



MEDIA STATEMENT ON PUBLIC FINANCE MANAGEMENT IN ZAMBIA

Preamble

The members of civil society are concerned with the current public financial management situation within which we find ourselves as Zambians. Given our commitment to social justice issues and the human rights agenda, we feel compelled to comment on the current situation. While we have studied the alleged financial mismanagement situation carefully, we do not claim to fully know this complex environment and the issues, however, we are convinced that if nothing is done to address our current predicament, Zambia risks descending into a worse economic position and further increasing the sufferings of the Zambian people.

Situation Analysis of Current Affairs

Zambia despite recording rebounding economic growth and positive economic fundamentals for the first half of the year is far from being out of the current fiscal challenges and continues struggling to reduce a fiscal deficit of over 8% of GDP, and growing public debt of 47% per cent of GDP in the midst of a shrunk economy leading to government seeking balance of payment support from the IMF.

Amidst these economic challenges the country is still faced with the biggest challenge of poverty and widening inequality were the majority of its citizens, over 54% remain trapped in poverty with worse situations in rural areas where poverty level are as high as 76%.

Now more than ever prudent financial management becomes critical for not only economic recovery but most importantly the eradication of poverty. This has been stressed in the past two successful national budget addresses but also by the head of state President Lungu during opening of parliament where he emphasized the need to do things different and a shift towards a new smart Zambia. Both the economic stabilization plan “Zambia Plus” and the 7th National Development Plan talk of the need to rationalize resources, reduce wastage and enhance public financial management for effective and sustainable national development.

One thing we know for sure is that the challenges the country is facing are not insurmountable and all it takes is for us to set our priorities right and put Zambia first beyond our self-interests. “the world doesn’t lack resources to eradicate poverty, it lacks the right priorities” Juan Somavia ILO

Public Financial Management

We notice that Public Finance mismanagement has been a perennial problem in Zambia particularly in the last few years. The Auditor General’s Report every year reveals how colossal sums of money are mismanaged by those entrusted with the responsibility of managing public funds. The cost of undelivered materials and unvouched expenditure in 2015 for instance



increased five and seven times from their 2014 levels respectively with little known corrective measures from Government. These are resources if well targeted can improve lives of thousands of Zambians. The problem of rampant abuse of public resources has been worsened by the attitude of not demanding for explanations and justifications on the use of public resources exhibited by most Zambians which has allowed many leaders to take advantage and abuse public resources.

In a democracy, leaders need to be accountable and transparent to its citizens by continuously providing explanations and justifications for all the decisions made in the name of the public where the public need clarification. This is the hall mark of Democracy which Zambia gained at a huge cost and must be preserved at all cost.

However, we continue to observe the continued misplaced priorities and mismanagement of public funds. Recent examples include the purchase of forty-two fire tenders and the construction of the Lusaka – Ndola dual carriage way which suggests that the country could be regressing with regard to good governance. Zambia is reported to have purchased forty-two fire trucks at the total cost of US\$42 million (approximately K420 million) to curb the spate of fires that have increased in the recent past gutting public places such as markets. It has been suggested by many stakeholders that the transaction smells of corruption as the trucks are too basic to cost that much. On the other hand, Government has defended the purchase claiming the trucks are custom made and deserves the price of US\$1 million per truck.

Further to this the construction of the 321 kilometers Lusaka – Ndola dual carriage way at the cost of US\$1.2 billion has also been disputed by a cross section of society as being too costly. It is suggested that on average, a high standard bituminous road in Zambia costs up to US\$1 million per kilometer which translates into US\$642 million. At the announced cost of US\$1.2 billion, the Ndola-Lusaka dual carriage way will cost on average US\$2million per kilometer; double the normal cost. Government has defended this kind of expenditure citing building of toll gates, filling stations, by pass roads and hotels as the cause for the increase. Government has also defended both transaction that procurement procedures were followed. At the proposed cost of US\$1.2 billion, government will over spend by over US\$500 million going by the average cost of US\$1 million which the government pays for other roads. This amount could have literally doubled the number of students on bursaries or the number of social cash transfer beneficiaries

As Civil Society we believe there are two aspects to these public spending. The first aspect is whether corruption was involved or not, which of course government has dismissed as unfounded including the ACC. The second issue is whether this was the optimum way of spending public resources at a time when the country is just recovering from a very weak economic performance. This economic turbulence has forced the government to implement fiscal consolidation measures to align revenues with expenditures and in the process removing subsidies on basic needs such as fuel and electricity and freezing public service salaries. During



the same period, government has sought an IMF loan to help with the country's balance of payment.

It has been a very difficult period for Zambians and we believe that citizens expect government to manage public resources prudently for the sacrifice they are making. We are quiet convinced that public resources on the two projects have not been prudently and optimally utilized. Was the fire trucks the most priority for Zambia to allow such a huge expenditure to quench fires whose sources we do not even know yet? US\$42 million (approximately K420 million) is more than twice the allocation to Markets and Bus Station (K18 million) in the 2018 budget for the whole year. How many markets would have been modernized and consequently reduce chances of fire breakout if the money spent on trucks was spent on building/ modernizing markets? Modernizing and buildings markets thereby lessening chances of fire break outs is a more sustainable solution than buying very expensive trucks that may possibly never be used in the whole year in certain districts where these trucks will be deployed. Some of these Districts where the fire trucks will be deployed have more pressing issues than fire trucks and even if they needed a fire truck, they may need a fire truck with different specification and probably cheaper. It is therefore hard to defend this expenditure

As civil society we are further concerned by the fact that we never seem to learn as a country and successive governments continue on this destructive path. A similar expenditure was made on hearses and mobile hospitals against public protests. Some of these vehicles have already broken down irrevocably and yet a lot of money was spent that could possibly have been spent in a more prudent and sustainable way. Speed boats that were bought for Chavuma Districts to be used as mobile hospitals to serve communities along the Zambezi River have all broken down parked at the banks of the Zambezi River and no one even talks about them. The people who incurred this gigantic waste of expenditure vehemently defended the transaction and yet they were just defending their personal interest.

Recommendations and Conclusions

We call upon Government to seriously reflect on these issues and provide a more coordinated response than we have been subjected to so far. It is not enough to dismiss people who are raising questions on this kind of seemingly reckless spending but to provide convincing answers. These are the issues on which Government needs to be setting commission of inquiry instead of issues whose cause we already know. The mention by the Minister of Finance that the road will be built by the Private Sector is no reason for us to be careless and inflate the cost? In any case, the private sector will recover the money they are spending on the road through toll fees from the poor Zambian road user.

In the same vein, we demand for the publication of the tender documents for all public projects especially the ones under public outcry which include the fire tenders and the construction of the Lusaka-Ndola dual carriage way as prescribed by law under the Public Procurement Act to promote transparency and accountability. If the procurement was done in public interest its



within the rights of citizens to see how the institutions involved arrived at the decision and their considerations.

We further urge government through the ministry of finance to quicken the process of reforms meant to enhance public financial management such as the enactment of the planning and budgeting bill, the revision of the public finance act, the loans and guarantees bill, and the public procurement bill. Government must also implement 100% the IFMIS system for all spending agencies and no transactions should be booked outside the system.

Lastly, we demand that members of parliament to take more interest in public affairs as representatives of the citizens and provide the necessary oversight as per their mandate and avoid politicking at the expense of the Zambian people.