ZAMBIA NATIONAL POLICY BRIEF

WHO CARES FOR THE FUTURE – FINANCE GENDER RESPONSIVE PUBLIC SERVICES!

June • 2020

Policy Brief

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This summary briefing for Zambia draws on data and analysis from the global report Who Cares for the Future: Finance Gender-responsive Public Services which was published in April 2020.

Summary

The COVID-19 crisis has revealed the extent to which public services have been under-funded for a generation across Africa, with women in the poorest communities often having to take the strain and fill the gaps through unpaid care and domestic work. This crisis is however an opportunity for some fundamental changes, with governments looking for structural solutions and new ways forward, in short to build back better. Zambia's debt servicing bill amounts to 188% of what it spends on health — nearly twice as much — and 111% of what it spends on health and education combined. These debt payments must be cancelled, or at the very least suspended, through to end-2021 to allow for a comprehensive response to COVID-19. Debt payments should never be allowed to compromise the spending on public services needed to deliver on the SDGs. To rebuild public finances, Zambia should rapidly and fairly expand its domestic tax, aiming to increase by at least 5% over 5 years, which would allow a doubling of spending on most public services. Action is also needed to push back on coercive policy advice that has pressured the government in recent years to cut public sector wage bills, undermining the capacity to employ more teachers, doctors, nurses, care workers and other essential frontline staff. By taking a combination of actions on tax, debt, and austerity the government of Zambia could transform the quality of all public services and start shaping a sustainable economy that cares for both people and the planet.

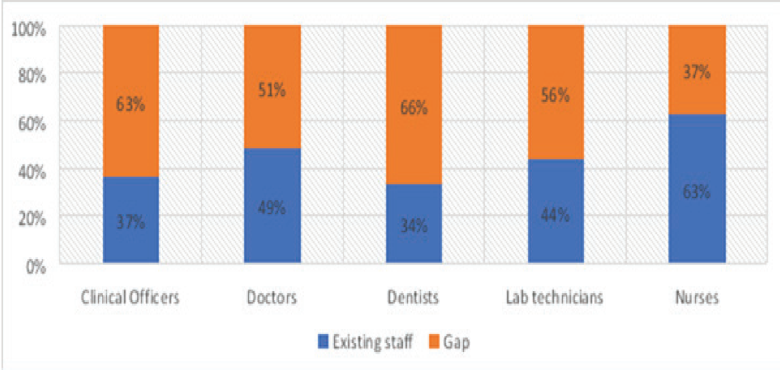
INTRODUCTION

On average women spend four hours and 25 minutes daily doing unpaid care and domestic work, in comparison to men's average of just one hour and 23 minutes. Globally this is changing by less than a minute per year. If properly valued this work would constitute at least 9% of global GDP or US$11 trillion.

When women spend several hours a day caring for children, provision of free public schools and early childcare can be transformative. When women are expected to care for the sick and elderly at home, access to health services can reduce the burden. When women spend hours collecting water, access to clean water close to home can transform lives. Indeed, the provision of gender responsive public services is key both to delivering on human rights and the SDGs, and to transforming women's lives. Quality provision of early childcare, public education, health care, water, and sanitation, are crucial – alongside investments in energy, agriculture, and social protection.

Unfortunately, around the world and particularly in Africa, different public services have been chronically underfunded for decades, leaving countries unable to deliver on people's rights, way off target for achieving the SDGs and unable to respond as effectively as they could to COVID-19.

According to the Zambia's Ministry of Health, National Health Strategic Plan, 2017-2021, Zambian health system has immense human resource gaps and the system cannot fill all frontline and key health positions. There is a shortage of 63% of the required clinical officers and about 51% of the required doctors. About 66% of dentists' positions are not filled and 56% of lab technician positions are not filled. The nursing staff requirements are also short by 37%. These gaps mean that the number of health staff is inadequate. This results into long queues and extended waiting times for patients at health facilities which is inefficient. This also means that patients may not get the exact care they require due to absence of key health personnel. Unless these are addressed through increased funding, the outcome is likely to be an unhealthy population that cannot be productive enough to spur the growth of the Zambian economy.



Source: Ministry of Health: National Health Strategic Plan, 2017-2021

queues and extended waiting times for patients at health facilities which is inefficient. This also means that patients may not get the exact care they require due to absence of key health personnel. Unless these are addressed through increased funding, the outcome is likely to be an unhealthy population that cannot be productive enough to spur the growth of the Zambian economy.

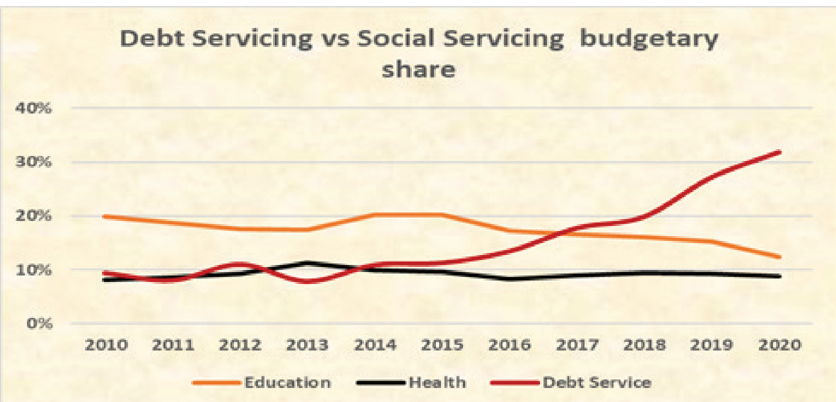
Today, the country boasts of universal primary education as entry into primary school has risen significantly. However, most efficiency and equity indicators suggest the need for further strengthening of the general education system, especially the low-quality indicators that show low completion rates (36%), low pupil-book ratio (0.83), very low contact hours and pupil teacher ratio. According to the 2018 Education Statistical Bulletin, Zambia teacher ratio stood at 61.9 for primary school and 36.9 for secondary school. This coupled with considerable staffing imbalances between rural and urban schools in Zambia. The innovation for poverty Action 2018 study on teaching staff imbalances across public primary schools in Zambia established that rural schools have on average four vacancies and urban schools are on average overstaffed by four teachers.

BEYOND BUDGET SHARES

Those fighting for more funding for public services often fight against each other for a greater share of the budget, for example seeking at least 20% for education or 15% for health, but too often this sets public services against each other. If one public service gains, it is at the expense of others. It is time to re-focus attention, encouraging different public services to work together to increase the total budget, addressing the strategic financing issues which affect all of them. Our evidence and analysis show that action on debt, austerity and tax could deliver system change for all public services in Zambia. Of course, this depends on ensuring that the extra resources are allocated and spent both transparently and effectively, with a strong focus on increasing equity and with clear oversight both from local communities and the national parliament.

ACTION ON PUBLIC DEBT

There is a new debt crisis that is squeezing public spending in low income countries and it is getting worse. ActionAid's new research shows that those countries which spend more than 12% of their budgets on debt servicing are invariably forced to cut their spending on public services. Zambia is well over this threshold (with one of the world's highest rates, at 51%); a reduction to 12% would have made an additional $1.7 billion available for public services in 2019. Furthermore, over time, the budgetary allocation to debt service has been increasing significantly in Zambia compared to the budget for social sectors such as health and education. In 2020, debt servicing budgetary share was 32%, while health and education received 9% and 12% respectively. The figure below shows that the Government has now been allocating more resources towards debt servicing at the expense of the social sectors.



Authors compilation from national budget speech

The debt situation has been worsened by the advent of COVID-19 and its eminent socio-economic impact. Zambia is likely to be the second country, after Argentina, to default on its debts during this period. This will mean months of negotiations and even harsher economic conditions for Zambians. In that regard, the government of Zambia has already retained a US financial firm, Lazard, as debt advisers, at a reported cost of $5 million.

Moreover, with COVID-19, suspension of debt payments is now on the global agenda. This is the moment for the government of Zambia to insist on its right to spend the revenue it raises on providing a comprehensive and sustained response to COVID-19 and invest to meet the SDGs, rather than paying old debts. However, this should not only cover bilateral and multilateral but also commercial loans. This is in the backdrop a global shift from concessional lending and financing to market based financial instruments including sovereign bonds, public private partnerships, blended finance, and new bilateral lenders, especially China. Likewise, Zambia's composition of public debt has shifted from concessional borrowing to non-concessional borrowing in the recent times from 0% of commercial loans in 2010 to more than 50% in 2018. Furthermore, the government of Zambia should work with other countries to make a pan-African call for more sustained debt cancellation, rather than suspension which just delays payments. This, however, needs to go hand in hand with a commitment to reform debt contracting processes so that all future loans are agreed following a transparent and accountable process. Enhanced accountability and transparency in the in the acquisition and utilization of public debt is not only key in the effective and efficient use of borrowed funds but will also be key to relevant stakeholders like the civil society organisations to engage in the debt cancellation and relief call and/or advocacy from an informed position.

ACTION ON PROGRESSIVE TAXATION

Zambia urgently needs to take bold action on progressive tax reform. Zambia has a tax-to-GDP ratio of around 16% , below the average of 17% for low income countries (compared to 34% in OECD countries). In line with most developing countries, Zambia relies strongly on regressive taxes, targeting the poor more than the rich.

Our research shows that countries like Zambia can expand their tax bases both rapidly and fairly through acting on ending detrimental corporate tax incentives, raising corporate taxes on the biggest companies, improving taxation of the extractive industries, supporting fair property taxes and targeting luxury consumption. Whilst the recognition of the urgent need to expand tax base and/or revenues, there is need to explore and focus more on fair and progressive taxes unlike regressive consumption taxes which more vicious on the poor who, by necessity, spend more of their income. Action is also urgently needed to prevent aggressive tax avoidance and evasion by multinational companies and ultra-rich individuals. Just like most African countries, Zambia continues to lose tax revenues through illicit financial flows especially in multinational companies dominated mining sector. Recently, the Supreme Court of Zambia delivered a fundamental and remarkable judgement by fining Mopani Copper Mines $13 million for violating the Arm's Length Standards (ALS) in its transactions with its Swiss parent multinational, Glencore International AG (GIAG). This could be one of the numerous unearthed transactions. In fighting aggressive tax avoidance and evasion by multinational companies and ultra-rich individuals, strengthening the national revenue authority is crucial; equally Zambia needs to promote regional cooperation and add its voice to calls for global action on tax havens and the setting of fairer global tax rules.

ActionAid believes that by fighting aggressive tax avoidance and evasion by multinational companies and ultra-rich individuals as well as exploring and/or increasing tax base progressively and fairly, countries like Zambia could expand their tax-to-GDP ratios by 5% over 5 years, i.e. by 2025. This would increase by almost a third of the present revenue, enabling the government of Zambia to double its present spending on education, health, and other key public services.

ACTION ON IMF PACKAGE

Due to plummeting economic growth and unstainable levels of public debt Zambia has been pursuing an IMF bailout package since 2015. With Covid-19 in the picture, Zambia's pursuance of an IMF package looks imminent. IMF bailout package and/or financing can an ideal source for concessional zero- or low-interest loans, for redeeming Zambia's Eurobonds, of which the first principal payment is due in 2022. IMF support is also assumed to bring in much-needed technical assistance on economic reform as well as an external impetus for mutual accountability and transparency. Finally, an IMF deal would also send the right signal to investors and other development partners that Zambia is re-establishing international credibility . Our new research in all low-income and many middle-income countries shows that the IMF packages holds down public spending by among others things freezing or cutting of public sector wage bills (in 78% of countries) implying that government cannot employ more teachers, doctors, nurses or care workers to offer respective public services.

IMF has in the recent times announced its departure from the coercive policy advise and bailout packages to mutual consensus and agreement-oriented financing, however, our research shows otherwise as indicated above. It is against this background that we implore the government to trade carefully in its pursuance of the IMF bailout package. The government of Zambia should unequivocally reject the ideology of austerity as promoted by the IMF in the past, to invest urgently in public sector workers, especially doctors, nurses, teachers and care workers. The Government should seek to safeguard spending to the social sectors even amidst tight fiscal spaces and austerity measures.

CONCLUSION

With the advent of COVID-19, there is a compelling need to invest more in gender responsive public services. However, this is hampered by the new public debt crisis which has limited the fiscal space of most countries to respond accordingly as well as the present economic fundamentalism which has no regard to gender related discrimination in achieving economic growth. This coupled with coercive policy advise from multilateral financial institutions like IMF can limit the potential to explore alternative economic models. Our research shows that the government could achieve a sea change in investment in public services over the next five years. Action on suspending debt servicing alone could release urgently needed revenue for the COVID-19 response. Action on fair and progressive taxation could lead to a doubling of revenue for most essential public services. This is the scale of ambition needed to achieve the SDGs, but to pursue such ambitious change means moving away from coercive policy advises and working with other countries across Africa to promote alternative economic models. The COVID-19 crisis can and must be the turning point – the moment when Zambia and Africa pursue more expansionary economic policies that can truly deliver the financing to achieve all development goals. All new resources generated must be allocated and spent with a new commitment to transparency and accountability, so they reach the most excluded groups and truly transform the country. There are ten years to the SDG deadline of 2030. It is not too late to build a sustainable economy that truly cares for both people and the planet.

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