

Impact of Debt on the National Budget

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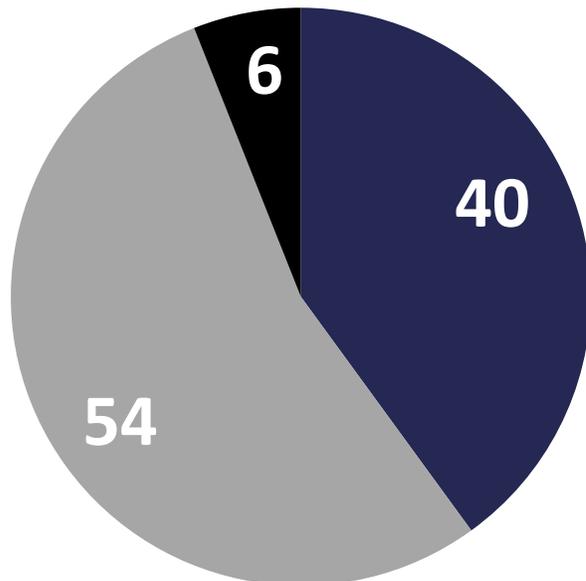
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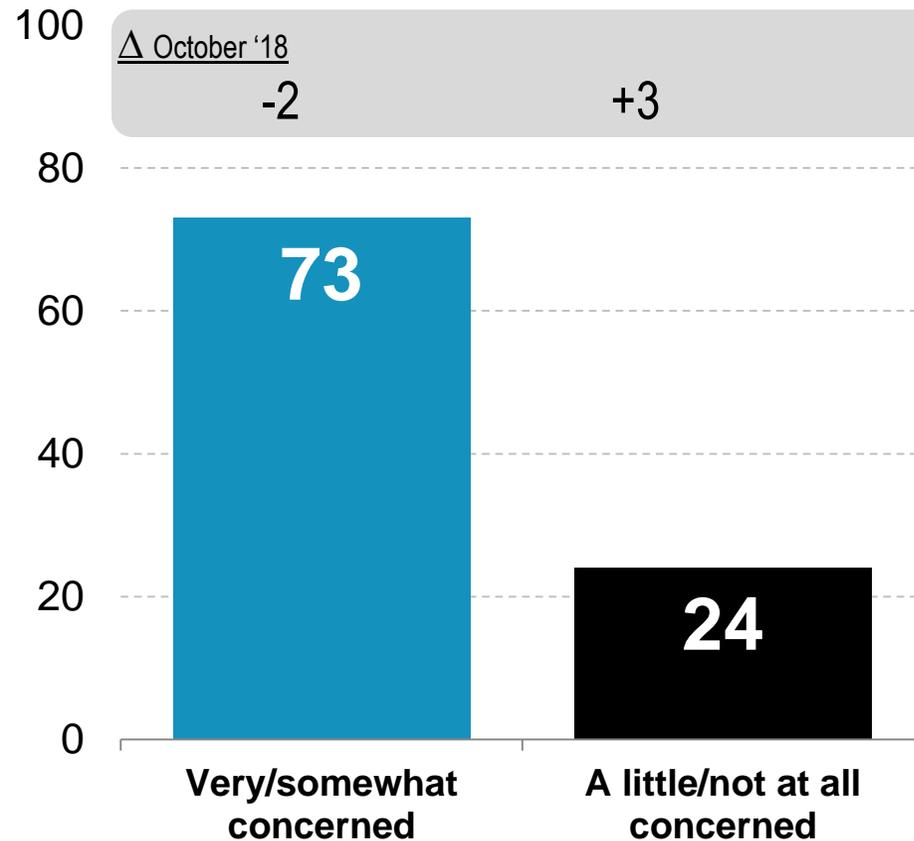
Low awareness on debt specifics, but high concerns

As you may know, the Zambia government is spending more money than it has. As a result, the country's debt is four times more than it was in 2015, reaching about 210 billion kwacha, and the government now spends one in every four kwacha to pay back the debt. How much have you seen or heard about this national debt -- a great deal, some, just a little or nothing at all?

- A great deal/some
- Just a little/none
- Don't know/Refused



Would you say you are very concerned about that national debt, somewhat concerned, a little concerned, or not at all concerned about that national debt?

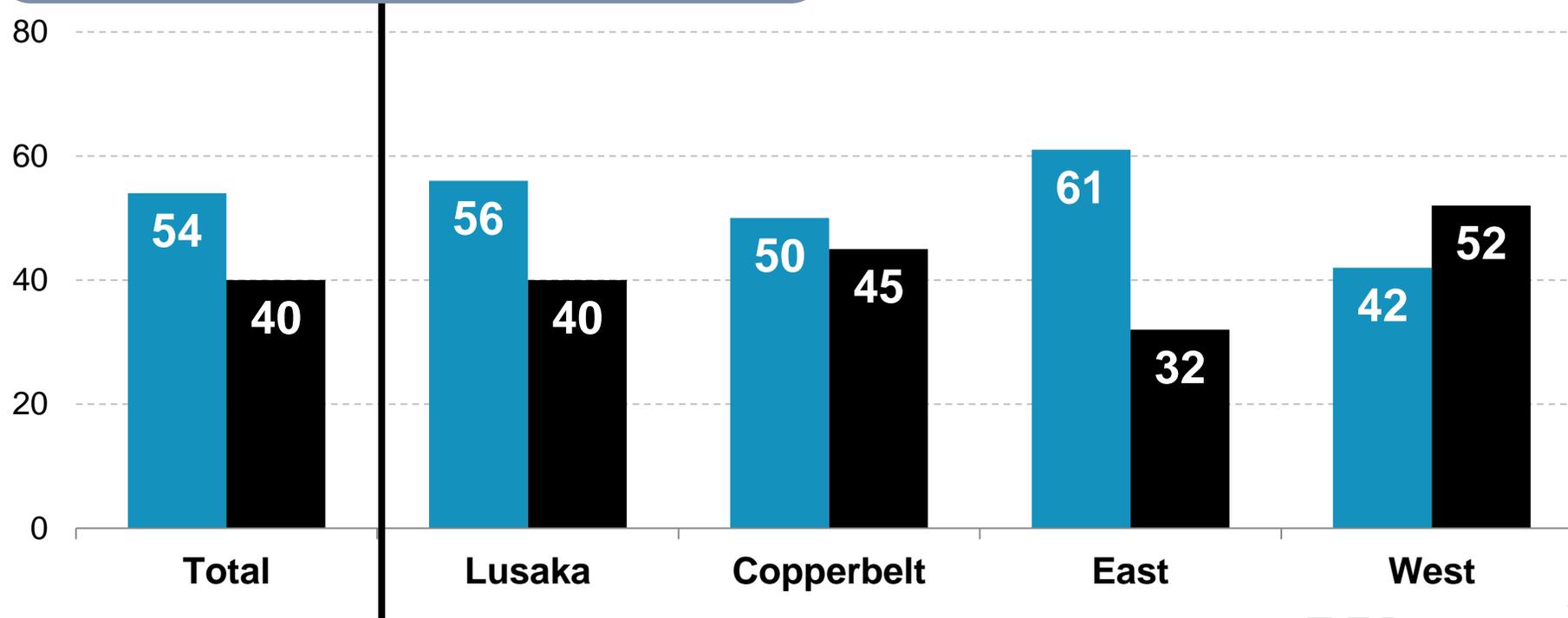


Most say borrowing improves livelihood, except West

Now I'm going to read you some pairs of statements, and for each one, I want you to tell me which choice comes closer to your point of view. Here is the first/next pair of statements.

When Zambia borrows money, it means the country can pay for projects like roads, schools, health centers and airports, which make my life better.

When Zambia borrows money, the things they spend the money on do not make my life better.



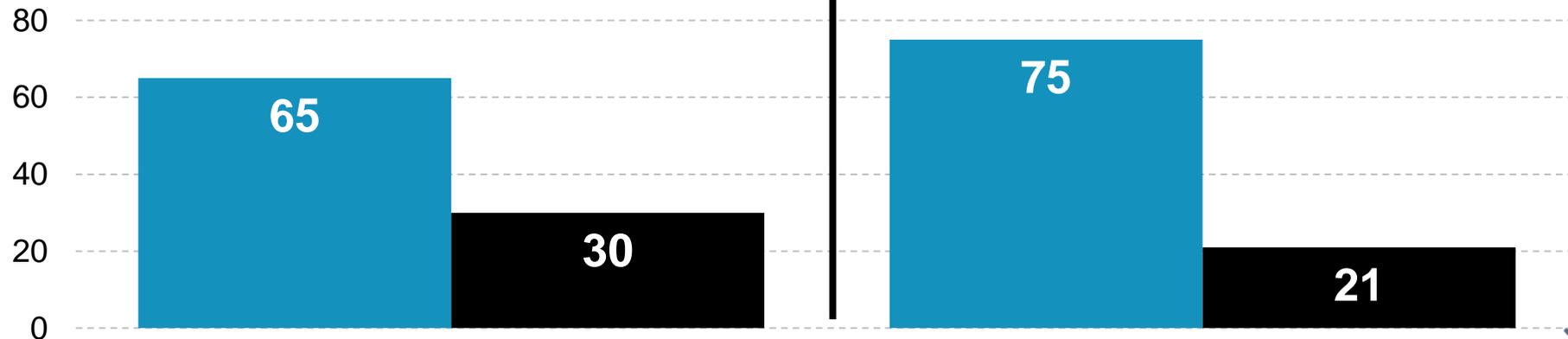
And majority say borrowing should be reduced

The government needs to reduce borrowing so less money can be spent on repaying the debt and more money can be spent on drugs, textbooks, and social cash transfers.

The government cannot reduce borrowing now because there is still a lot of infrastructure that needs to be built, like schools, hospitals and roads.

We should begin reducing borrowing now so that it does not hurt the economy, even if it means less money is available for the government to spend.

We cannot reduce borrowing now because the government needs to keep spending, even if the debt is going to hurt the economy.



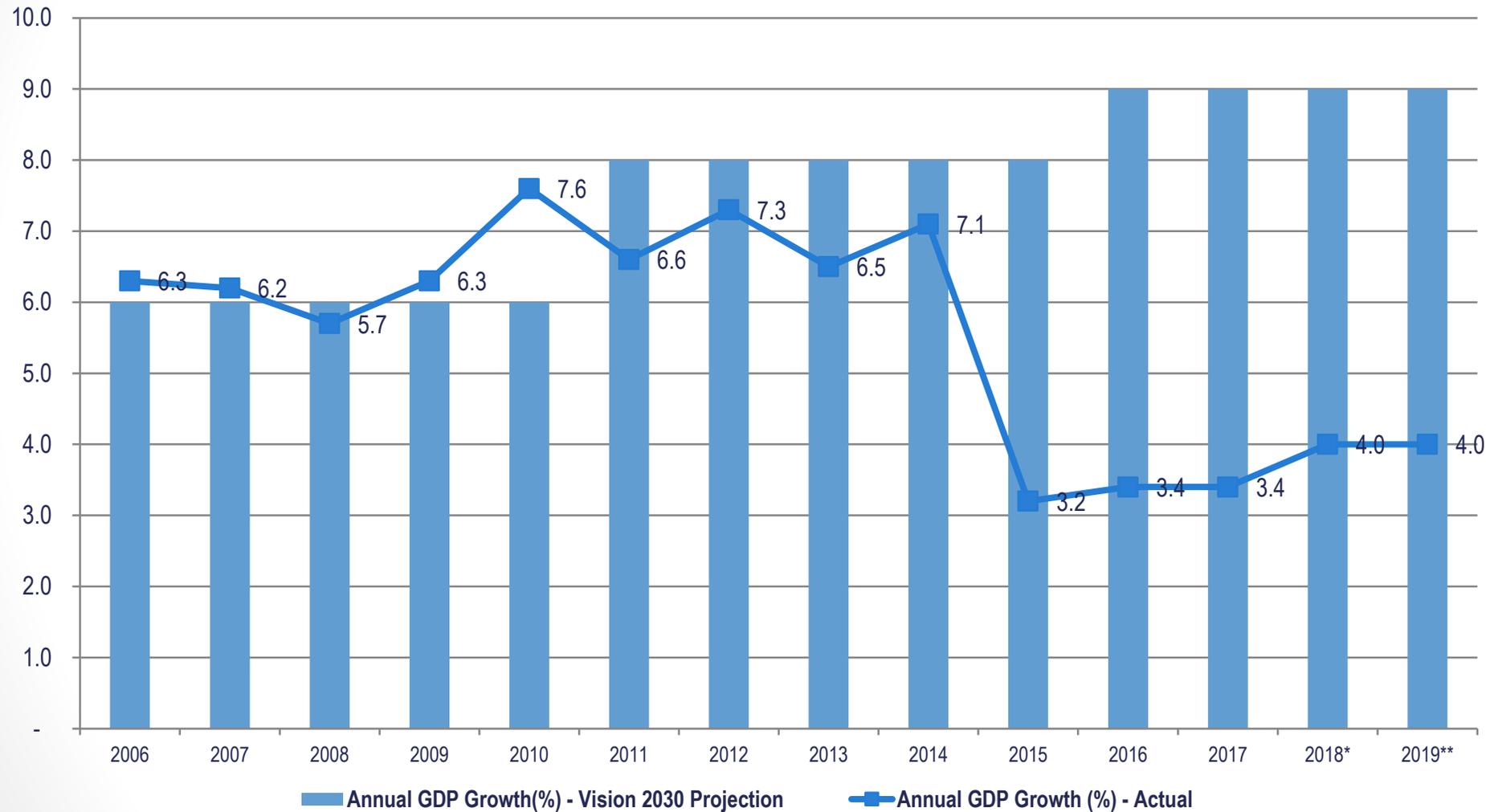
Introduction

- Debt was mentioned 20 times in the budget
 - “In addition, tight liquidity conditions mainly attributed to external debt servicing and as reflected in the accumulation of domestic arrears, have contributed to subdued economic growth”
 - “The depreciation was largely on account of increased demand for debt service, energy imports and the strengthening of the United States dollar.”
 - “Mr. Speaker, the 2020 Budget will focus on stimulating the domestic economy by reducing the budget deficit, rationalising debt contraction and dismantling of domestic arrears while protecting social sector allocations.”

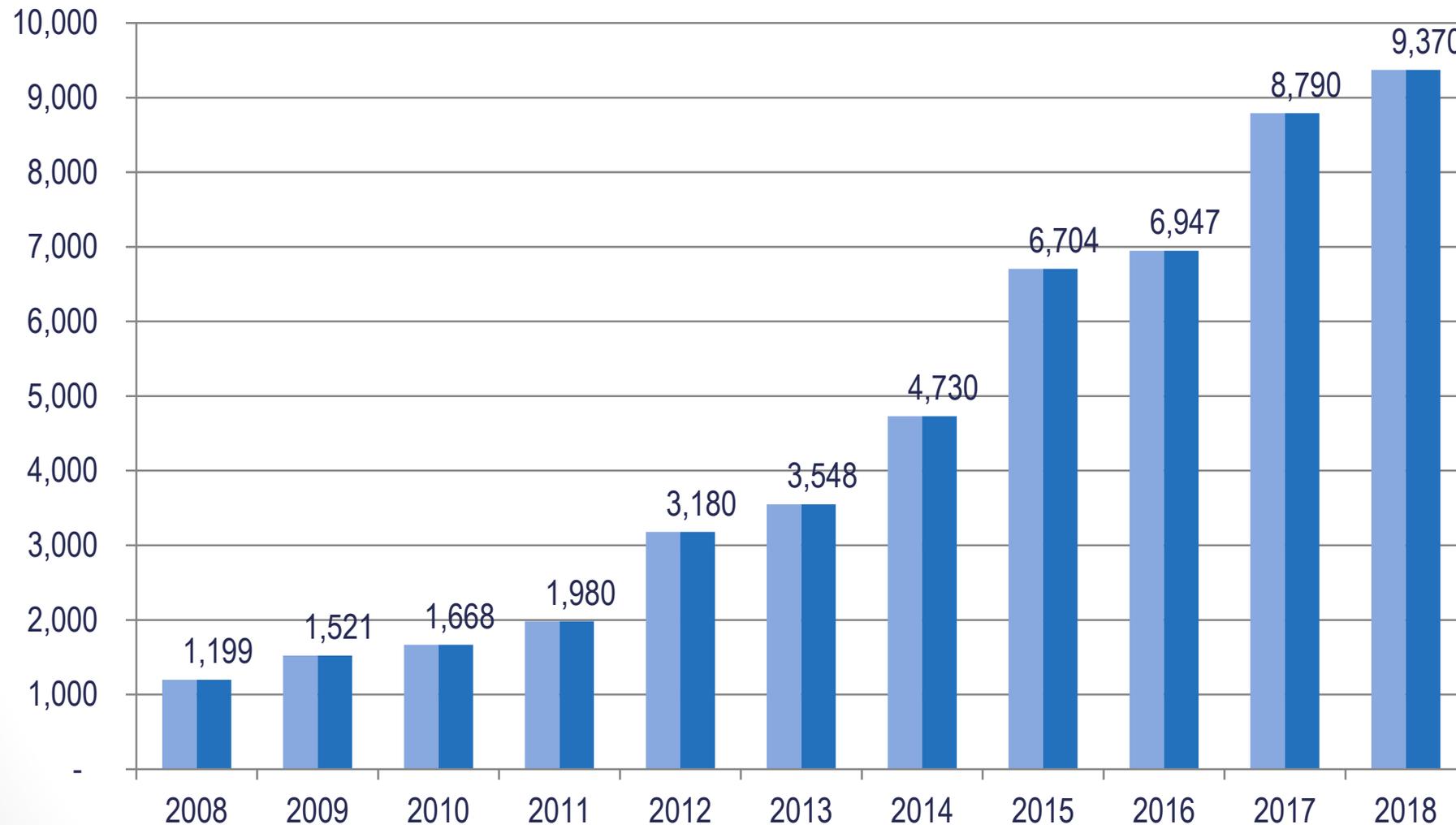
Introduction

- Historical challenges around fiscal fitness have not yet been adequately addressed despite an aggressive drive towards domestic resource mobilization and efforts towards improving tax compliance
- The 2019 budget was **K86.8 billion** under the theme of “**Delivering Fiscal Consolidation for Sustainable and Inclusive Growth**” whereas the 2020 budget was **K106 billion** under the theme “**Focusing National Priorities to Stimulate the Domestic Economy**”
- It is worth noting that for the past four years, Zambia’s Budgets have been focused on fiscal consolidation but the country’s approaches to fiscal management over the past few years did not deliver the desired fiscal outcomes there are concerns over whether this one will

Economic developments – Economic Growth



Economic Developments – Zambia’s External Debt



Expenditure by Functions of Government

	2019	2020
General Public Services	36%	41,6%
Economic Affairs	23,8%	20,6%
Education	15,3%	12,4%
Health	9,3%	8,8%
Defence	5,8%	6,2%
Public Order and Safety	3,3%	3,8%
Housing and Community Amenities	2,6%	3,3%
Social Protection	2,5%	2,4%
Environmental Protection	1,0%	0,6%
Recreation, Culture and Religion	0,3%	0,4%

Recommendations

- To this end, the Government will:
 - i. Slowdown external debt contraction;
 - ii. Postpone or cancel some pipeline loans;
 - iii. Cease the issuance of guarantees; and
 - iv. Refinance existing loans
- Tackle the rising debt: implement financial oversight reform
- Demonstrating improved governance, management and controls over the economy and by enacting legislation needed to improve financial management in the country

Recommendations

- Re-engage Cooperating partners especially in the social sector - Education, Health, Social Cash transfer, Water and sanitation to help with resources to implement an effective social safety net and lessen the impact of stabilisation measures on the most vulnerable
- The Budget makes a strong commitment to continue ambitious infrastructure spending. However, there is need to consider ways of accelerating PPP engagement in public service delivery and infrastructure provision to ease on the fiscal burden of infrastructure development

Thank You