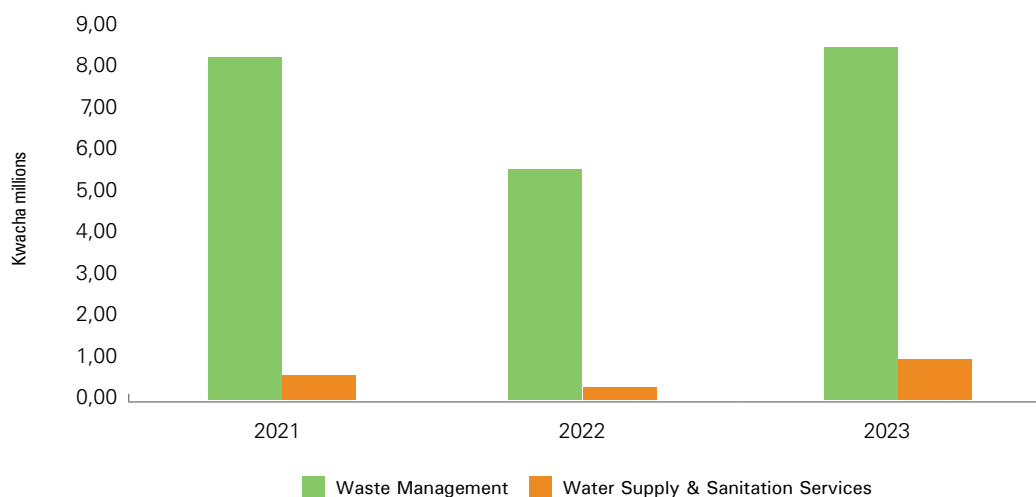
TAKEAWAY

WATER SUPPLY, SANITATION AND HYGIENE

The Livingstone City Council endeavoured to ensure several WASH issues are dealt with from 2022 hence the increase in the 2023 budget. The city authority has allocated K8.4 million to the WASH sector in 2023. The WASH budget falls under two programmes (Integrated Development Planning and Public Health and Environmental Protection). It is divided into water supply and sanitation and waste management. Waste management allocation will take up 88 per cent of the budget allocation to WASH. Among other things, the Livingstone City Council plans to increase waste collection to ensure that 120 cubic meters of generated waste is collected from commercial places and that the city has access to clean and safe water. Increased WASH services in the city will minimise the risk of infection and diarrhoeal diseases, especially among children.

However, the 2023 allocation is a significant increase in the WASH budget compared to 2022. The WASH budget has increased by 48 per cent from K5.7 million in 2022 to K8.4 million in 2023 largely due to a K2.2 million increase in the waste management allocation and K702,000 increase in Water Supply and Sanitation Services (see Figure 5).

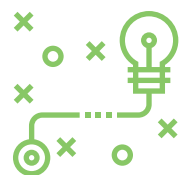
FIGURE 5: BUDGET ALLOCATION TO THE WASH SECTOR, 2021–2023



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

TAKEAWAY

- The increase in allocation to WASH is likely to energise the rollout of WASH services which presently only covers 30 per cent of the households in the district, reducing the risk of infection and diarrhoeal diseases to many children.

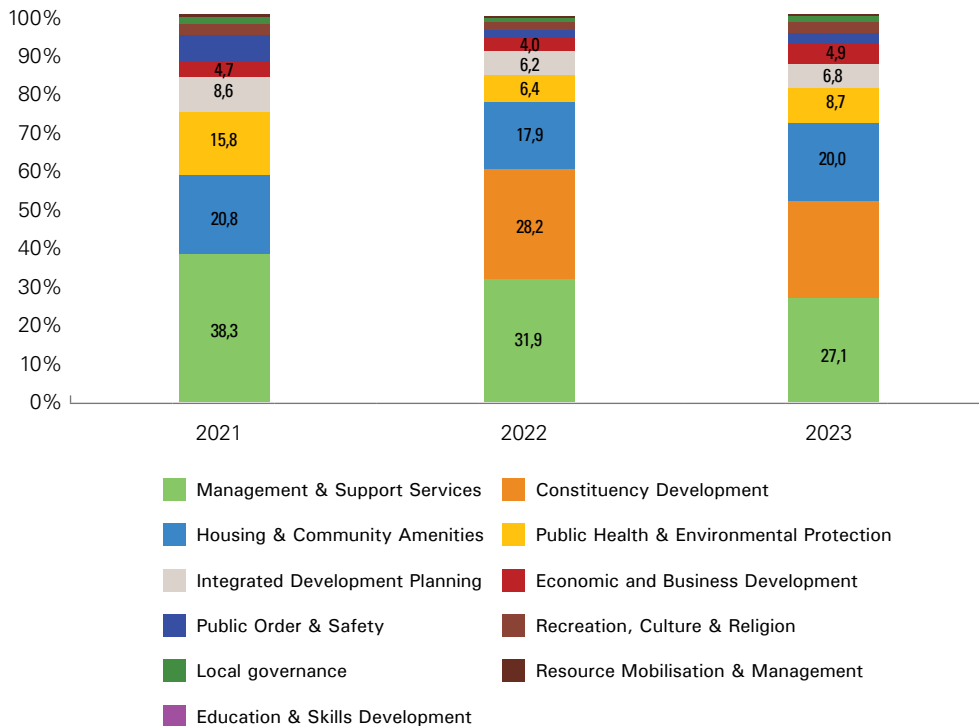


EDUCATION

The Livingstone City Council is not a major player in the provision of education services, which are highly centralised. Education and Skills Development programme was allocated K114,770 in 2022 but no allocation in 2023. The programme particularly targets ECE. The funds are meant be used to, among other things, facilitate the improvement of literacy levels for children between 0–6 years in communities within the city. Of the 83 early childhood education centres in the city, the Council operates only four of them despite not allocating any fund towards ECE.

As a share of the total budget, the allocation to education and skills development has declined from 0.2 per cent in 2021 to 0.1 per cent in 2022 and 0 per cent in 2023. The reduced allocation is counter to the target of achieving universal education by 2030. It is equally not in line with the extension of the Education for All policy from ECE, which requires local authorities to be ready to extend the ECE services to all eligible children aged 3–6 years.

FIGURE 6: EXPENDITURE BY PROGRAMME SHOWING POSITION OF EDUCATION SPENDING, 2021–2023



Source: Constructed from Ministry of Local Government and Rural Development, 2021-2023 Output-Based Annual Budget for Local Authorities



- The low share of allocation shows the low priority accorded to ECE by local authorities as well as the present highly centralised nature of the sector.

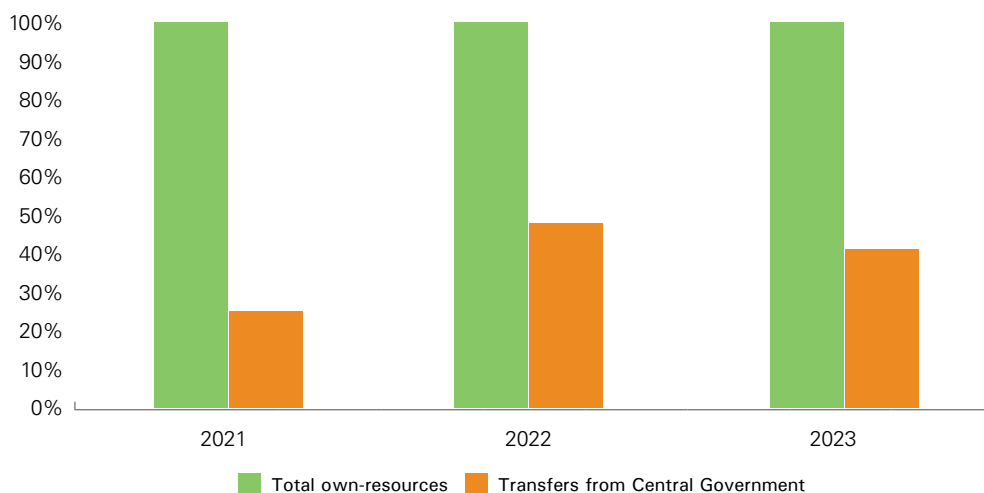
TAKEAWAY



SOURCES OF FINANCING

Nearly half of the budget (41 per cent) will be financed by the central government. This is through grants in lieu of rates, other grants, and the CDF. Other grants include the Recurrent Grant. Central government financing has decreased from a share of 48 per cent in 2022.

FIGURE 7: SOURCES OF FINANCING FOR LIVINGSTONE CITY COUNCIL, 2022-2023



Source: Constructed from Ministry of Local Government and Rural Development, 2021 -2023 Output-Based Annual Budget for Local Authorities

On the other hand, in 2023, the generation of own resources account for 58 per cent of the total financing, an increase from 52 per cent in 2022. The Livingstone City Council generated about K65 million from its own resources in 2023. 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 revenue). This is followed by fees and charges (10 per cent) and licenses (6 per cent).

The increase in own-source revenues is an improvement to the IDP goal of diversifying the local economy and increases the city's dependency on allocations from central government. This increase is primarily due to the City Council's initiative to implement their revenue enhancement measures. This involves setting of market revenue targets, digitalisation of markets and bus stations.

KEY POLICY ISSUES

Even though half of the Livingstone population are aged below 20 years, the budget is blind to the plight of children. The current OBB system, handed down from the central government, makes it challenging to identify child-focused budget lines. The system therefore requires an overhaul to make the budgets at local level more child-responsive. This will include, among other things, a review of the budget structure/classification system to ensure programmes, which seek to improve the well-being of children are more easily identifiable. This includes budget lines on health, nutrition, social protection and participation, which are currently missing in the budget.

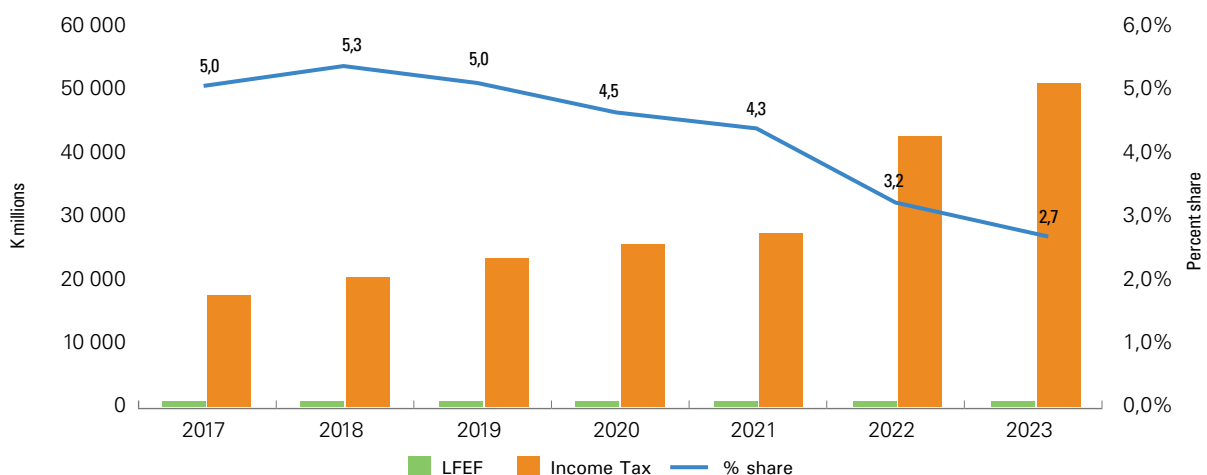
Further, the present reporting of the OBB does not warrant the estimation of budget credibility and execution rates. Despite a four-year time series analysis for the Livingstone City Council, no actual expenditure has been reported for the previous years to aid in determining how credible the budgets are and how well the local authority sticks to or deviates from the approved budget. There needs to be a deliberate effort to collect data and statistics to not only enable the determination of budget execution, but also to monitor the implementation of intended outputs and outcomes.

The Livingstone City Council is faced with unsustainable statutory liabilities, which it is not servicing. The council's statutory liabilities have accumulated to 28 per cent of its 2023 projected revenue. With no budget line for liquidating these liabilities, this shows that the council has not made any provisions for servicing its debt in 2023. This calls for a debt management and repayment strategy, which will include negotiating with NAPSA to reconsider their penalties which are considered to be too stringent.

Besides the lack of a debt management strategy, a key contributor to increased liabilities is the recruitment of professional staff, which is not demand-driven. The recruitments are done at central government level by the Local Government Service Commission and do not come with matching resources. Staff imposed on the local authority mid-way through the implementation of the budget for a particular financial year still have to be paid salaries, settling-in allowances, transport allowances and other unbudgeted-for costs. This therefore ends up constraining the already limited budget and contributes to the already bloated bill for statutory liabilities.

The change in the law potentially creates funding gaps for all local authorities, including Livingstone City Council. Section 45A of the Local Government (Amendment) Act of 2014 had earmarked not less than 5 per cent of the total amount projected income taxes at national level to fund the LGEF. However, the Local Government Act of 2019 no longer explicitly mentions this earmarking of income taxes, leaving the allocations to the discretion of the Ministry of Finance. Left unchecked, this is likely going to affect the future transfers from central government. Since 2020, the per cent allocation to the LGEF as a share of income taxes has been on the decline (see Figure 8).

FIGURE 8: DECLINING SHARE OF ALLOCATION TO THE LOCAL GOVERNMENT EQUALISATION FUND



Source: Ministry of Finance, Annual Economic Reports, 2017-2023, Fiscal Table 2023

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

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**Government of
the Republic of Zambia**

MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT
United Nations House, Alick Nkhata Rd, Longacres
P.O Box 50027
Lusaka, Zambia.

Telephone: +260 -211- 250528
+260 -211- 250732
Email Address: PS@MLGRD.GOV.ZM