

SOCIAL SECTOR BUDGET BRIEF

ZIMBA



REALISING ZIMBA TOWN COUNCIL'S POTENTIAL
TO FUND ITS OWN DEVELOPMENTAL NEEDS

2023

KEY MESSAGES AND RECOMMENDATIONS

1

The development of the 2020–2030 Integrated Development Plan has been a major achievement of the ZimbaTown Council. It provides an opportunity to actualise its potential in mining and tourism. 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 plan to the annual budget so that resources are allocated based on clear policy choices to achieve the intended strategic objectives.

2

The migration to the Output Based Budgeting (OBB) system has been fraught with several challenges, including numerous glitches in the software and the absence of some spending votes found in the chart of accounts. Further, only few staff have been trained on the use of the system.

RECOMMENDATION:

Besides resolving the system challenges and training more staff, there is need for the exchange of ideas with more experienced local authorities, such as the nearby Livingstone, to enhance staff capacity.

3

Without the Constituency Development Fund, which accounts for 93 per cent of the social sector budget, there is very little investment by the local authority to fund other social sectors, such as health and education.

RECOMMENDATION:

The ZimbaTown Council must increase the funding to other social sector programmes, such as health, education and water supply and sanitation to enhance the human capital needs of the local population, especially women and children. But to do so, there is need to improve own source revenue probably by mineral endowment that the district has, which could potentially generate more revenue as is the case with most districts with mineral resources.

4

The ZimbaTown Council has 0.008 per cent budget provision for early childhood education, which is not adequate to spur human capital development.

RECOMMENDATION:

There is need to not only increase the budget allocation to education and skills development but to also realign the programme to enable the laying of strong human capital foundation by funding of early childhood education.

5

With 88 per cent of its budget financed by transfers from central government, this presents a major challenge for the sustainability of the ZimbaTown Council's annual budgets, given that three-quarters of these transfers are earmarked for CDF.

RECOMMENDATION:

Zimba's mining endowment has the potential to boost own-source revenue, but it remains largely unexplored. The local authority should leverage on its natural resources endowment to increase its revenue autonomy. To this end, the revenue mobilisation and management programme is cardinal for rethinking and increasing its own-source revenues.



INTRODUCTION

Zimba is a rural district in Southern Province separated from Kalomo in 2012. Zimba, which is about 80 km north of Livingstone, covers an area of approximately 5,480.1 km², and has an estimated population of 108,316 inhabitants in 2022. It has a median age of 16 years. At 4.6 per cent per annum, it has a high population growth rate. The young population requires significant allocation of fiscal resources to ensure adequate funding for activities and services for children. These include early childhood education, primary and secondary education, as well as health care.

Zimba is largely an agricultural hub with crop production and livestock rearing dominates. Both commercial and subsistence farming play equally important roles. The district has two agricultural blocks and 17 camps with a total of 24,096 registered farmers in 2020. Commercial farmers largely supply established supermarkets in the province, Lusaka and other export markets outside the country, whereas the subsistence (small-scale) farmers meet mostly the local demand. Major crops produced include maize, sorghum, fruits and vegetables. It is estimated that 80 per cent of the population in Zimba is engaged in livestock development, and comprise 90,000 cattle, 70,000 goats, 50,000 sheep and 30,000 pigs as at 2020.

Zimba is also a mining town but its mining fortunes remain largely underdeveloped. It is home to one of the world's top-grade gemstones, particularly amethyst, with an annual production of about 1,000 tonnes. Kariba Minerals, a wholly-owned subsidiary of the Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH) accounts for 90 per cent of the country's amethyst production.¹ Other mining activities involve tin, granite and sand. But these are mostly mined by artisanal and small-scale miners who are ill-equipped to scale up production. Capitalised and formalised, the mining industry in Zimba is a potential source of significant revenues and employment for the district. There are also prospects for nickel mining.

¹ <https://www.gemadventurer.com/en/gemstones/zambian-kariba-amethyst/#:-:text=Zambian%20Kariba%20Amethyst%20is%20from,for%20well%20over%20thirty%20years.>



This Local Authorities Budget Brief explores the extent to which the Zimba Town Council will support the social needs of its residents in 2023, with a particular focus on children. The brief analyses the size and composition of budget allocations to the social sector budget for the Zimba Town Council for the fiscal year 2023, as well as spending trends for the past few years (where data are available), to inform policy, strategies and legislation to tackle social challenges.

This is the first social sector brief for Zimba. Based on the data available, the brief covers four aspects of the social sector: (i) education and skills development; (ii) health; (iii) social protection; and (iv) water, sanitation and hygiene (WASH). Education only covers early child education, while inspections and epidemic preparedness are covered under health. The social protection programmes covered are the empowerment programmes for women, the youth and vulnerable population covered in the enhanced Constituency Development Fund (CDF). The WASH sector covers water supply and sanitation services.

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 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 coordinated 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 about 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; childcare facilities; community centres; 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 details the 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, anchored around the establishment of the Local Government Equalisation Fund (LGEF), 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

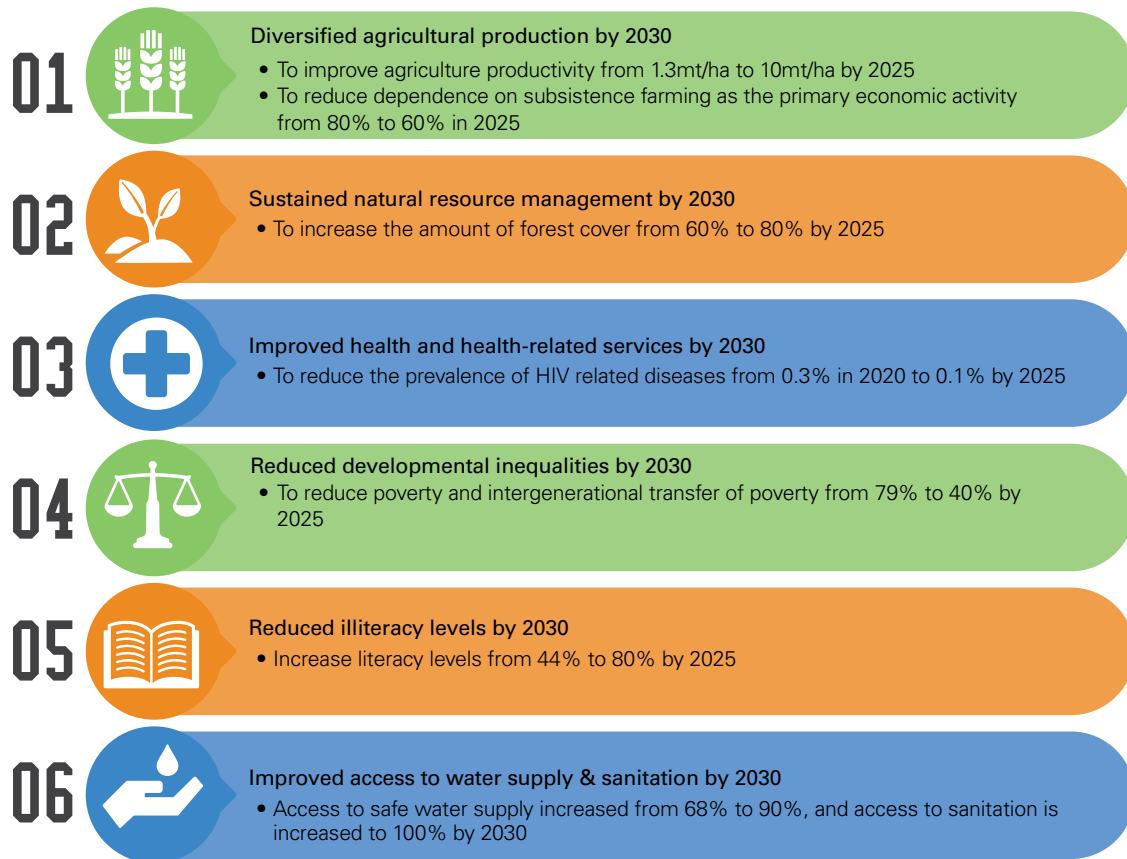
In line with the 2014 Planning and Budgeting Policy, the Government of the Republic of Zambia has been implementing a more strategic and performance-based approach to the planning and management of the National Budget. This involves transitioning from Activity-Based Budgeting (ABB) system, that was introduced in 2004, to an 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. Zimba was in the third phase of the rollout of the OBB, with 2023 being the second year. Being fairly new to the OBB, the local authority is still in the process of developing its output indicators as most of them are presently process indicators. The local authority found the migration to OBB challenging due to numerous glitches in the software, the absence of some spending votes found in the chart of accounts. It is also considered to be an added burden to the staff particularly given that most of them are yet to be trained in how to use the system.

Integrated Development Plan and 2023 Budget

In accordance with the Urban and Regional Planning Act No. 3 of the 2015, the Zimba Town Council prepared and published the 2020–2030 Integrated Development Plan (IDP). The IDP is operationalised through the annual budgets. The Council's 2023 Budget focuses on infrastructure development, solid waste management, rural water supply and sanitation, provision of community amenities and cross-cutting issues that have been encompassed under the IDP and social protection programme in line with the Eighth National Development Plan (8NDP).

The Zimba IDP is anchored on six overarching goals. These are (i) diversifying agriculture production; (ii) sustained natural resource management; (iii) improved health services; (iv) reduced developmental inequalities; (v) reduced illiteracy levels; and (vi) improved water supply and sanitation. Figure 1 shows the six overarching goals of the Zimba IDP.

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



Source: Constructed from the Zimba 2020-2030 Integrated Development Plan

However, there is a clear disconnect between the indicators in the IDP, the 2023 Budget and the 8NDP.

While the IDP has clear and quantifiable output indicators, the programme ‘outputs’ in the 2023 Budget are process indicators. For example, Goal 5 of the IDP targets to increase literacy levels from 44 per cent to 80 per cent by 2025. Under the Education and Skills Development programme of the 2023 Budget, the programme output is to train eight people who will in turn train adults on how to read and write. Further, while the IDP targets to increase literacy at all levels, the budget only targets adult literacy, which is a small part of enhancing access to quality, equitable and inclusive access to education as espoused in the 8NDP. The policy focus for education is narrowly pitched at literacy only. This also goes for Goal 3 which just tracks the reduction in the HIV prevalence rates. Notably, there is also discordance between increased targets for the goals and that of the budget. The budget is unlikely to support the full attainment of the IDP goals stated above.

TAKEAWAY

- The mismatch between the IDP and the annual budget is likely to derail the achievement of the Council’s strategic objectives.
- Given the district’s mineral endowments, the local authority has the potential to increase its revenue autonomy other than heavily relying on transfers from central government.





OVERVIEW OF TOTAL BUDGET SIZE, SPENDING TRENDS AND COMPOSITION

BOX 1

The CDF's teething challenges in Zimba

The scaling up of the Constituency Development Fund (CDF) has greatly improved the budget of the Zimba Town Council and its capacity to implement community projects. As at 1st June 2022, the Zimba Town Council had begun disbursing the funds allocated for secondary school bursaries. Regarding how to access CDF funds for projects, Ward Development Committees in Zimba were engaged to sensitise the communities in April 2022. Citizens were encouraged to form cooperatives. However, forming cooperatives is a lengthy process as it remains centralised, as the final certificates for the cooperatives are issued from Lusaka.

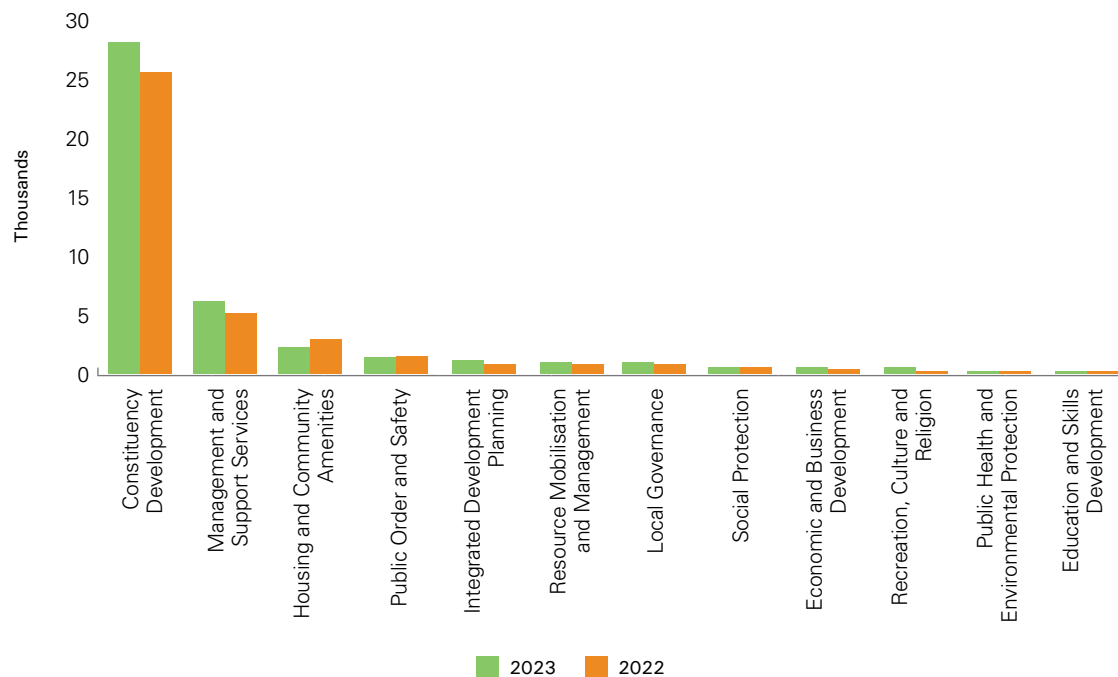
With applications for new cooperatives being done from all the 156 constituencies in the country, it takes about 2 months to obtain the final certificate from Lusaka, making the process lengthy. Further, loan application forms were not available as at 1st June 2022 when the key informant discussions were done. As a result, the response from the wards in the district has been slow.

Council staff were unclear about who should issue the loans given the fact that they are not financial institutions. Guidelines were being awaited about how to engage commercial banks to issue loans on its behalf.

Source: Key informant discussions with staff of Zimba Town Council, 1st June 2022

The Zimba Town Council proposes to spend K43.4 million in 2023 an increase of 11.2 per cent from K39.0 million in 2022. This accounts for 0.02 per cent of the 2023 national budget and 0.008 per cent of projected 2023 GDP. In per capita terms, this is K400 (or approximately US\$20).

The 2023 Budget is dominated by the CDF which takes up about two-thirds of the budget. However, the CDF was fraught with numerous implementation challenges in 2022 (see Box 1). This is followed by Management and Support Services (13 per cent) and Housing and Community Amenities (8 per cent). Figure 2 shows the percentage distribution of the programmes on which the budget is earmarked for in 2022 and 2023.

FIGURE 2: COMPOSITION OF THE COUNCIL BUDGET BY PROGRAMME, ZIMBA, 2022–2023 (K'000)

Source: Constructed from Ministry of Local Government and Rural Development, 2022–2023 Output-Based Annual Budget for Local Authorities

By economic classification, Use of Good and Services accounted for the largest share of expenditure amounting to K20.8 million. This was followed by transfers and subsidies that were exclusively the CDF component of the budget, amounting to K11.3 million and accounting for 26 per cent of the budget. This was followed by personal emoluments which took up K10.0 million or 23 per cent of the total budget. The salaries and wages amounted to 22.1 per cent, while capital expenditure took up 2.6 per cent.


TABLE 2: BALANCE SHEET OF THE ZIMBA TOWN COUNCIL, 2023 (K'000)

	2022	% SHARE	2023	% SHARE
Expenditure	39,038	100%	43,422	100%
<i>Current expenditure</i>	<i>37,924</i>	<i>97.1%</i>	<i>42,260</i>	<i>97.3%</i>
Personal emoluments	8,300	21.3%	10,069	23.1%
Salaries and Wages	7,581	19.4%	9,555	22.1%
Personnel Related Costs	719	1.8%	444	1.0%
Other emoluments	-	-	70	0.1%
Use of Goods and Services	3,924	10.1%	20,889	48.1%
Transfers and Subsidies	25,700	65.8%	11,320	26.1%
Assets	1,094	2.8%	1,142	2.6%
Non-financial assets (capital expenditure)	1,094	2.8%	1,142	2.6%
Liabilities	20	0.1%	20	0.05%
Outstanding arrears	20	0.1%	20	0.05%
Revenue	39,038	100.0%	38,020	100.0%
Own sources	4,938	12.6%	5,401	12.4%
Transfers from Central Government	34,100	87.4%	38,020	87.6%

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



The budget for outstanding arrears accounted for only 0.05 per cent of the budget. This amounts to K20,000 and is a very small portion of the stock of Zimba Town Council's statutory liabilities, estimated at K7.8 million. This is about one-quarter of the 2023 Budget and is mostly owed to the National Pension Scheme Authority (NAPSA), the Zambia Revenue Authority (ZRA) and the Local Authorities Superannuation Fund (LASF). NAPSA penalties are considered to be too punitive and unsustainable.

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- Given the implementation challenges, much of the CDF has not been disbursed and this adversely affected the budget execution rates for 2022.
 - The huge statutory liabilities call for intervention from higher authorities and the development of a local debt management and restructuring strategy.
 - The dependence on central government transfers and the reduced own-revenue generation is unsustainable and is likely to affect the implementation of the IDP.

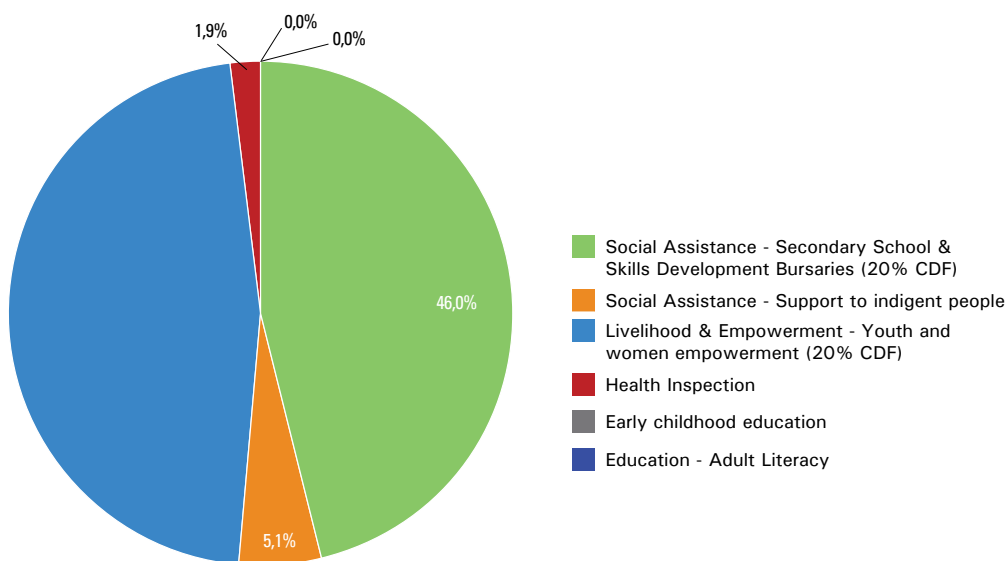
TAKEAWAY

OVERVIEW OF SOCIAL SECTOR BUDGET SIZE AND COMPOSITION

Allocation to social sectors accounted for just over one-quarter of the total Town Council budget.

Of the K43.4 million Budget, K12.1 million or 27.5 per cent of the budget has been allocated to the social sectors in 2023 as opposed to K10.7 million (27.4 per cent) in 2022—education, health and social protection. About 98 per cent of the social sector budget is earmarked for Social Protection. The three programmes identified under Social Protection are secondary school and skills development bursaries which is social assistance for vulnerable learners, youth and women empowerment as well as support to indigent people.³ This is then followed by health (1.9 per cent) and Education (0.1 per cent) as shown in Figure 3 below.

FIGURE 3: BUDGET ALLOCATION TO THE SOCIAL SECTORS BY PROGRAMME, ZIMBA, 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.

SOCIAL PROTECTION

Social protection programmes feature prominently in the budget allocation for 2023 due to increased allocation and ring-fencing of some components of the CDF.

Social Protection programmes account for 98 per cent (or K11.9 million) of the K12.1 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 the women and youth; and (iii) support to indigent people. However, it should be noted that these programmes have broader objectives than social protection whose beneficiaries cut across several demographics.

³ Using programme classification, there are no discernible budget lines for WASH services even though they are mentioned in the programme outputs (page 1,695 of the Local Authorities OBB report).

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, 20 per cent of the CDF budget allocation is earmarked for this programme. This amounts to K5.6 million for 2023 compared to K5.1 million in 2022. This bursary directly benefits vulnerable children who are unable to pay boarding fees. In the 2023 budget, it aims to support 400 students in secondary school and 350 students in skills development for the bursary programmes.

Through the CDF, empowerment programmes have not only been decentralised, but also sorts out the legacy problem of fragmentation of the programmes. In the 2023 budget, 20 per cent of the CDF (K5.6 million) has been allocated to these 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). It aims to support 65 youth/groups/clubs/cooperatives and 65 women groups accessing grants for the empowerment programmes in the 2023 budget. However, as earlier discussed, the delayed disbursement of the CDF may result in implementation delays of these social protection programmes.


Support to indigent people will account for 5.1 per cent of the social sector budget.⁴ In value terms, this amounts to K628,881. Given the demographic composition of the district, it can be inferred that this budget allocation implicitly targets poor and vulnerable households that include children.

EDUCATION

The Zimba Town Council has allocated 0.1 per cent of the social sector budget (or 0.02 per cent of the total budget) to Education and Skills Development programme specifically adult literacy and ECE. The K8,363 allocated to this programme is earmarked to address ECE and adult illiteracy in the district. The Council targets eight people to benefit from the adult literacy programme that will in turn train adults on how to read and write; and promoting ECE through four inspections of nurseries. These measures are unlikely to meet the target increase in literacy levels from 44% to 80% espoused in the IDP. The local authority need to mobilize additional resources and train more people to attain the highly ambitious target on literacy.

HEALTH

The Zimba Town Council plans to spend K231,512 on health inspections in 2023, which accounts for 1.9 per cent of the total social sector spending or 0.5 per cent of the total budget. The Council plans to have a 100 per cent collection of garbage against generated, Inspection of 1,900 carcasses, Issuance of over 350 health permits, Inspection of 350 trading and public places, and 12 Keep Zambia Clean, green & healthy campaigns. These activities are not specifically targeted at children.

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- The allocation of 97 per cent allocation to CDF will help to alleviate the welfare of some vulnerable people in the district; however, it leaves little for other social sector spending.
 - Education and skills development, which is only allocated 0.1 per cent of the social sector spending, will primarily help solve the adult illiteracy problem which may be a consequence of little or no investment in ECE by the local authority.

TAKEAWAY

⁴ This is financial support given by the local authority to registered poor and vulnerable people in the district. It supplements safety net programmes such as Social Cash Transfer which is administered by central government.

SOURCES OF FINANCING

Zimba Town Council has been highly dependent on transfers from the central government. To determine the potential revenue sources available for the implementation of the IDP, a review of sources of revenue was done for the period 2017–2019. Zimba Town Council only generated 17 to 20 per cent of its required revenue from own sources during 2017–2019 (Table 2). In fact, own-source revenues have further declined to 12 per cent in 2023 from 17 to 20 per cent during 2017–2019. This means that the council is increasingly more dependent on transfers and subsidies from central government. This is despite the mineral endowment that the district has, which could potentially generate more revenue as is the case with most districts with mineral resources.

TABLE 2: ACTUAL REVENUE COLLECTION AND EXECUTION RATES BY SOURCE OF REVENUE, 2017–2019

	2017	2018	2019
Actual revenue collection			
Total	8,968,181	10,545,848	10,251,950
Own source revenue	1,526,172	1,997,303	2,067,635
Central govt support	7,442,009	8,548,545	8,184,315
% Own-source revenue	17%	19%	20%
Realised revenue (%)			
Own source revenue	19%	41%	64%
Local taxes	83%	200%	77%
Fees and charges	16%	79%	64%
Licences	357%	189%	90%
Levies	114%	164%	72%
Permits	70%	129%	56%
Charges	10%	16%	54%
Other income	60%	135%	75%
Transfers from central government	112%	102%	81%
Total	61%	79%	77%

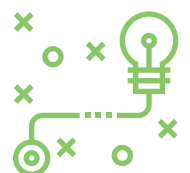
Source: Zimba Integrated Development Plan 2020-2030 and own estimates

During the period 2017–2019, an average of 72 per cent of the projected revenue was actually realised.

Almost all the projected revenues through transfers from central government was realised compared to only 41 per cent for own-source revenue. Put differently, about 60 per cent of own-source revenue targets are unrealised. This poor revenue performance and reliance on central government epitomises the broader fiscal challenges facing Zimba district, including the local authority's inability to effectively tap into its agriculture and mineral endowment to achieve revenue autonomy.

TAKEAWAY

- Lower than projected revenues from own source revenues presents a major challenge for financing the annual budget.





KEY POLICY ISSUES

Zimba Town Council relies heavily on the central government for funding its annual budget. Sufficiency of own revenues is the key to Zimba's ability to deliver necessary goods and services and to ensure better accountability of local officials to their constituents. Zimba has the potential to finance a large portion of its budget from own revenues collected from local businesses. These require harnessing of agriculture, mining and tourism resources in the district. To this end, the development of the IDP offers a window of opportunity to develop these local endowments. Save for agriculture, the goals and objectives of the existing IDP have little focus on these other potential growth sectors. For Zimba to realise its growth potential and enhance its revenue autonomy, the local authority would have to, among other things, come up with innovative ways to formalise artisanal and small-scale mining as well as attract new investment in the mining and tourism sectors.

With a median age of 16 years, Zimba has a young population, yet the Zimba Town Council budget for 2023 is not responsive to the plight of children. The following shows why this is the case:

- The education and skills budget in 2023 is mostly meant for adult literacy. ECE has the lowest allocation, which is only for inspecting four nurseries.
- The health budget line is for inspections of trading and public places.
- There is no budget line for water supply and sanitation services, necessary for minimising the risk of infection and diarrhoeal diseases especially among children.

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

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