INVESTMENTS IN CHILDREN

Evidence from:
Tanzania, Uganda, Zambia

Study report

TAX JUSTICE NETWORK AFRICA

Save the Children

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Acronyms

ACERWC	African Charter on Rights and Welfare of Children
ACPF	African Child Policy Forum
AU	African Union
CSO	Civil Society Organization
DRM	Domestic Resource Mobilization
GDP	Gross Domestic Product
HIPC	Highly Indebted Poor Country
NGO	Non-Governmental Organization
OVC	Orphaned and Vulnerable Children
PEAP	Poverty Eradication Action Plan
PER	Public Expenditure Review
SCI	Save the Children International
SDGs	Sustainable Development Goals
TJNA	Tax Justice Network Africa
UN	United Nations
UNCRC	United Nations Convention on Rights of Children
UNPAC	National Plan of Action for Children

Executive Summary

Children and youth form the bulk of the population globally. This is even more the case in developing countries including Tanzania, Uganda and Zambia as covered under this study. There have been endeavours to ensure this next generation of adults is granted opportunities to survive, thrive and attain their full potential. Globally and regionally, there are international benchmarks and aspirations to guide investments in children. These include - United Nations Convention on Rights of Children (UNCRC), the African Charter on Rights and Welfare of Children (ACRWC), Abuja Declaration, Sustainable Development Goals (SDGs) among others.

The study seeks to illuminate the progress and challenges the three select countries have made towards fulfilment of the various commitments. The methodology adopted hinged on analysis of the general fiscal environment in each of the countries with a view to establish the extent to which public spending supports the policy intentions towards achievement of various rights for children.

One of the critical findings is the notable upward growth in fiscal space in the sampled countries both from local and internationally mobilised resources for children. This is a positive move as it provides for scope to fund social services beneficial to children.

Though the expanded fiscal space is positive news, there is also observed pattern in expansion in external debt. The study does not point to any conclusive evidence that the debt is necessarily more likely to improve service delivery to children. Additionally, huge debt outlays may lay foundation for intergenerational inequity with larger proportion of domestic revenues going towards debt repayment at the expense of service delivery to children.

National budgetary allocations to the social sectors have been progressively expanding over the last few decades. There are also deliberate efforts to channel more resources to the sectors providing essential services to children. However, there is a lot of scope in improving the quality of budgeting. Full adoption of programme-based budgeting is still a policy gap. This makes expenditure tracking and aligning expenditures to results difficult.

The study calls for the three countries to explore opportunities to further deepen investments in children in tandem with the expanded fiscal space. A good proportion of the locally mobilised resources should be ring-fenced for provision of key social sector services like education and health.

Secondly, there is need to strengthen budget credibility as regards spending on children. It is imperative that resource allocations be in tandem with resource flows to the implementing agencies. The countries should therefore work towards more credible budgets. Delayed disbursements end up tilting the balance between the development and the recurrent component of the budget resulting to unnecessarily huge chunk going to meeting the recurrent costs. Where supplementary budgets are inevitable, some key services to children should be ring fenced against huge budget cuts.

Lastly, the study recommends that the three select countries continuously invest in quality data collection and management capacities. Appropriate data capacities will provide a stronger empirical basis for policy evaluations especially with regard to the national and global commitments for children.

Introduction

The Tax Justice Network Africa (TJNA) is a Pan-African organisation and a member of the Global Alliance for Tax Justice. Launched in January 2007 during the World Social Forum (WSF) held in Nairobi, TJNA promotes socially-just, accountable and progressive taxation systems in Africa. It advocates for tax policies with pro-poor outcomes and tax systems that curb public resource leakages and enhance domestic resource mobilisation.

TJNA aims to achieve these by challenging harmful tax policies and practices that on one hand facilitate illicit resource outflows and on the other hand favour the wealthy while aggravating and perpetuating inequality. TJNA strives to promote the role of tax justice in the African Development Agenda. It further endeavours to provide a platform dedicated to enabling African researchers, campaigners, civil society organisations, policy makers, and investigative media to co-operate and synergise their efforts in the struggle against illicit financial flows, tax evasion, tax competition and other harmful tax policies and practices.

TJNA engages in various activities that are aimed at promoting public awareness regarding tax issues in Africa. Through networking among member organizations across Africa, TJNA seeks to raise awareness on the importance of taxation as a tool for development and enhancing democratic governance and to consolidate the efforts by CSOs to work on tax.

Its mission is to spearhead tax justice in Africa's development by enabling citizens and institutions to promote equitable tax systems through research, capacity-building and policy-influencing.

Background on work on tax and child rights

Tax revenue can assist governments to finance development and reduce dependence on foreign aid, debt and foreign direct investment among other volatile sources of finance. Moreover, tax revenue can be used to increase investment in children related activities/sectors and thereby helping governments better the livelihoods of children, and also secure and guarantee a bright future for children and their countries. However, tax-motivated illicit financial flows, base erosion and profit shifting practices such as tax evasion, tax avoidance and aggressive tax planning, undermine these efforts thereby eroding the tax base and weakening the ability of African governments to mobilise domestic revenue.

Revenue losses as a result of inopportune tax systems are well known. In Kenya, between 2002 and 2011 the government lost an estimated US$435 million in tax revenue annually due to trade mis-invoicing alone. This was approximately 3.4 times more than the project budget of the partly World Bank sponsored Kenya Cash Transfer Programme for Orphans and other Vulnerable Children in the same year. In Sierra Leone, the government lost an estimated US$224 million in 2012 through customs duty as well as goods and services tax exemptions. This amount is equivalent to 1.4 times more than the annual budget required to cover service delivery costs for the Health Sector Plan in the same year. In Zambia, approximately US$1.919 billion was lost between 2010 and 2012 due to illicit financial flows which was more than 2.7 times more than the country spent on education and health combined in 2011, estimated at nine per cent (9%) of the country's total GDP.

This ultimately results in African governments collecting insufficient revenue to improve investment in children related public services sectors such as education, health, child protection and social protection. By so doing it contributes to 'missed taxation opportunities' for the advancement of children's rights.

There are international minimum requirements for providing for investments in public spending in health and education among others, which impact vulnerable groups such as children the most. Governments have committed to these in several declarations including the Abuja Declaration and the Incheon Declaration among others and may be assessed on the basis of the extent to which they adhere to them.

TJNA has been working with the support of Save the Children to promote tax and child rights including raising public awareness on the nexus between taxation and public spending on children issues; capacity building of CSOs to effectively engage in taxation issues in order to advance the investment in children agenda; generating evidence and analysis to African governments on ways of enhancing tax revenue whilst at the same time ensuring that tax practices contribute to rather than hinder attainment of child rights; and advocating for African governments to ensure that children get their fair share of increases in marginal revenue from improved taxation.

Study on Commitments to Investment in Children

In line with the above, TJNA sought to undertake a study to map the national, regional and international implementation of commitments to invest in children in Uganda, Tanzania and Zambia. Specifically, it:

i. Mapped these commitments against national budgets for the selected countries;
ii. Undertook an analysis of the recommendations of the African Committee of Experts on the Rights and Welfare of the Child and the UN Committee on the Rights of the Child against DRM and children related public expenditure in ESA countries that have reported and received concluding observations from the ACERWC;
iii. Provided policy recommendations per country for the improvement of fiscal commitments made to children.

Methodology

This study employed desk-based research, analysing the budgets of the three countries for the last five years, against the international commitments made by their respective governments. It looked at the potential for raising more revenue for investments by expanding the tax base and curbing tax leakages, correlating what could have been invested in children with what has been lost in revenue.

Government Commitments to Children

The rights of children are guaranteed by several international frameworks. These include:

1. The United Nations Convention on the Rights of the Child (UNCRC)

This came into effect in 1990 and all the rights spelled out in the CRC are inherent to the human dignity and harmonious development of every child. Its core principles comprise non-discrimination, the best interests of the child, the right to life, survival and development and the respect for the views of the child.[1]

2. The African Charter on Rights and Welfare of Children (ACRWC)

[1] Save the Children UK. (2015). UN Convention on the Rights of the Child | Save the Children UK. Available at: https://www.savethechildren.org.uk/content/dam/global/reports/uncrc-child-friendly-version.pdf accessed on May 22, 2019.

This charter reiterates the rights in the UNCRC but goes further to reflect the specifics of the African context, borne out of the social and cultural values of Africa, including those relating to family, community and society and takes into consideration the virtues of cultural heritage, historical background and values of the African civilization to bring additional attention to important issues such as the right to health, education and Identity.[2]

3. The Abuja Declaration

In September 2000, 189 heads of state adopted the Millennium Declaration designed to improve social and economic conditions in the world's poorest countries by 2015. Eight goals were devised, drawing on the Millennium Declaration, as a way of tracking progress. Three of these relate specifically, to health and two more have health components. This includes the pledge to set a target of allocating at least 15% of their annual budget to improve the health sector.[3]

4. The Incheon Declaration[4]

The Education 2030 Framework for Action, adopted at Incheon, South Korea in May 2015, recognises lifelong learning for all as one of its underpinning principles, stating that "all age groups, including adults, should have opportunities to learn and continue learning." The framework reaffirms the commitments outlined in the Education for All initiative, became part of the Sustainable Development Goals as SDG4 and was adopted by the United Nations in September of the same year. Those who signed onto the declaration committed to provide twelve years of primary and secondary education paid for by the public (nine of which will be compulsory). It also calls on countries to "develop policies and programmes for the provision of quality distance learning in tertiary education, with appropriate financing and use of technology, including the Internet, massive open online courses (MOOCs) and other modalities that meet accepted quality standards to improve access." [5]

5. Sustainable Development Goals (SDGs)[6]

The SDGs build on the success of the Millennium Development Goals (MDGs) and aim to go further to end all forms of poverty through 17 goals. The SDGs are unique in that they call for action by all countries, poor, rich and middle-income to promote prosperity while protecting the planet.

6. Agenda 2040

In 2016, the ACRWC established a 25-year Agenda, "Agenda 2040: Fostering an Africa fit for children". The main objective of the Agenda is to restore the dignity of the African child through assessing the achievements and challenges faced towards the effective implementation of the African Children's

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[2] African Member States of the Organization of the African Unity. (1990). African Charter on The Rights and Welfare of the Child Preamble Obligation of State Parties. Available at: http://www.achpr.org/instruments/child/ accessed on May 22, 2019.

[3] World Health Organisation. (2011). The Abuja Declaration: Ten Years On 2001 Promises of commitment and solidarity. Available at: https://www.who.int/healthsystems/publications/Abuja10.pdf accessed on May 22, 2019.

[4] UNESCO, UNICEF, The World Bank, UNFPA, UNDP, & UNHCR. (2015). Incheon declaration framework for action for the implementation of sustainable development goal 4. UNESCO. Available at: http://uis.unesco.org/sites/default/files/documents/education-2030-incheon-framework-for-action-implementation-of-sdg4-2016-en_2.pdf

[5] https://en.wikipedia.org/wiki/Incheon_declaration

[6] United Nations. (2018). About the Sustainable Development Goals - United Nations Sustainable Development. Available at: https://www.un.org/sustainabledevelopment/sustainable-development-goals/ accessed on May 22, 2019.

Charter. The Agenda, by further elaborating Paragraph 53 of Agenda 2063, intends to establish long-term strategies that will contribute towards sustaining and protecting children's rights in Africa. The Agenda sets out ten solid aspirations to be achieved by the year 2040 as follows:

Aspiration 1: The African Children's Charter, as supervised by the African Children's Committee, provides an effective continental framework for advancing children's rights
Aspiration 2: An effective child-friendly national legislative, policy and institutional framework is in place in all Member States
Aspiration 3: Every child's birth and other vital statistics are registered
Aspiration 4: Every child survives and has a healthy childhood
Aspiration 5: Every child grows up well-nourished and with access to the basic necessities of life
Aspiration 6: Every child benefit fully from quality education
Aspiration 7: Every child is protected against violence, exploitation, neglect and abuse
Aspiration 8: Children benefit from a child-sensitive criminal system
Aspiration 9: Every child is free from the impact of armed conflicts and other disasters or emergency situations
Aspiration 10: African children's views matter

7. Maputo and Dakar Commitments made by the Countries

At the Second Ordinary Assembly of the African Union in July 2003 in Maputo, African Heads of State and Government endorsed the "Maputo Declaration on Agriculture and Food Security in Africa" (Assembly/AU/Decl. 7(II)). The Declaration contained several important decisions regarding agriculture, but prominent among them was the "commitment to the allocation of at least 10% of national budgetary resources to agriculture and rural development policy implementation within five years".[7]

In April 2000 more than 1,100 participants from 164 countries gathered in Dakar, Senegal, for the World Education Forum. Ranging from teachers to prime ministers, academics to policymakers, non-governmental bodies to the heads of major international organisations, they adopted the Dakar Framework for Action, Education for All: Meeting Our Collective Commitments. This document reaffirms the goal of education for all as laid out by the World Conference on Education for All (Jomtien, Thailand, 1990) and other international conferences. It commits governments to achieving quality basic education for all by 2015 or earlier, with particular emphasis on girls' education, and includes a pledge from donor countries and institutions that "no country seriously committed to basic education will be thwarted in the achievement of this goal by lack of resources".[8]

In summary, governments have committed to realising child rights through budget expenditure as follows:

Health	Education	Agriculture
15% of the national budget	15% of the national budget	10% of the national budget

[7] African Union Declaration on agriculture and food security in Africa (2003). Available at: http://www.nepad.org/publication/au-2003-maputo-declaration-agriculture-and-food-security
[8] UNESCO (2000). The Dakar framework for action: Education for all: Meeting our collective commitments. Dakar Senegal, 26-28 Available at: https://unesdoc.unesco.org/ark:/48223/pf0000121147

Recommendations by the UN and AU

Uganda

The most recent state report to the Committee on the UN Convention on the Rights of the Child (UNCRC) was due in 1997 and reviewed in 2004.[9] Its recommendations, therefore, may be dated. It is worth noting, however, what the report acknowledges in terms of spending by the Uganda government on children as follows:

D. Budgetary allocations
78. There has been a substantial increase in resources allocated to the public expenditure high-priority areas of good governance, modernization of agriculture, roads, and improving the quality of life of the poor. The proportion of budgetary allocation to children is computed on the basis of government, donor and NGO contributions to five sectors identified in UNPAC, namely: health and nutrition, policy, water and sanitation, basic education, and child protection.
79. The share of social services in the national budget grew from less than 20% in the 1980s to about 30% in 1997/98. The health sector has received substantial increases in resources and its share in the total government budget increased from 6.37% in 1995/96 to 12.55% in 1998/99. According to the National health policy 1999, specific emphasis for these investments were directed towards HIV/AIDS, Tuberculosis, diarrhoea, and maternal health. These are sectors with high impact to survival and development of children. However, about two thirds of the total recurrent expenditure on health is still provided by the private sector.
80. The education subsector receives almost one quarter of the total discretionary recurrent budget, of which primary education receives more than 62%. *Secondary and tertiary education account for 15% and 18% of the education allocation, respectively (Background to the Budget, 1999/2000). Government expenditure on education has risen steadily between 1995/96 and 2000/01. The percentage of the total budget allocated to primary education increased steadily from 1995/96 to 1998/99... Most of this increase has gone to classroom construction and procurement of instruction materials.*

The Committee also made recommendations for Uganda to prioritise resource allocations to facilitate the realisation of the economic, social and cultural rights of children, with a focus on health and education and increased access to them by disadvantaged children.

It also welcomed the domestication of the UNCRC by Uganda through the Children Statute 1996 and realising the goals of the CRC through the National Plan of Action for Children (UNPAC) which seeks to provide sufficient resources for the provision of basic social services to all Ugandans; promote effective use of limited resources; and ensure equity of service provision, particularly to children and women. The UNPAC is supplemented by other sectoral plans, policies and programmes. The Committee recommended that UNPAC-related interventions are integrated into Uganda's Comprehensive Development Framework - the PEAP (Poverty Eradication Action Plan).

The African Committee on the Rights and Welfare of the Child (ACRWC) reviewed Uganda's implementation of the African Charter of the Rights and Welfare of the Child from the 15th – 19th March 2010.[10] It recommended the Ugandan Government:

- to Invest more resources in the secondary so as to anticipate the massive influx of children from the primary to the secondary;
- to emphasize the training of teachers, the increase of their number and to ensure their equitable distribution across the country;

[9] https://tbinternet.ohchr.org/_layouts/15/treatybodyexternal/Download.aspx?symbolno=CRC%2fC%2fOPAC%2fUGA%2f1&Lang=en
[10] https://acerwc.africa/wp-content/uploads/2018/14/CO_Uganda_eng.pdf

- to create motivation conditions of teachers;
- to create conditions of completion of the primary cycle to increase the rates of enrolment in the secondary;
- to put in place a subsidy policy in favour of private schools so as to be able to take in students of the public schools to solve the problem of shortage of public institutions;
- to give greater attention to children from disadvantaged zones; and
- to emphasize measures for fighting against poverty.

In relation to health, the Committee regretted the absence of data which could enable it to evaluate the health status in the State party, among others. It recommended Uganda include these data in the next reports and in its general observations and comments also recommended that Uganda grants a sufficient budget to the different programs and sectors related to the implementation of the rights and welfare of the child.

Tanzania

Tanzania's report to the UNCRC was due in 2012 and was reviewed in 2013.[11] In relation to
1.4 Resource allocation for children
15. The Committee urged the State Party to have in place adequate human and financial resources for an effective performance of its tasks and responsibilities with a view to decreasing and eliminating disparity or discrimination between the Tanzania Mainland and Zanzibar in the implementation of policies for the promotion and protection of the rights of the child.
16. In compliance with this recommendation, the State Party has improved its budget allocations for children in the period under report. Whereas the allocation of budget for the implementation of the Convention in Tanzania Mainland is vested onto the Ministry of Community Development, Gender and Children (MCDGC), in Zanzibar this task is bestowed on the Ministry of Social Welfare, Youth, Women and Children Development (MSWYWCD). However, both on Tanzania Mainland and Zanzibar, other cross-cutting ministries such as those responsible for education, health, sports, home affairs and local government authorities do allocate budget for issues relating to children's welfare, a fact that resulted in ranking the State Party the first country amongst the African Governments to allocate budgets for children in 2010.

134. The Committee also urged the State Party to allocate more financial resources to health services, in particular with a view to improving access to safe drinking water and sanitation facilities.
135. In the period under report, the State Party increased its budgetary allocation to all sectors dealing with children's issues to the extent that in 2010 it was the leading country in Africa to budget for children according to a report released by the African Child Policy Forum (ACPF) in 2011.
136. The Committee further urged the State Party to develop appropriate national strategies to address the critical nutritional needs of children' particularly among the most vulnerable groups, through a holistic and intersectoral approach that recognizes the importance of feeding practices.

- *Resource mobilization: The budget gap in nutrition needs to be reduced by mobilizing adequate and sustainable financial resources and improving the efficiency in the use of financial resources for nutrition. Despite hard budget constraints, additional budget for nutrition exists, including larger aid from development partners, increased budget allocation from Ministry of Health and Social Welfare (MOHSW), increased efficiency in delivering nutrition interventions and collaboration with other sectors and programs.*

[11] https://tbinternet.ohchr.org/_layouts/15/treatybodyexternal/Download.aspx?symbolno=CRC%2fC%2fTZA%2f3-5&Lang=en

The ACRWC reviewed Tanzania from the 16th – 19th November 2010.[12] It observed that the State Party had never set a budget for pre-primary education in any financial year. For example, in 2007/2008 fiscal year the State Party allocated TZS 544,220 Million for primary education, TZS 174,227 Million for secondary education but nothing was indicated for pre-primary education. The Committee urged the State Party to increase budgetary allocation for education, but most especially for pre-primary education, as well as for the training of teachers teaching equipment and facilities, including books.

Specifically, in relation to Budget indices on Mkuza and Mkukuta, the Committee noted that there is only one table in the State Report that shows the budgetary allocations for education levels from 2003-2005, and there is no mention of budgetary allocations in the Report, beyond this period. The Committee recommended that a more detailed budget be made available for the period 2005 to 2010 for a proper appreciation of the progress made by the State Party in respect of poverty alleviation, as this single incidence has a devastating effect on children.

Zambia

The most recent report to the Committee on the UN Convention on the Rights of the Child (UNCRC) was due in 2009 and reviewed in 2015.[13] In relation to the:

D. Budget

22. Zambia is taking measures to ensure that resources are made available for children, especially those in difficult circumstances. During the period of reporting Zambia developed the Fifth National Development Plan (FNDP), referred to earlier, with specific provisions for the inclusion of adequate resources for children. The Sixth National Development Plan (SNDP) has built on this undertaking through the vision "Enhanced youth and child survival, development and protection through a well-coordinated and multi-sectoral approach by 2030" under Chapter 11 which is dedicated to children and youth.

23. During the period of reporting, budget allocation to sector ministries dealing with children increased in the National Budget. However, Zambia also reports that making adequate financial resources available to children's projects and programmes has been a huge challenge due to limited resources as against competing needs. The budget allocation to the Public Welfare Assistance Scheme (PWAS) and Social Cash Transfer (SCT) counterpart programmes has increased in the past years while the Street Children programme budget allocation has been decreasing due to lack of adequate funding. Both the PWAS and SCT programmes are family-oriented measures which target 10% of the population, normally vulnerable groups and the destitute, which include children.

24. In the 2012 National Budget, resources were allocated towards the implementation of programmes relevant to child welfare and development. In addition, cooperating partners provided budget support. The implementation of programmes and projects relevant to the welfare of children has benefited from this budget support.

C. Health care financing

100. According to the SNDP, there has been a steady nominal increase in the annual Government health budget from 9.7 percent in 2005 to 11 percent in 2009. In the quest to improve health care financing, the Government has been exploring ways of introducing alternative means of financing health care services aimed at raising additional revenue and increasing access to health care services. An actuarial study was conducted in 2008 to establish the viability of establishing a Social Health

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[12] https://acerwc.africa/wp-content/uploads/2018/14/CO_Tanzania_eng.pdf

[13] https://tbinternet.ohchr.org/_layouts/15/treatybodyexternal/Download.aspx?symbolno=CRC%2fC%2fZMB%2f2-4&Lang=en

Insurance Scheme in Zambia. To this end, Cabinet has approved a Concept Note and legislation in this regard is being drafted.

D. Budgetary provision to the education sector

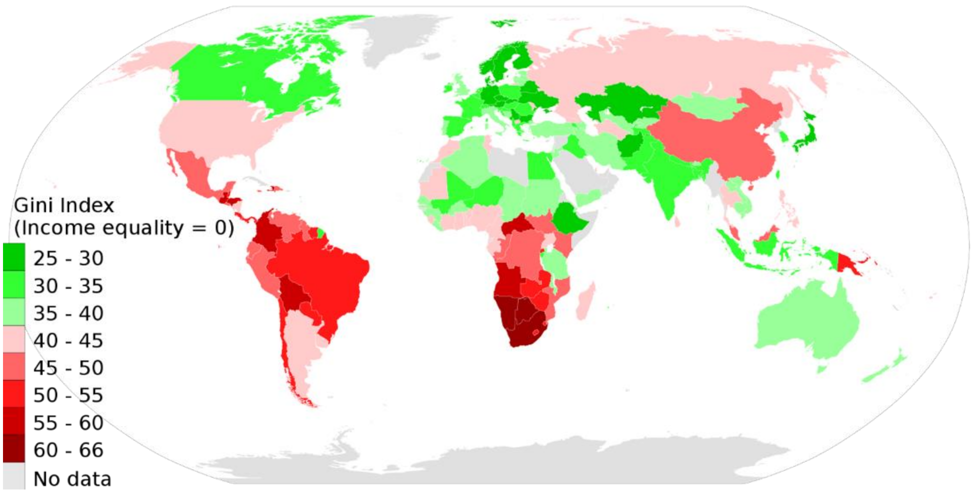
142. The Zambian Government has prioritised education and has been increasing the budgetary allocation to the sector over the years, progressing from 16.1% in 2006, to 15.4% in 2007 and 2008, to 15.4% in 2008 and 17.2% in 2009. An all record high of 19.9% was attained in 2010 although this was followed by a drop to 18.6% in 2011. The Government, however, remains committed to increasing the resource allocation to the education sector and ensuring timely release of funds for programme implementation.

Zambia's most recent report due to the ACRWC was due in February 2014. It submitted this in 2018 but it has not yet been considered by the Committee and there are no concluding observations therefore.

Actual Investments in Children: Education, Health and Agriculture

The Gini index or Gini coefficient is a statistical measure of distribution, often used as a gauge of economic inequality, measuring income distribution or, less commonly, wealth distribution among a population.[14] If all people have non-negative income (or wealth), the Gini coefficient can theoretically range from 0 (complete equality) to 1 (complete inequality) or it can be expressed as a percentage ranging between 0 (complete equality) and 100 (complete inequality).

Uganda's latest Gini Coefficient score was reported at 42.8% in 2016[15], Tanzania's was 37.8% for 2011 and Zambia's was 57.1% for 2015. These figures show that between the three country studies, Zambia experiences more income equality than Uganda followed by Tanzania. The image below shows how the three countries compare globally in terms of income inequality where red indicates high income inequality and green represents low income inequality.



Visual representation of income inequality globally
Source: By M Tracy Hunter - Own work, CC BY-SA 3.0, https://commons.wikimedia.org/w/index.php?curid=33962866

[14] Investopedia. (n.d.). Gini Index Definition | Investopedia. Available at: https://www.investopedia.com/terms/g/gini-index.asp

[15] The World Bank Group. (2018). GINI index (World Bank estimate). Available at: https://data.worldbank.org/indicator/si.pov.gini

A study of 13 developing countries that had reduced their overall inequality level, found that 69% of the reduction of inequality was because of public services. [16] The governments of Uganda, Tanzania and Zambia have committed to the international frameworks above mentioned and therefore also to the budget allocations set forward. In reality, however, their allocations have been as follows[17]:

Sector/ Country	Uganda Averages for Health: 8.36, Edu: 11.82, Agr: 3.44					Tanzania Health: 7.62, Edu:16.41, Agr: 5.05, SP: 1.21					Zambia Health: 9.24, Edu: 18.04, SP: 3.06				
F/Y	2014/5	2015/6	2016/7	2017/8	2018/9	2014/5	2015/6	2016/7	2017/8	2018/9	2014	2015	2016	2017	2018
Health	8.5	6.9	8.9	8.3	9.2	8[18]	8.0[19]	6.73[20]	7.01[21]	8.28[22]	9.9	9.6	8.3	8.9	9.5
Education	13.5	11.1	12	11.4	11.1	16.94[23]	17.20[24]	15.8[25]	14.84[26]		20.2	20.2	17.2	16.5	16.1
Agriculture	3.2	2.6	4	3.8	3.6	5.44[27]	4.45[28]			5.24[29]					
Social Protection									1.21[30]		2.8	2.7	2.4	4.2	3.2

Table 1: Authors own computations of budget percentages allocations on social sectors based on Budget Speeches for the last five most recent years (figures are not given where the budgets show incomplete allocations). Note that Uganda and Tanzania's financial years begin mid-year and end the following mid-year whereas Zambia's financial year follows the calendar year.

The table above shows that in the last five years, Uganda has spent an average of 8.36% of its budget on health, 11.82% on education and 3.44% on agriculture, failing to meet all three social spending targets. Tanzania has spent an average of 7.62% of its budget on health, 16.41% on education, 5.05% on agriculture and 1.21% on social protection in the last five years, succeeding in meeting its target in education but not on health nor on agriculture. Zambia has spent 9.24% on health, 18.04% on education, and 3.06% on social protection, also meeting its target and commitment on education but not for the other sectors.

[16] N. Lustig (2015). *The Redistributive Impact of Government Spending on Education and Health.*

[17] The calculations are based on nominal budgetary allocations. The CPI for the three countries for the period with a base year of 2014 range from 120 to 169. In real terms, the actuals are therefore much lower though the proportional sector spending may not be substantially different.

[18] 1,0659/13.324

[19] 1.152 /14.23 bn

[20] 1.197,000/ 17.79 bn

[21] 222.3bn/31.712bn

[22] 269bn/32.47tr

[23] 2.258/ 13.324 Tr

[24] 3,870.2 /22,495.5 bn

[25] 4,770,358,004,283/29,539.6 bn

[26] 2.8 Tr/17.79Tr

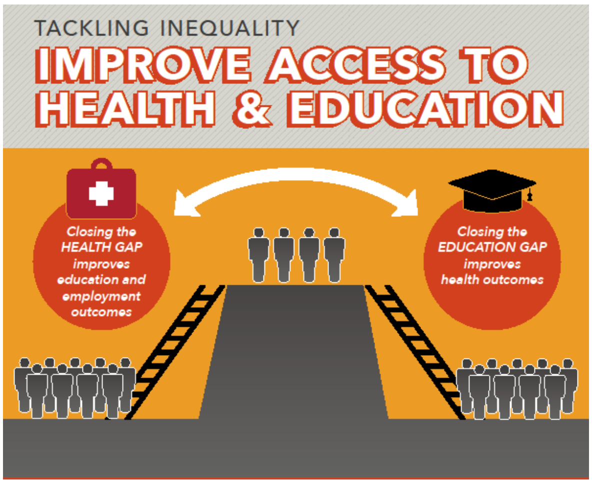
[27] 725/13324

[28] 633/ 1423 bn

[29] 170.2bn/32.47tr

[30] 1.119Tr/19.792Tr

Budget spending and reducing inequality



If we follow the evidence that increased spending in public services reduces inequality, Tanzania's budget spending should show higher proportions of allocations in public spending than Uganda followed by Zambia. The budgets however show that Zambia spends proportionally more of its budget on both health and education than both Tanzania and Uganda.

This begs us to look beyond the figures for spending and at the quality of spending. In terms of education, almost every year a third of Zambia's education budget is spent on university infrastructure (except for 2015 when it was significantly less and for 2014 when it spent significantly more – up to half its budget) which is not a pro-poor objective as it benefits those who have already achieved primary and secondary education whereas spending to ensure free primary education provides the opportunity for children who would not otherwise have been able to access education, to access it as early as possible. Reducing inequality, requires pro-poor objectives in spending which in education would be to increase spending on primary education as opposed to tertiary education. Tanzania, on the other hand, consistently focuses on implementing free basic education countrywide, spending a larger portion of its education budget on this than on tertiary education. This has a profound effect on reducing inequality.

In terms of health, Tanzania also spends the largest portion of its health spending on primary health care whereas Zambia does not distinguish the levels of care in its health allocations. Instead it allocates monies in two categories: for drugs and medical supplies and for medical infrastructure and equipment. Realising policy commitments begins with setting them. Without a specific policy objective that is reflected in the budget to provide primary health care and instead provide for medical supplies and infrastructure as line items in a budget, it is more difficult to achieve that policy objective. Lack of proper structuring of budgetary expenditures for Zambia is likely to cloud out possible allocative inequalities.

Where there isn't enough spending, why is this the case? Is there not enough revenue?

Analysing investments in children through the amount and quality of spending alone fails to consider the fuller potential for investments in children by failing to consider the extent to which governments can raise revenue not just more progressively but also by stemming the tax leakages.

> Inequality is not only reduced by the amount and quality of spending per child or per person but also by taxing more from those who are more able to pay and redistributing these resources equitably through public spending.

Some countries have looked to external financing and therefore to accruing debt to meet their development needs. Revenue raised, particularly through debt, must be used for development if inequality is to be addressed. Otherwise, an increasing burden is left to the poor to pay off the debt (especially if taxes are predominantly indirect taxes), without receiving any of the loans' benefits ie. monies that could have been spent on public services. All three countries in this study are beneficiaries of the Highly Indebted Poor Country (HIPC) debt initiative, a debt relief package for countries which meet certain criteria, including commitments to poverty reduction through policy changes,[31] which demonstrates the need for them to raise revenue responsibly, ie. without raising their debt stock unsustainably.

The following section looks at the sufficiency of revenue in terms of the potential for enhanced taxation including widening the tax base, managing debt and recovering revenue leakages.

Uganda

Population: 42.86M (WB, 2017)
Total GDP: $88.610 billion (IMF, 2017)
HDI: 0.516 (162nd) [32]
Poverty Rate: 19.7% live below the poverty line (2013)[33]

Where is revenue derived? Who bears the tax burden?

Uganda has a high dependence on indirect taxes (e.g. excise duty, VAT, and customs), which contribute about two-thirds of total tax revenues. Indirect taxes tend to be more regressive than direct taxes as they are based on the value of goods, services and assets, rather than the ability of people to pay suggesting that the poor bear more of the burden of taxation than the better-off. Indirect taxation also negatively affects women more because they spend a higher proportion of their income under their control on goods that contribute to the social reproduction of labour, including healthcare, education, food and care of children and the elderly.[34]

[31] UNDP. (2017). Human Development Report 2016: Human Development for Everyone. Available at: https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/11/Debt-Relief-Under-the-Heavily-Indebted-Poor-Countries-Initiative
[32] World bank. (2016). Uganda Poverty Assessment 2016: Fact Sheet. "2016 Human Development Report" (PDF). United Nations Development Programme. 2016.
[33] http://www.worldbank.org/en/country/uganda/brief/uganda-poverty-assessment-2016-fact-sheet
[34] SEATINI, TJNA, & Oxfam. (2016). Fair Tax Monitor Uganda. Available at: https://uganda.oxfam.org/policy_paper/fair-tax-monitor-0

Uganda's tax to GDP ratio has been about 11% over the last ten years (World Bank) which is below its neighbours in the EAC region and below the 16% Sub-Saharan average meaning that Uganda continuously spends more than it is domestically able to raise.

Tax revenue (% of GDP) of Various EAC and Sub Saharan African Countries

	2009	2010	2011	2012	2013	2014	2015
Uganda	10.4	10.3	13.3	10.9	11.0	11.4	10.3
Tanzania	11.7	12.1	12.3	12.7	13.2	12.4	..
Rwanda	12.1	12.4	13.1	..	..	13.5	14.0
Kenya	15.5	15.7	15.9	15.9	15.5	..	..
Sub-Saharan Africa	15.4	14.9	15.2	15.7	15.8	..	..
Sub-Saharan Africa (excluding high income)	15.4	14.9	15.2	15.7	15.8	..	..

Data Source: World Development Indicators, World Bank, 2017

To finance its development needs, the government has resorted to debt to finance the deficit. As a result, Uganda's stock of public debt has almost tripled in the last ten years from USD 2.9 billion (about 10 Trillion UGX) in 2006 to USD 8.7 billion (about 30 Trillion UGX) in 2016 (GoU, 2017). Between 2014/15 and 2018/19, the budget deficit increased from UGX 3.37 Tn (US$ 1.2 Bn) to UGX 7.4 Tn (US$2.0 Bn) in 2018/19, which is nearly half of total tax revenue. Uganda's debt stood at US$ 10.53 billion (equivalent to 38.1% of GDP) as at March 2018. Uganda's debt relief or savings from the HICI are channelled through the newly created Poverty Action Fund (PAF) to finance poverty reduction in accordance with the Poverty Eradication Action Plan (PEAP) priorities[35] which is a positive initiative for reducing inequality. The more debt that can be reduced, and less relied on, the more revenues can be spent on social spending instead of debt servicing.

Raising domestic revenue mobilisation (DRM) is necessary to reduce the growth in public debt and doing this through revenue collection ensures financial independence, stability and sustainability. Uganda's tax system, however, is constrained by weaknesses in the tax administration system, a large informal sector, tax evasion, harmful tax incentives and a narrow tax base.[36]

Where is revenue lost? What could this revenue have been spent on and how can it be recovered?

Without a clear policy on tax incentives and exemptions, Uganda loses a large amount of potential revenue. The Uganda Revenue Authority estimates that Uganda lost approximately UGX 8,440 Bn (US$ 3,073 Mn) from 2010/11 to 2016/17 from tax incentives and exemptions which amounts to 16% of total tax revenues. Uganda lost UGX 823.4 Bn (US$ 234 Mn) in 2016/17 which is nearly equivalent to the budget allocation for agriculture. Multinational Corporations benefit from tax exemptions instead of small businesses, which in essence, advantages the rich instead of the poor. Information about the beneficiaries of tax exemptions is also not publicly available and the procedure for granting them is not transparent.[37]

Revenues are also lost through tax evasion. In the EAC in 2006, Uganda had the highest percentage of firms that did not report all sales for tax purposes standing at 74% compared to 71%, 26% and 43% for Tanzania, Rwanda and Burundi respectively. Tax evasion is largely due to the lack of transparency from traders, informality as well as weaknesses in the tax administration system (World Development Indicators, WB, 2017).

The informal economy may be described as missing links, unrecognised, unrecorded, unregistered, unprotected or unregulated activities.[38] A study on tax and the informal sector found that Uganda loses about UGX 1 trillion annually from failing to tax the informal sector. It attributes this to failing to

[35]https://tbinternet.ohchr.org/_layouts/15/treatybodyexternal/Download.aspx?symbolno=CRC%2fC%2fOPAC%2fUGA%2f1&Lang=en

[36] CSBAG. (2017). Widening Uganda's Tax base: What's at stake and what should Government do. http://csbag.org/wp-content/uploads/2017/12/Widening-Uganda%E2%80%99s-Tax-base-1.pdf

[37] SEATINI, TJNA, & Oxfam. (2016). Fair Tax Monitor Uganda. Available at: https://uganda.oxfam.org/policy_paper/fair-tax-monitor-0

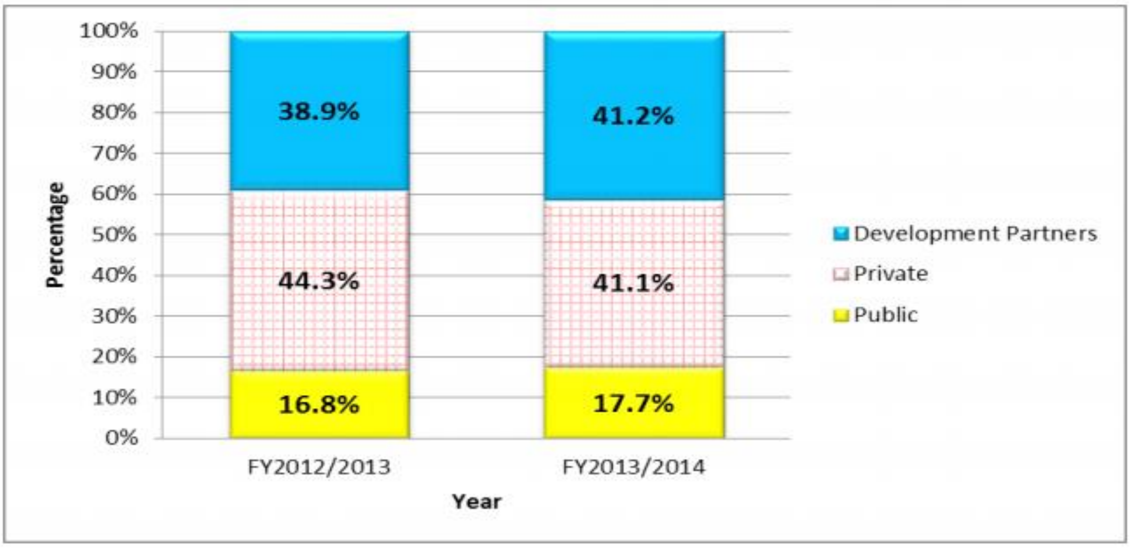
[38] Becker, F. K (2004). The Informal Economy: A Fact-Finding Study. SIDA Report, Published in March 2004

spend enough resources to promote formalisation; a cumbersome formalisation process that is also complex and provides no incentives for doing so; and an emerging e-commerce sector which lacks a regulation framework.

Consequently, Uganda has not been able to meet its international and regional commitments which include allocating at least 15%, 10%, and 15% of the annual budget to health, agriculture and education sectors respectively. Raising sufficient revenue to meet these commitments will require improving revenue collection of direct taxes (instead of relying on indirect taxes), developing a clear policy on tax incentives and exemptions (which benefits small businesses instead of MNCs), addressing tax evasion by formalising the informal sector and improving weaknesses in the tax administration system and managing and /or reducing debt levels.

Enhanced revenue needs to be derived from those who are better able to pay, and spent on those who need it the most, if inequality is to be reduced.

According the Uganda Health Accounts 2013/14, bulk of the health budget was financed from the development parntners at an average of 40% for 2013 and 2014. This is potentially a very precarious situaton given unpredictable nature of foreign funding. It may also put to questIon the government commitment to supporting the critical health service function. Additionaly, an average 44% of health budget was funded from private sector, out of this, 96% was noted as contribution of individuals and households. The overall trend globally is to reduce househod out of pocket (OOP) expediture in health as a means of reducing poverty and enhance development. The outlook for Uganda is therefore an area that may need enhanced public investments in health.



Composition of health spending in Uganda by source
Source: Uganda Health Accounts 2013/14

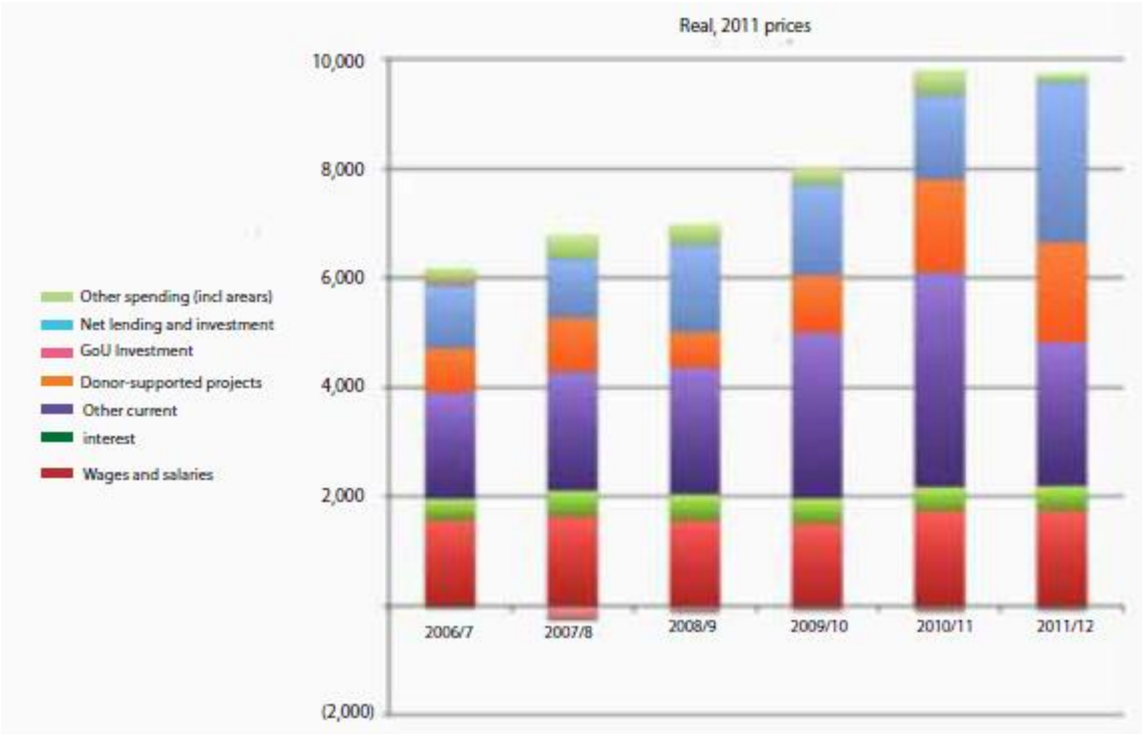
On Social Protection, Uganda has invested in a range of different initiatives including youth and children affairs programme, Orphaned and Vulnerable Children (OVC) support, disability and elderly support among others.

The outlook for government investment in this sector has been on an upward trajectory. According to the Uganda Social Protection Public Expenditure Review (PER) 20112, the Ugandan government has total expenditure in the different schemes in real terms stood at about UGX 6.5 Trillion in 2011/12 up from four UGX Trillion in 20016/7.

Cost Breakdown for various social protection programmes in Uganda
Source: Uganda Social Protection PER 2012

In terms of allocative and operational efficiency, the PER report raised a few issues of interest. First, the government expressed commitment in the national Development Plan is not fully reflected in terms of actual resource allocations. The average operational cost for most of the programmes ranges about 10%. This compares favourably with the international practice. However, this does not include set up costs which can be prohibitive in some cases. The food aid component was also observed to be particularly expensive given the logistics involved as compared to vouchers.

In terms of individual operational cost breakdown, it can be observed that the basic costs including wages and salaries have remained almost constant amid increasing expenditure. This is a strong indicator of progressive efficiency in social protection programmes for Uganda.



Composition of Social protection spending in Uganda
Source: Uganda Social Protection Public Expenditure Review, 2012

Tanzania

Poverty rate: 49.1% live below $1.90 USD per day (WB, 2011)
Population: 57.31M (WB, 2017)
Total GDP: $186.060 billion[1]

HDI: 0.538 (154th)[1]

Where is revenue derived? Who bears the tax burden?

In its most recent budget speech, Tanzania reports domestically raising TZS 21.89 trillion (or 69% of its annual target of TZS 31.71 trillion). The rest of the budget is financed as per the figure below: [39]

[39] URT. (2018). Speech by The Minister for Finance and Planning, Hon. Dr. Philip I. Mpango (Mp), Presenting to the National Assembly, The Estimates of Government Revenue and Expenditure for 2018/19. Available at: http://www.mof.go.tz/docs/ENGLISH%20BUDGET%20SPEECH.pdf

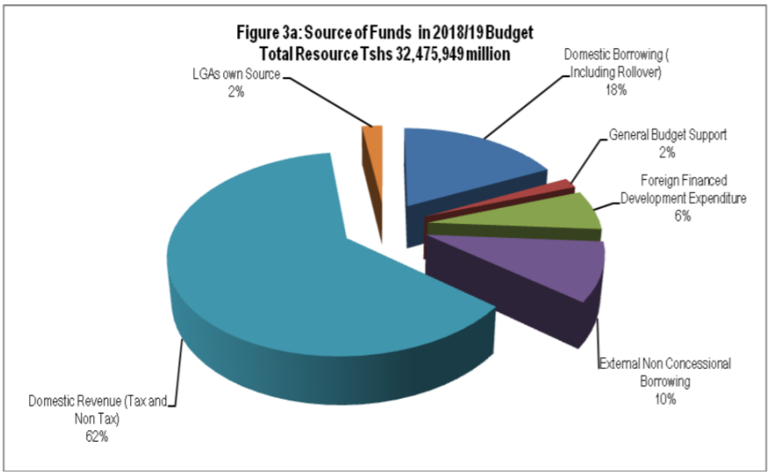


Figure 3a: Source of Funds in 2018/19 Budget
Total Resource Tshs 32,475,949 million

Tanzania's tax to GDP ratio stands at 11.85%.[40] The average ratio of tax revenue to GDP is currently 13% for low-income economies (LIEs) and 18% for lower-middle income economies (LMIEs). While it is promising that Tanzania raises more than two thirds of its budget from domestic revenue, its tax to GDP ratio falls below the average for low-income economies evidencing that there is still more revenue that may be raised through taxation.

Where is revenue lost? What could this revenue have been spent on and how can it be recovered?

Underperformance in domestic revenue collection is attributed in the same budget speech to:

(i) Tax evasion;
(ii) Difficulties in collecting tax/levy from the informal sector;
(iii) Unfriendly environment for tax payment and imposition of numerous tax and levies especially for services rendered by regulatory authorities; high tax rates, unnecessary bureaucratic procedures in tax compliance and high cost of paying tax;
(iv) Underutilisation of Electronic Fiscal Devices (EFD);
(v) Weakness in the management of natural resources extraction particularly minerals, natural gas, forestry, aquatic resources, tourism and land; and
(vi) Low contribution and dependency of public corporations to the Government budget.

Table 1: Domestic Revenue Collection Trend: 2012/13 - 2018/19 — **Tshs Million**

	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Budget	2017/18 Likely Outurn	2018/19 Budget
Total domestic revenue (including LGAs own source)	**8,442,611**	**11,537,523**	**10,957,765**	**14,139,230**	**16,639,933**	**19,977,001**	**18,692,251**	**20,894,578**
A.Tax Revenue	**7,729,986**	**10,395,440**	**9,908,996**	**12,525,378**	**14,126,590**	**17,106,336**	**15,312,632**	**18,000,219**
1. Import duty	584,137	852,199	748,961	880,296	998,164	1,231,135	1,077,034	1,204,090
2. Excise Duty	1,258,242	1,908,857	1,742,721	2,144,395	2,106,442	2,776,302	2,248,954	2,541,287
3. Value added tax	2,146,337	2,590,291	2,488,066	2,992,835	3,912,674	4,767,853	4,390,218	5,463,990
4. Income tax	3,034,360	3,656,506	3,716,685	4,594,971	5,117,862	5,997,039	5,556,523	6,540,038
5. Other taxes	706,910	1,387,587	1,212,563	1,912,880	1,991,449	2,334,006	2,039,904	2,250,814
B. Non-tax revenue	**683,362**	**869,936**	**1,048,769**	**1,613,852**	**2,513,343**	**2,870,665**	**3,379,619**	**2,894,358**
1. Parastatal dividends & Contributions	47,602	110,014	161,234	388,551	893,935	529,583	646,415	597,770
2. Ministries and regions	414,925	444,694	527,451	799,449	1,107,690	1,653,776	2,183,359	1,561,000
3. LGAs own source	0	0	0	0	0	0	0	0
	220,835	315,228	360,084	425,852	511,718	687,306	549,845	735,589

Source: Ministry of Finance and Planning

[40] http://eac.opendataforafrica.org/ykresze/taxes-to-gdp-ratio-in-ratio

The table above shows that tax revenue contributes the majority of domestic resource mobilisation and that almost half of this revenue is derived from income tax (direct taxes), followed closely by VAT (indirect taxes) which shows a use of both progressive taxation (tax according to ability to pay) and regressive taxation (uniform tax applied to all regardless of ability to pay). Essentially, efforts to promote equality through taxation are undermined by efforts to raise revenue however inequitably.

In relation to debt, Tanzania's Public Debt Stock stood at TZS 49.65 trillion as at April, 2018. Out of this, domestic debt was TZS 14.05 trillion and external debt was TZS 35.60 trillion (or 71.71% of the total debt). For the period of July, 2017 to April 2018, the government released TZS 21.68 trillion for recurrent and development expenditures with TZS 16.56 trillion being apportioned to recurrent expenditure (including TZS 5.63 trillion for public servant wages and salaries and TZS 8.42 trillion for debt servicing). The larger proportion of recurrent expenditure may imply lower infrastructural capacities in the social sectors. However, sectors like health and education are essentially heavy in terms of recurrent expenditure to cater for staff in medical supplies. While some debt is necessary and may be assessed to be sustainable,[41] what is critical for reducing inequality is that the loans are utilised to increase productive capacity (on sectors such as health, education and agriculture) to develop an economy that is able to repay loans sustainably.

One study estimated revenues forgone as a result of the informal sector by comparing the difference between targeted and actual revenue collected for the fiscal years 2010/11 to 2016/17. The table below shows the total revenue forgone for this period to amount to almost TZS 1 trillion.

Table 1: Targeted, actual and foregone tax revenue in Tanzania from 2010/11 to 2016/17 in Mill Tsh

Year	Targeted Tax Revenue	Total TRA Net Collections	Revenue foregone
2010/11	5,652,589.63	5,315,147.47	337,442.06
2011/12	6,228,832.56	6,502,599.16	-273,766.60
2012/13	7,871,430.33	7,739,298.48	132,131.85
2013/14	10,374,937.57	9,383,046.94	991,890.63
2014/15	11,318,221.90	9,908,996.35	1,409,225.55
2015/16	12,362,957.98	12,525,377.55	-162,419.57
2016/17	15,105,100.05	14,126,590.01	978,510.04

Source: TRA, 2017

> The Tanzania government spends TZS 20.8 billion on free basic education monthly (2018 Budget Speech). TZS 1 trillion lost from revenue foregone is the equivalent of about 50 months or four years of free basic education

Tax incentives are granted with the purpose of attracting Foreign Direct Investment (FDI) into a country. More often than not, however, they are not the primary reason for investment and may not even attract nor retain FDI but lead to large revenue losses anyway.

It was estimated in 2008 that revenue losses from all tax exemptions and incentives may be as high as TZS 1.8 trillion (US$ 1.23 billion) and that the minimum revenue loss from tax incentives granted to companies alone for the years 2008/09 – 2009/10) was around TZS 381 billion ($174 million) a year.[42]

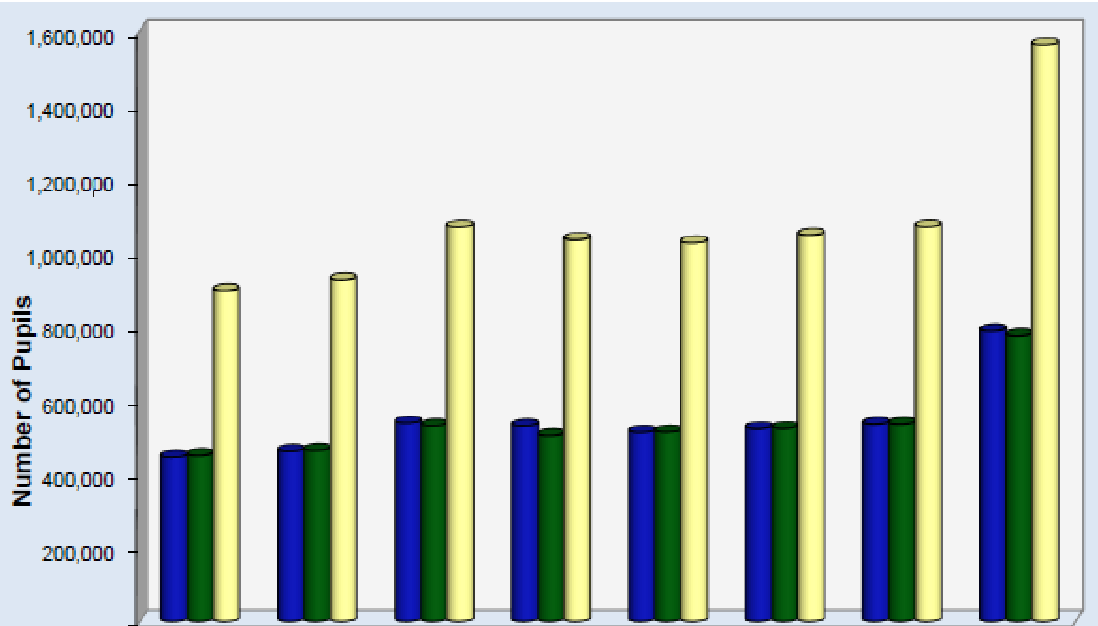
> If the public revenue lost through tax incentives were spent on education and health, the education budget would increase by more than a fifth and the health budget by more than two-fifths.

[41] The Debt Sustainability Analysis (DSA), November, 2017

[42] Tax Justice Network-Africa, (2012). Action Aid International Tax Competition in East Africa: A race to The Bottom. Tax Incentives and Revenue Losses in Tanzania. Available at: http://curtisresearch.org/wp-content/uploads/Tanzania.Tax-Incentives.June-2012.pdf

In terms of investment in education, Tanzania through the annual budget allocated on average about 16% of total budget to the sector. This is in tandem with the Dakar Framework for Action that pledged to set aside at least 15% of the national budget to education. It is however imperative to interrogate these allocations against access to education among other measures of efficiency and effectiveness.

While the annual population growth rate stands at around 3%, the growth rates for the pre-primary enrolments may not be up to speed. According to Tanzania Basic Education Statistics (BEST), between 2011 and 2015, the enrolment rates remain static with even a 3% decline between 2011 and 2012 and a marginal 0.8% decline between 2013 and 2013. It is however encouraging that there was a notable spurt in enrolment in 2016 by 46%.

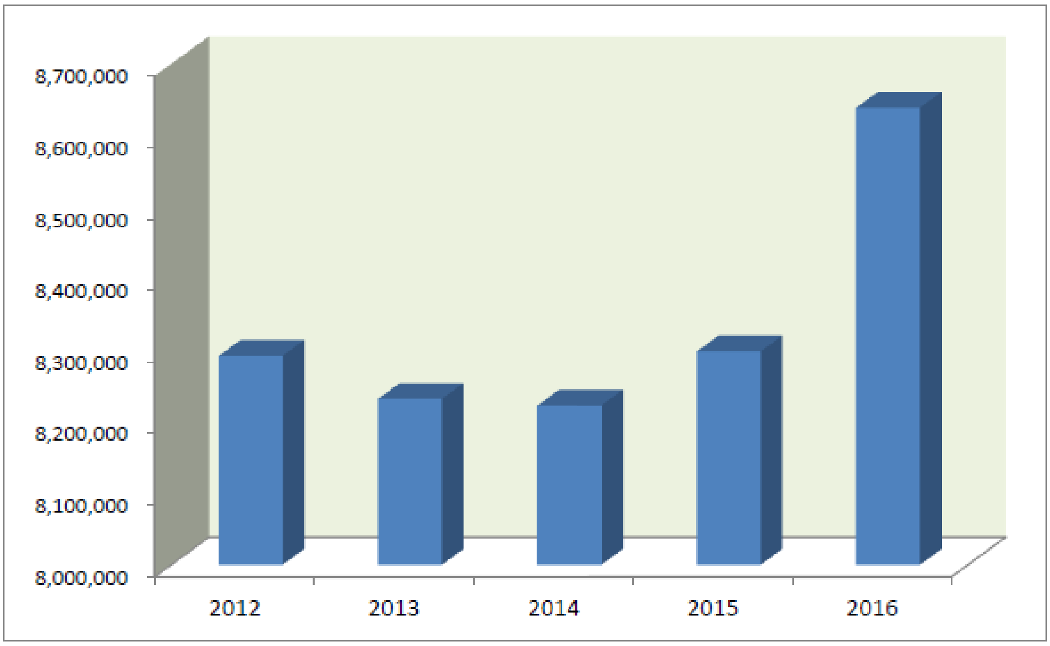


Year	2009	2010	2011	2012	2013	2014	2015	2016
Male	445,867	461,628	538,478	530,425	512,798	522,846	535,035	787,743
Female	450,279	463,837	530,730	504,304	513,668	523,523	534,788	775,027
Total	896,146	925,465	1,069,208	1,034,729	1,026,466	1,046,369	1,069,823	1,562,770

Total Enrolment for Pre- primary education in Government and Non-Government Schools/Streams by Sex, 2009 - 2016
Source: Basic Education Statistics, Tanzania, 2018

The stagnated growth in enrolment is also reflected in the Primary School level for years between 2012 and 2015 with a similar spurt for the year 2016.

If the issue of enrolment is to be used as a proxy indicator to effectiveness of the huge allocations in improving access to education, then there is scope to argue that this has not been very effective. However, it should be noted that there could be a number of other issues limiting access to education that may not be resolved simply by availing budget allocations. Additionally, the response to low enrolment may drag even where more funds are allocated. This may partially explain the rise in enrolment in the tail end of this period.



Standard I-VII Enrolment in Government and Non-Government Schools, 2012 - 2016
Source: Basic Education Statistics, Tanzania 2018.

Tanzania has made strong policy and legal commitments to deliver on nutrition. These include the Tanzania Food and Nutrition Act (1973), policy guidelines on micronutrient supplementation (1997) AND THE Tanzania National Strategy on infant and young child nutrition (2004). At the international level, Tanzania is a signatory of the SDGs and the relevant indictors to nutrition and also part of the global Scaling up Nutrition movement (SUN).

According an assessment conducted by the National joint multi stakeholder platform on nutrition for 2017/18[43], it was noted Tanzania has made good efforts to continually implement policies and enforce legislation relevant to nutrition both at the national and local levels. The platform however noted the delayed approval of the National Food and Nutrition policy by the Cabinet remains a key challenge.

Budgetary allocations and expenditure in nutrition therefore need to be interrogated in the context of this strong expression of intent. According to the Nutrition Public Expenditure Review 2014-2016, Tanzania spent about 1% of the GDP on nutrition or about 4% of the national budget for years 2014/15 and 2015/16. According to the World Bank, this level of spending only fall slightly less the 2025 global target of reducing stunting by 40%.

[43] https://scalingupnutrition.org/wp-content/uploads/2019/03/TANZANIA-JA-2018-EN.pdf

TZS millions	2014/15	2015/16
Total expenditure	17,488,626	22,543,664
Recurrent	13,778,397	18,204,111
Development	3,710,228	4,339,553
Total nutrition expenditure excluding off-budget ODA	810,504	851,459
Nutrition expenditure as % total govt expenditure	**4.6%**	**3.8%**
GDP at market prices	85,153,090	97,304,216
Total nutrition expenditure including off-budget ODA	815,470	860,691
Nutrition expenditure as % GDP	**1.0%**	**0.9%**

Tanzania nutrition expenditure against total national spending
Source: Tanzania Nutrition Public Expenditure Review

In terms of operational efficiency, the PER noted that a good proportion (57%) of the nutrition spending at the national level is earmarked for development. At the local level huge chunk of the spending is recurrent at 81%.

On HIV/AIDS, Tanzania has a prevalence rate of about 4.7% (2016) The health and social economic effects of this scourge to children is well documented ranging from mother to child transmission, loss of parental support, loss of school time and mortality.

Tanzania has made real policy level recognition of this problem through two policy initiatives. First is the Global Health Initiative Strategy 2010–2015 and the second is the Elimination of Mother to Child Transmission (eMTCT) Strategic Plan.

However, policy pronouncements have not been accompanied with corresponding financial resources allocations. According to the Public Expenditure Review on the sector, almost 100% of the various initiatives are funded by development partners. In the light of waning donor interest in this area of HIV /AIDS, there is real risk that the progress covered may be negated through falling and unpredictable funding.

	2006/07	2007/08	2008/09	2009/10	2010/11
Government	22.0	23.0	14.0	12.5	11.0
Development partners	282.0	383.3	566.9	566.3	431.8
Total	304.0	406.3	580.9	578.8	442.8
% of total from donors	92.8%	94.3%	97.6%	97.8%	97.5%
% of total from government	7.2%	5.7%	2.4%	2.2%	2.5%

TOTAL REAL EXPENDITURE ON HIV AND AIDS (Billion TZs)
Source: HIV/ AIDS Public Expenditure Review (2011)

Zambia

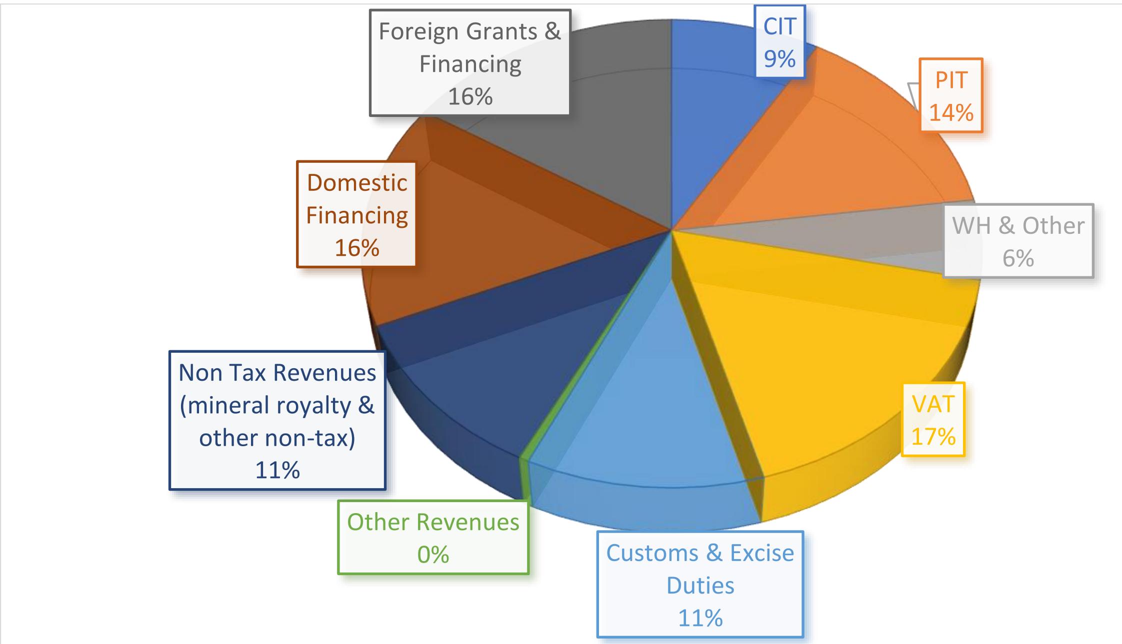
Population: 17.09M (WB, 2017)	
Total GDP: $68.64 billion[44]	
HDI: 0.588 (144th)[45]	
Poverty rate: 58% live below the poverty line[46]	

Where is revenue derived? Who bears the tax burden?

Resource Envelope for the 2018 Budget			
	(K'million)	(K'million)	% share of GDP
TOTAL DOMESTIC REVENUE, GRANTS & FINANCING		71,662.39	25.9%
A. Total Domestic Revenue and Domestic Financing		60,240.31	21.8%
I. Total Domestic Revenues		49,087.02	17.7%
Total Tax Revenue		41,139.78	14.9%
Income Tax		20,337.61	7.3%
Company Income Tax	6,115.94		
Personal Income Tax (incl. PAYE)	10,264.02		
Withholding and other	3,957.64		
Value Added Tax		12,369.47	4.5%
Customs and Excise Duties		8,098.70	2.9%
Customs Duty	3,302.25		
Excise Duty	4,744.83		
Export Duty	51.62		
Other Revenues		334.00	0.1%
Non Tax Revenues		7,947.24	2.9%
Mineral Royalty	3,527.74		
Other Non-Tax	4,419.50		
II. Domestic Financing		11,153.29	4.0%
B. Total Foreign Grants and Financing		11,422.08	4.1%
Project Grants	2,438.30		
Programme Loans	1,425.00		
Project Loans	7,558.78		

Zambia's most recent budget[47] (K 71,67 billion) is resourced as above and graphically represented below:

[44] *"Zambia". International Monetary Fund.*
[45] "2018 Human Development Report". United Nations Development Programme. 2018
[46] https://www.worldbank.org/en/country/zambia/overview
[47] http://www.parliament.gov.zm/sites/default/files/images/publication_docs/2018%20Budget.pdf



Source: Author's own visualisation from the parliamentary budget speech, 2018

Indirect taxes (customs and excise duties and VAT) constitute almost as much of the budget (28% in total) as direct taxes (corporate and personal income taxes and withholding tax) (29% in total). Whereas both internal and external financing or debt contribute more to the budget (32% combined) than taxation or domestic resources. This is significant for reducing inequality especially considering debt payments comprises 19.87% of expenditure.

Where is revenue lost? What could this revenue have been spent on and how can it be recovered?

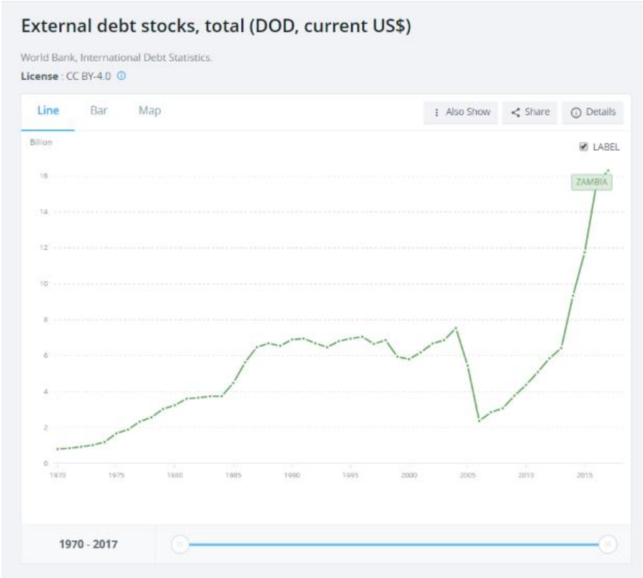
Although debt or borrowing is not necessarily harmful, and is often used for growth, unsustainable debt poses significant risks to global commitments to end extreme poverty, including the Sustainable Development Goals (SDGs). Unsustainable debt burdens forces governments to spend more on debt servicing than on public services such as education, health and infrastructure. Debt relief initiatives[48] were motivated precisely to reduce debt servicing and to free up resources for public spending.[49]

The figure below shows that Zambia's external debt has been on the rise since 2006 and is at risk of not being sustainable. Managing sustainable public debt including its rate of growth requires coherence of debt management within sound macroeconomic policies and the efficient use of borrowed funds for productive uses that stimulate inclusive economic growth such as investments in the social sectors.

[48] the Heavily Indebted Poor Country (HIPC) group and the Multilateral Debt Relief Initiative (MDRI). The HIPC began in 1996 and is a group of 37 developing countries with high levels of poverty and debt overhang that are eligible for special assistance from the International Monetary Fund (IMF) and the World Bank. The MDRI provided for 100% relief on eligible debt from three multilateral institutions to a group of low-income countries. The initiative aimed to help eligible countries advance toward the United Nations' Millennium Development Goals (MDGs) focused on halving poverty by 2015. As there is no longer any MDRI-eligible debt to the IMF, staff have initiated the liquidation of the MDRI Trusts.

[49] Mustapha, S., & Prizzon, A. (2018). Africa's rising debt. Available at: https://www.odi.org/sites/odi.org.uk/files/resource-documents/12491.pdf

As public investment and borrowing decisions are highly political, enhancing government institutions and their capacities to manage responsible borrowing is necessary over the long-term with continued political will and commitment on the same. Zambia makes several commitments to this in its 2018 budget speech; specifically setting out to attain domestic revenue mobilisation of at least 17.7% of GDP; limit the fiscal deficit, on a cash basis, to 6.1% of GDP; and to slow down the contraction of new debt to ensure debt sustainability.[50]



Other areas contributing to insufficient revenue include revenue leakages from the informal sector and illicit financial flows such as the granting of harmful tax incentives and exemptions.

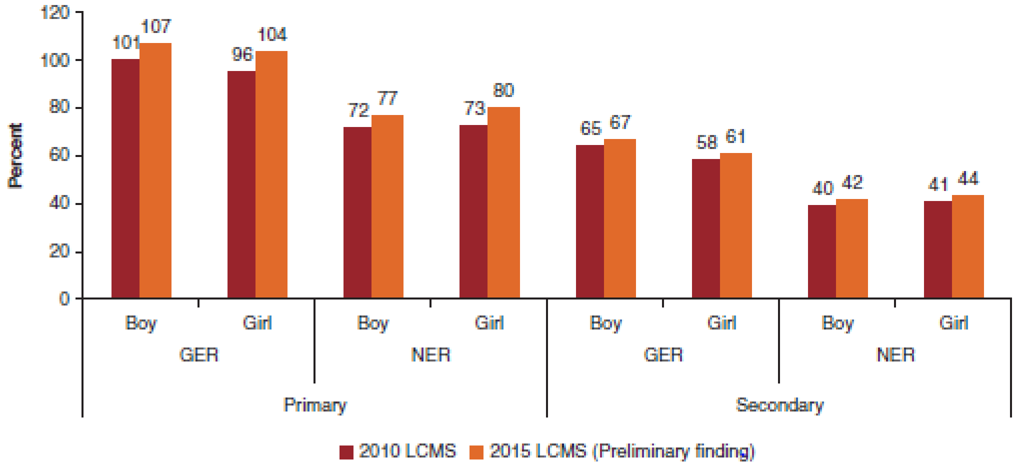
Zambia's informal economy is estimated to employ about 90% of its labour force – demonstrating significant tax revenue potential if properly addressed.[51] Studies related to improving tax compliance of the informal economy cite improved access to public services as one of the key motivations for compliance. Specifically, it found that where traders have greater access to services, they demonstrate a greater likelihood of paying taxes and fees to the relevant authorities. In other words, even among a relatively poor segment of the population, pro-poor uses of tax revenue enhances compliance and therefore revenue mobilisation.[52]

Illicit financial flows (IFFs) from Zambia between 2008–2012 were equal to 24.1% of its total trade. Studies show that where inequality and poverty levels are high, IFFs are also high and that on the contrary, where customs department efficiency is high, IFFs. This indicates that good governance (i.e. low corruption) in customs departments may be a way to curb IFFs.

While investment in the social sectors has markedly grown across the years, it is critical to reflect on this against the key indicators in the different sectors. The case of education in point indicates Zambia commitment to funding education with constant expansion of expenditure from ZMW 1.5- ZMW 5.2 Billion between 2006 and 2013. [53]

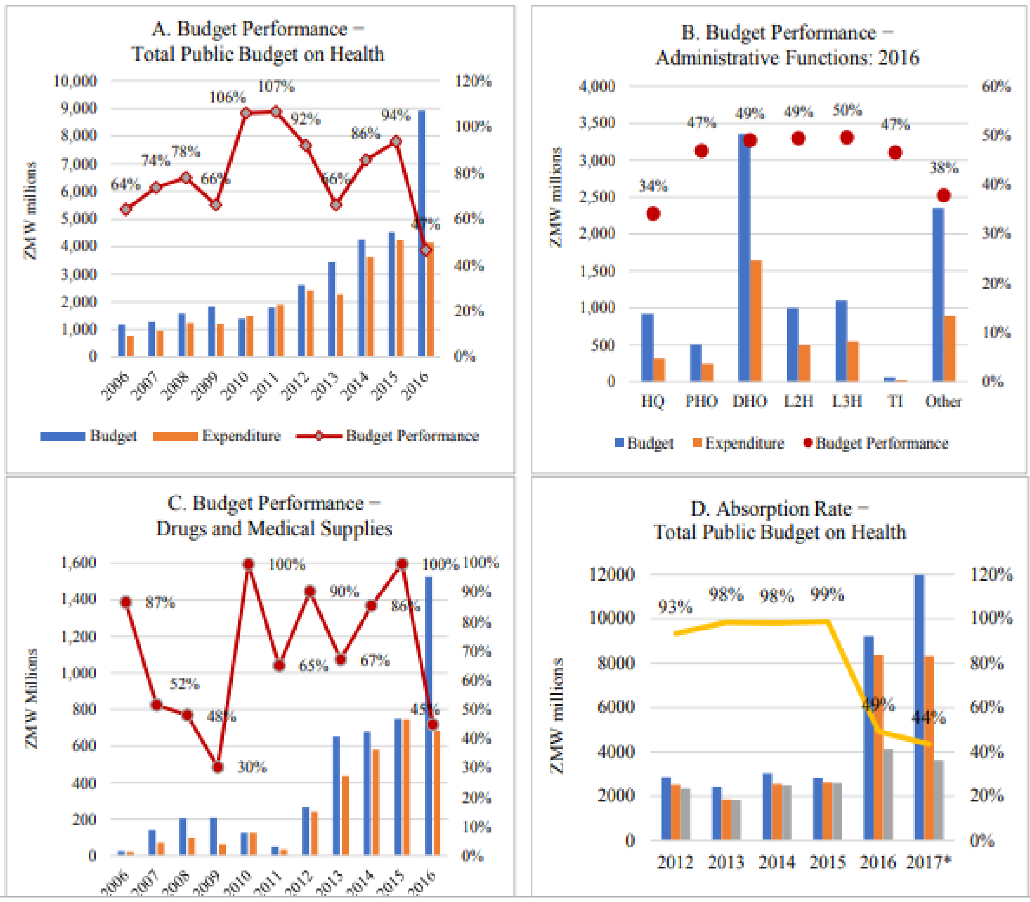
According to the PER in education it can be observed that overall access to education has increased as a function of the enhanced investments. The Gross Enrolment Ratio at Primary school level has risen around 104% for girls and 107% for boys while the Net Enrolment ratio has risen to 80 and 77% respectively.

[50] PART II Macroeconomic Objectives, Policies and Strategies for 2018
[51] Shah, M. (2012). The Informal Sector in Zambia: Can it Disappear? Should it Disappear? International Growth Centre. Available at: https://www.theigc.org/wp-content/uploads/2014/09/Kedia-Shah-2012-Working-Paper.pdf
[52] Resnick, D. (2018). Tax compliance and representation in Zambia's informal economy. Available at: https://www.theigc.org/wp-content/uploads/2018/11/Resnick-2018-Working-paper.pdf
[53] Public Expenditure Review in Education, Zambia, 2015



School enrolment rates at Primary and Secondary levels 2010 and 2015
Source: Public Expenditure Review in Education, Zambia

In health, budgetary allocations have also markedly risen for the last ten years. However, absorption/execution rates have remained a challenge. According to the PER in health conducted by World Bank[54], execution rates in administrative functions in health ranged between 34 and 50%. While the overall absorption rate may have been generally impressive, specific functions like medical supplies returned very poor execution as low as 30%.



Budget performance in health
Source Public Expenditure Review in Health, Zambia

[54] Public Expenditure Review in Health in Zambia 2019

Social protection interventions in Zambia like anywhere else seek to provide a safety net for the poor and promote social inclusion and economic growth. Zambia has several social protection initiatives including- The Food Security Pack, Home Grown School Feeding Programme, Social Transfer Scheme, Food Reserve Agency among others.

According to the World Bank, poverty rate in rural Zambia rose from 73.6 to 76.7% between 2010 and 2015. The Gini Coefficient stands at about 0.52 indicating a very unequal society.

While the Zambian government commitment to provision of social safety nets is laudable, the coverage of these schemes remains limited. According to World Bank Social Protection and labour Discussion paper number 1413 of 2013[55], the schemes have far much fewer persons than the existing need. Additionally, even where such schemes exist, only a small proportion of the very poor are beneficiaries. The table below provides coverage of the various schemes indicating that of all the schemes, none covers more than 10% of the very poor.

Program	Approximate Coverage (Beneficiaries)		Approx. % of Population /y	Approx. % of the Very Poor
	Households	Individuals		
Katete - Old Age Pension	n.a.	5,758	<0.1%	0.1%
School Feeding	566,000	850,000	6.5%	9.3%
Social Cash Transfer Scheme	22,900	114,500	0.9%	1.7%
Public Welfare Assistance Scheme	n.a.	75,496	0.6%	1.2%
OVC Bursary Scheme - MoE	n.a.	20,000	0.2%	0.1%
Food Security Pack	14,400	76,300	0.6%	0.9%
Farmers' Input Support Program	*800,000*	4,000,000	30.6%	7.3%
SPLASH	28,500	142,500	1.1%	1.4%
School Milk Program	n.a.	13,000	0.1%	0.1%
OVC Support (STEPS/OVC)	n.a.	146,000	1.1%	<1%
Tertiary Bursary Scheme	n.a.	Est.50,000	<0.5%	<0.01%
Maize Price Support Scheme (FRA)	460,000	2,300,000	15.3%	<0.4%

Source: World Bank Social Protection and labour Discussion paper number 1413 of 2013

Conclusions

1. There is marked upward growth in fiscal space in the sampled countries both from local and internationally mobilised resources for children. This is a positive move as it provides for scope to fund social services beneficial to children
2. Though the expanded fiscal space is positive news, there is also observed pattern in expansion in external debt. The study does not point to any conclusive evidence that the debt is necessarily more likely to improve service delivery to children. Additionally, huge debt outlays may lay foundation for intergenerational inequity with larger proportion of domestic revenues going towards debt repayment at the expense of service delivery to children.
3. National budgetary allocations to the social sectors have been progressively expanding over the last few decades. There are also deliberate efforts to channel more resources to the sectors providing essential services to children. However, there is a lot of scope in improving

[55]http://documents.worldbank.org/curated/en/400341468338504805/pdf/897080NWP0P126085290B00PUBLIC001413.pdf

the quality of budgeting. Full adoption of programme-based budgeting is still a policy gap. This makes expenditure tracking and aligning expenditures to results difficult.

4. The issue of budget credibility, allocative and operational efficiency remains a challenge in strengthening investment in children. Whereas the countries have continued to allocate resources to critical services, there are concerns about the same either not being available for use or delayed disbursements. For some services like social protection the proliferation of programmes raises operational cost therefore limiting the intended benefits.
5. The issue of illicit financial flows and illegal leakages remain a challenge in local resources mobilisation.
6. The 3 countries have taken deliberate steps towards realisation of the regional and international commitments towards child rights. However, the amount of information available to track this progress is still markedly insufficient.

Policy Recommendations

1. **Deepen investment in children in line with the expanded fiscal space-** the study recommends that the 3 countries explore opportunities to further deepen investments in children in tandem with the expanded fiscal space. A good proportion of the locally mobilised resources should be ring-fenced for provision of key social sector services like education and health.

2. **Strengthen domestic resource mobilisation and improve efficiency in spending**- it is recommended that the 3 countries widen the scope for domestic revenue mobilisation as well as seal loopholes for leakage. Since the structure of the economies in the 3 countries in mainly informal, it is imperative that sector be brought to the tax bracket. However, this should not negate the cardinal consideration to maintain a pro poor, progressive tax regime. Alongside these measures should be efforts to minimise leakages of public revenue especially through illicit international financial flows by multinationals

3. **Strengthen budget credibility**- it is imperative that resource allocations be in tandem with resource flows to the implementing agencies. The countries should therefore work towards more credible budgets. Delayed disbursements end up tilting the balance between the development and the recurrent component of the budget resulting to unnecessarily huge chunk going to meeting the recurrent costs. Where supplementary budgets are inevitable, some key services to children should be ring fenced against huge budget cuts.

4. **Enhance capacities in budgeting**- the 3 countries need to strengthen capacities at the national and subnational levels on programme-based budgeting. A strong programme-based budgeting regime will strengthen the connection between public resource allocations, spending and results for children.

5. **Continuously invest in quality data collection and management capacities**- effective allocation, spending, tracking and reporting expenditure requires sound data collection and management capacities. It is recommended that the 3 countries work towards this goal. Appropriate data capacities will provide a stronger empirical basis for policy evaluations especially with regard to the national and global commitments for children.

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