

MINISTRY OF COMMUNITY  
DEVELOPMENT AND  
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# Sustainable Financing of Social Protection

Zambia Case Study on Implications of the Triple F Crisis on SP Financing  
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# INTRODUCTION

## Fiscal Context and the Triple F Crisis

Compounding fuel, food, and fiscal shocks have strained the social protection system. The global rise in fuel prices, food insecurity from climate and market disruptions, and mounting fiscal stress have intensified Zambia's vulnerability, especially among the poorest. These shocks are systemic and interconnected, requiring a coordinated and resilient social protection response

## Implications of the contextual realities

This is affecting livelihood, productivity, access to employment and producing more poverty, vulnerability and shocks are eroding past gains and straining financing capacity

## Policy Response to address emerging challenges

Policy ambition is growing, but financing lags behind. The NSPP (2024–2028) sets a lifecycle, rights-based framework—without a matching financing strategy



## Increased Policy space, but financing?

Zambia's new NSPP is a progressive shift toward inclusive and adaptive protection across the lifecycle. Yet, without sustainable and coherent financing, these policy ambitions remain aspirational

## What this looks like in reality for the financing architecture of social protection in Zambia

Fragmentation of the financing architecture, continued donor dependence and under-investment in social protection which create structural constraints, weakens resilience and long-term planning and affect not only coverage but also comprehensiveness and adequacy of benefits



# MACROECONOMIC

## DEMOGRAPHIC

- Demographic structure indicates high dependency ratios and av. hhold size (4.8)
- Over 60% of the population is rural, but GDP growth is urban and services-led.
- Rural poverty exceeds 78%, while urban hubs see economic saturation.
- High-growth provinces (North-Western, Central) show migration due to mining and agribusiness.
- Lower growth in Lusaka and Copperbelt reflects economic stagnation or outward mobility.
- Demographic Vulnerability Amplified by Climate and Price Shocks
- Demographic growth is Outpacing Fiscal Capacity
- Despite growing needs, Zambia spends about 4% of the budget on social protection, except in crises.

## FISCAL OUTLOOK

- Kwacha growth overstates Zambia's true fiscal space, due to exchange rate erosion & external debt exposure.
- Over 60% of public expenditure is tied to wages, debt service, and statutory obligations
- Public revenue-to-GDP ratio remains below 20%, constrained by tax exemptions, informality, and compliance gaps
- Debt service consumed 30%+ of revenues in 2023; total public debt exceeds 120% of GDP.
- SP receives just 1.5%/2.2% of GDP—below regional (3.1%), global (12.9%) averages.



## LABOUR MARKET DYNAMICS

- Over 85% of Zambia's workforce informally employed, ~97% in rural areas
- 70% Jobs: Self-employed and contributing family workers dominate employment
- Agriculture employs 58% rural workers, yields lowest earnings (~ZMW 1,073/month)
- Youth labour force participation is only 31.3%;

## MACROECONOMIC CONTEXT

- Economy grew by 4.7% in 2023—but benefits are uneven, disconnected from poverty reduction
- Kwacha GDP rose from ZMW 155B to ZMW 703B (2013–2025), but in USD terms, growth was flat.
- Services now drive 50% of GDP, but 60–70% of Zambians remain in agriculture—mostly informal and poor
- Inflation averaged 11.1% in 2023—cutting into transfer adequacy and driving up public borrowing costs.
- Zambia's weak dollar growth profile and high debt make financing social protection more difficult.

## SOCIOECONOMIC REALITIES

- 2024 drought reduced GDP from 6.6% to 2.3%, triggered a 2.1M-ton maize deficit, escalated food insecurity
- Despite growth, hh consumption growth only 0.5%; 81% of people fall under the lower-middle-income poverty line.
- Over 70% of children suffer 2 or more deprivations; nearly 29% suffer four or more (MODA 2022).
- 34% of rural populations have electricity; safe water access below 40% in some provinces; rising school dropout among girls during droughts.



# THE CURRENT STATE OF SOCIAL PROTECTION FINANCING IN ZAMBIA

## Public Financing Trends

. In 2025, SP received a record allocation of ZMW 16.2 billion, - 7.4% of the national budget—highest nominal commitment to date. However, this spike is primarily attributable to short-term emergency interventions rather than sustained structural investments. Key allocations include:

- ZMW 1.8 billion for Emergency Cash Transfers (ECT)
- ZMW 2.0 billion for Cash-for-Work initiatives



## Trends in the last 3 years

Year	SP Allocation (ZMW Billion)	% of National Budget
2023	9.7	4.5%
2024	10.8	4.9%
2025	16.2	7.4%
2026*	10.3 (projected)	4.4% (projected)



## Donor Financing Trends

- Major partners—including UNICEF, FCDO, World Bank, and Irish Aid—support flagship programs
- Multi-Donor Trust Fund (MDTF) has improved coordination, but most donor flows remain project-based and off-budget, undermines systemic sustainability.



## Sector-wide Financing Architecture

Zambia has yet to establish a formal sector-wide coordination platform akin to a SWAp or INFF-aligned strategy. This absence limits harmonization, efficiency, and integration of external funds into the national planning architecture

## Implications for Sustainable Financing

The current financing model—highly reactive and donor-dependent—poses critical risks to the resilience and scalability of Zambia’s social protection system, especially under “Triple-F” crisis conditions: food insecurity, fuel price shocks, and fiscal stress



# FINANCING OPTIONS: PATHWAYS FOR INNOVATION DIVERSIFICATION AND SUSTAINABILITY

## Broaden the Revenue Base through Progressive and Climate-Linked Taxes

- Expand resource mobilization via excise taxes, carbon taxes, and digital levies.
- Earmark revenues from extractives and “sin” taxes to fund child, disability, and climate-related programs

## 2. Expand and Integrate Contributory Systems to Include Informal Workers

- Use tiered premiums, subsidies, and simplified tax-contribution models (e.g., monotax) to integrate informal sector workers into NHIMA and social insurance schemes.
- Promote portable and flexible benefit systems for gig and self-employed workers.

## 3. Reallocate Inefficient or Regressive Expenditures

- Redirect spending from fuel or input subsidies (e.g., FISP) to underfunded programs like nutrition and food security.
- Conduct public expenditure reviews to identify savings and reprioritize towards social outcomes



## 4. Leverage Debt Management and Contingency Mechanisms

- Use debt restructuring, sovereign debt swaps, and mineral stabilization funds to preserve fiscal space for social protection.
- Establish a Social Protection Stabilization Fund for climate or economic shocks
- Tap into Climate Finance and Global Green Instruments

## 5. Unify and Institutionalize Financing under a Coordinated National Framework

- Embed financing strategies within INFF, the Social Protection Bill, and MTEF.
- Establish pooled funding mechanisms, integrate registries like ZISPIS, and enforce statutory guarantees for social spending



# Financing Options – Pathways for Innovation, Diversification, and Sustainability



## Leverage Climate-Linked Financing Tools

- Examples: African Risk Capacity (ARC), Green Climate Fund (GCFI)
- Zambia Fit: ARC payouts for drought response) pre-financing premiums through contingency reserves.



## Expand and Innovate Contributory Revenues

- Examples: Monotax schemes (Brazil, Uruguay), NHIMA tiered premiums
- Microinsurance for informal workers
- PPPs in NHIF Kenya show pathways for system delivery Innovation



## Tap Private and Philanthropic Capital

- New Tools: Diaspora bonds, Social Impact Bonds (SIBs), Corporate CSR Matching
- Case Studies: Ethiopia's Millennium Bond, UK's Peterborough SIB
- Zambian Entry Point: Engage diaspora in co-financing social projects



## Reallocate Inefficient and Regressive Expenditures

- Comparative Insight: Iran and Indonesia redirected fuel subsidies
- Zambian Insight: Use of mining revenues for SCT: call for reforming FISP



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## Institutionalize Integrated Financing Frameworks

- New Recommendations: Create a Social Protection Financing Task Force  
Establish a Social Protection Stabilization Fund
- Operational Tools



# CONCLUSIONS AND RECOMMENDATIONS

## Start with Strategy

Zambia already thinking about a financing strategy and this is the way to go. It should reflect national macroeconomic and fiscal realities

## Build requisite systems

The systems to anchor the financing are under developed in Zambia and should be developed to underlay new financing pathways

## Think of Best Fund Structure

What is the best way to go? Blended? Integrated? Standalone?



## Design fit for Purpose SP Financing Architecture

This will need to be cognizant of local realities, national and subnational

## Leverage innovation

Climate, tax, and other options presented