

# JESUIT CENTRE FOR THEOLOGICAL REFLECTION

“Promoting Faith and Justice”

## DEBT RESOURCE MONITORING REPORT COPPERBELT FEEDER ROADS PROJECT

A CASE STUDY OF MPONGWE



DEBT, AID AND TRADE PROGRAMME

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By

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**List of acronyms**

BADEA.....	Arab Bank for Economic Development in Africa
DRM.....	Debt Resource Monitoring
FNDP.....	Fifth National Development Plan
GRZ.....	Government of the Republic of
MOFNP.....	Ministry of Finance and National Planning
NRFA.....	National Road Fund Agency
OFID.....	Opec Fund for International Development
RDA.....	Road Development Agency
RRU.....	Rural Road Unit
SNDP.....	Sixth National Development Plan

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### 1. Introduction

Good road infrastructure is cardinal in the promotion of viable economic activities. This is even more so for the agriculture sector which relies on the road network for transportation of agricultural inputs such as seed and fertilizer and produce to the markets. With the high incidence of poverty (78%) in rural areas, agriculture essentially holds the greatest potential to significantly reduce poverty. Good road infrastructure and network promotes efficiency and increased performance of the agriculture sector which in turn leads to increased production and income generation by the farmers. This also leads to increased food security not only for the household in rural areas but the nation at large.

Improved agriculture performance and efficiency also helps in diversifying the economy from reliance on copper and cushions the economy from external shocks arising from the collapse of metal prices on the world market. Equally important is the fact that agriculture driven economic growth is more sustainable and equitable.

To address the road infrastructure challenges faced by the agriculture sector on the Copperbelt province, the Government of the republic of Zambia contracted a loan amounting to US\$ 14 million from the Arab Bank for Economic Development in Africa (BADEA) and the Opec Fund for International Development (OFID) for the rehabilitation of forty feeder roads on the Copperbelt. BADEA provided US\$8 million while OFID provided US\$6 million. The project was to be co-funded by the Government of the Republic of Zambia (GRZ) which would contribute US\$1 million. At the time of signing, the project was supposed to be executed by the Road Development Agency (RDA) within a period of three years.

According to the 2008 Economic Report by the MoFNP, the US\$8 million loan from BADEA has an interest rate of 1%, a grace period of 10 years and maturity of 30 years. The loan will be repaid in 2 instalments every year after the grace period. The OFID concessional loan was signed on 20<sup>th</sup> November 2007 but by the end of 2007 according to the 2007 Economic Report funds had not been committed while the BADEA loan was signed in 2008.

There is no doubt that the Copperbelt province urgently requires attention in feeder roads infrastructure. The Copperbelt province is key to Zambia's economic diversification as it is both focus for mining economic

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activity and has great potential for agricultural exploitation. The Copperbelt has rich soils for agriculture, coupled with consistent rain patterns. The Province already has very serious commercial farms that require national support in terms of investment in road infrastructure. There is no doubt that prioritizing the Province for the development of feeder roads was timely.

As a follow up to the project and the Debt Resource Monitoring of November 2009, the Jesuit Centre for Theological Reflection (JCTR) in August 2010 held meetings with the various stakeholders (RDA in Lusaka and Ndola, Mpongwe District Council and the Rural Road Unit) and also revisited Mpongwe to check on the status of the planned roads for rehabilitation.

### **2. Historical Background to Debt Resource Monitoring**

In the fight against poverty and inequality, the JCTR has advocated for transparency and accountability in the use of public resources which include financial resources acquired through loans such as the loan from BADEA and OPEC. This project of the Debt, Aid and Trade programme is a continuation to the Jubilee Zambia Campaign which together with other civil society organizations and stakeholders advocated for the debt cancellation which was reached in 2006 through the Highly Indebted Poor Countries Initiative (HIPC) and the Multi-Lateral Debt Relief Initiative (MRDI). Debt servicing was costing the country huge resources which should have been used in poverty reduction programmes. For example, Zambia paid US\$113 million, US\$373.2 million, US\$384 million, US\$65.1 million, US\$60 million, US\$60 million and US\$53.7 million in 2003, 2004, 2005, 2006, 2007, 2008 and 2009 respectively. After the debt cancellation, Zambia's external debt stock reduced from US\$ 7.2 billion to US\$1.89 billion and the amount of financial resources towards debt servicing also reduced as shown from the figure above. This was a huge relief and meant that resources which were to be used in debt service would now be availed to poverty reduction programmes.

Through the Jubilee Zambia Campaign and the subsequent debt cancellation, JCTR embarked on a project that would look at the issues that contributed to the debt burden status such as weak debt contraction legal framework. The project therefore monitors debt resources contracted by the government on behalf of the Zambian people to ensure that they are used for the intended purpose and that the resources benefit the citizenry. The DRM project also monitors the debt stock, to ensure that it remains at sustainable levels. As of 2009 (2009 Economic Report) Zambia's debt stood at US\$3.5 billion (US\$ 1.5 billion for government

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debt and US\$ 2 billion for government guaranteed debt for the private sector) and K10 trillion for external and domestic debt respectively. This is also an effort to compliment government's efforts to strengthen monitoring and evaluation of public expenditure. To achieve this, it is very cardinal that other stakeholders like CSOs and the community participate in this important process so that transparency and accountability of public resources is enhanced. It is from this background that JCTR through the Debt Resource Monitoring Project makes follow-ups on various loan funded projects to:

- ensure that the contracted loans benefit the target community;
- mobilise community participation and ownership of development processes within the communities;
- Help the country maintain sustainable debt level through responsible borrowing campaign.

To ensure that Zambia does not fall back into a debt trap and that debt/public resources are used for the intended purpose, JCTR through its Debt Resource Monitoring project came up with a comprehensive, transparent and accountable debt management strategy. This strategy presented in the form of a proposed Debt Management Bill seeks to give parliament oversight powers in debt contraction and use. However, it has not been adopted into the draft constitution but was referred to a referendum.

### 3. OBJECTIVES

This study is a follow up to the study done on the Copper belt Feeder Road project in 2009 whose findings showed that implementation of the project had not commenced and the status of the roads targeted for rehabilitation was generally poor and needed urgent attention. The study also showed that as a result of non implementation of the project, delivery of farming inputs is very difficult and costly to the farmers. The report had also indicated that, “the longer the road works were delayed, the more costly it would be to implement the project.” During the launch of the 2009, RDA indicated that the project would commence by February 2009.

The overall objective of this research was initially to monitor 40 feeder roads on the Copperbelt which were to receive funding for rehabilitation of 768 km from the said loan, and the benefits this loan had on the residents in areas surrounding the targeted feeder roads, accruing to the road network improvement. However, though the loan was contracted, the government through RDA has not implemented the project.

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It is for this reason that the objective of the survey will encompass the impact of the government's non implementation of the project using the debt resources contracted for the project.

### ***Specific objectives***

- To investigate the status of the beneficiary feeder roads in Mpongwe district.
- To find out progress made on implementation of the project.
- To find out the challenges being faced in project implementation.
- To find out if the government is rehabilitating some feeder roads using other public resources despite contracting the BADEA and OFID loans.
- To give recommendations of effective ways of implementing loan funded projects.

### ***4. Rationale of the research***

The Zambian National Budget continues to have a deficit (i.e. estimated expenditure continues to exceed the estimated revenue) and as a solution of financing the deficit and other developmental projects, the Zambian government has continued to borrow money from the International community. This is unfortunately occurring in the absence of a legal and participatory loan contraction framework to guarantee transparency and accountability. This is because the current legal provision under cap 366 of the laws of Zambia allows the Minister of Finance to contract loans on behalf of Government without any legal binding framework of approval/oversight from parliament. In the absence of such a framework, there is a very high possibility of Zambia slipping back into the debt crisis and loan funds may not be used for the intended purpose. This in turn will continue to worsen poverty levels which remain as high as 64% of the population and 78% for the rural population.

In this regard, JCTR does not only advocate for constitutional adjustment to include parliamentary oversight in loan contraction but also continues to monitor and advocate for the efficient and prudent use of debt resources to ensure that these monies significantly contribute to the development of our country. Though

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the US\$6 and US\$8 million loans were contracted in 2007 and 2008 respectively, government has not started the implementation process of the project. This loan was contracted for the right reasons because it was going to contribute to infrastructure development and significantly contribute to national development. This is explained by the fact that the loan was to give a face lift to Copperbelt feeder roads for agricultural infrastructure development, which was going to offer a very good opportunity for the much advocated for diversification of the economy.

It was therefore, imperative to highlight the impact of government’s non implementation of the project and to find out the actual consequences this had on the residents of the intended beneficiary roads. In addition, the report highlights some of the problems associated with the lack of a proper statutory debt management and monitoring mechanism.

### 5. Methodology

#### **Scope**

Realising the vastness of the Copperbelt Province, the JCTR decided to focus on one district in the province, Mpongwe as case study for the whole project. Mpongwe district is a very strategic agricultural part of the Copperbelt. The district grows maize, groundnuts, sweet potatoes and several other locally and nationally consumed food products.

The district was also picked because it has the largest number of beneficiary roads according to the first road development roadmap obtained from both the RDA and the District Planner’s office. The initial total number of targeted road that were to benefit from the fund in the district was thirteen. The JCTR held meetings with the local stakeholders in Mpongwe District which included the local council on the status of the feeder roads as well as their involvement in feeder roads project. The 2009 study monitored seven feeder roads, namely: Mpongwe-Machiya, Kanyenda-Kasamba, Mpongwe-Shingwa, Mpongwe-Chowa, Munkumpu-Mukubwe, Machiya - St Anthony and Mulela-St Anthony roads and the 2010 study monitored the status of these roads.



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### **Sampling**

Opportunity sampling was used in the initial report and thus monitoring of the feeder roads was focussed on the seven feeder roads which were earlier monitored in 2009.

### ***Data collection***

The data collection methodologies used in this study were desk study, stakeholders consultation and physical site inspection. Information and statistical data were collected from the Ministry of Finance and National Planning economic reports, Road Development Agency Headquarters and Ndola office and Mpongwe District Council.

The initial information about the loan was obtained from the BADEA website and subsequent follow ups were made, first with the National Road Fund Agency (NRFA), the executing agencies of the project RDA, Mpongwe District Council.

### ***Data Analysis***

The data collected was qualitative in nature and as such, deductions were made using qualitative data analysis methods. Summaries of interviews with key informants and conclusions from score cards were also used to write the report.

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### 6. PRESENTATION OF FINDINGS

#### **Preliminary findings**

Information obtained from RDA shows that the loan contracts between Zambian government and OFID and BADEA were signed in October 2007 and 2008 respectively. According to the loan agreement, implementation of the project was initially to commence in February 2009 and run for 3 years. The initial plan was for rehabilitation of 1000 km of feeder roads with a total cost of US\$15 million with Government contributing US\$1 million.

The roadmap and implementation targets were, however, reviewed due to prolonged delay in the implementation of the project. The project was then scheduled to commence in 2010 and the total distance of feeder roads to be rehabilitated was reduced from 768 km to 210 km. The initial target was based on the feasibility study carried out in 2004 and according to RDA the cost had gone up due to change of focus from just culverts and potholes to full rehabilitation of prioritised roads. The review also recommended full rehabilitation of selected feeder roads through civil works, ancillaries for the reconstruction of feeder roads and storm water structures. This means that only a selected number of roads will actually be rehabilitated (from feasibility study road list) and included in the plan by the engaged consultant.

Nearly 3 years since the initial agreement was signed and 2 years into the planned implementation period, the project works have not commenced. The delay has been attributed to dragging in the recruitment of the consultant for the detailed engineering and supervision of all the road contracts. The awarding of contracts to the consultant was scheduled for January 2010 but at the time of study (September 2010) the consultant had not been engaged. The process of contracting a consultant is in progress and a request has been sent to the MoFNP to award contract. At the time of study, RDA was waiting for feedback. This follows public tender and the receipt of proposals from interested consultants (i.e. technical and financial proposals).

#### **Site findings**

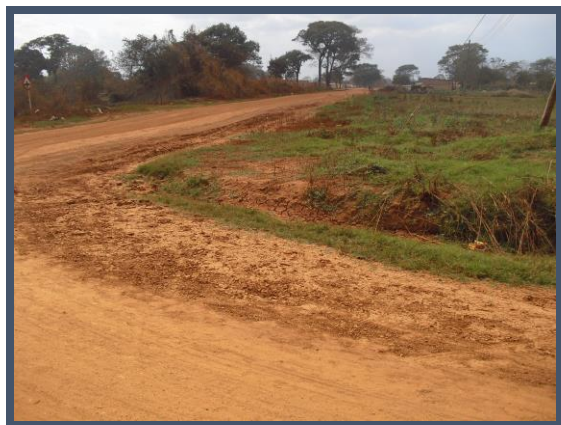
A visit to Mpongwe and discussion with the local council revealed that the council is not aware of the loan from BADEA and OFID for the rehabilitation of the feeder roads in the district. This was also true for the

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Rural Road Unit who together with the council is mandated by law to maintain feeder roads. The only road out of the 6 earmarked for rehabilitation that was rehabilitated at the time of monitoring was Mpongwe Machiya. This is one of the main feeder roads from which other smaller feeder roads connect and as such plays a critical role in terms of transportation of people as well as agricultural inputs and produce. Though this road was rehabilitated, the funds used to rehabilitate it were not from this particular loan under study. .

A check on Mpongwe-Machiya road showed that though the road was worked on, it still needs up-grading with regards to surfacing and it still was impassable in the rainy season at a place called Ndubeni. This is because of heavy traffic on the road. With the current status maximum speed is about 40 km/hour. The road was impassable even by 4 wheel drive vehicles for a period of about 3 months in a year because there is a stretch of about one and half meters that is covered with water at this place during the rainy season. A detour was improvised to allow vehicles to pass.



*Picture: 1&2. The flooded part of Mpongwe-Machiya road at Ndubeni. The side of road was in August still flooded from the rainy season*

Another feeder road that was on the priority list of roads to be rehabilitated from this project is the Mpongwe-Chowa road. The state of this primary feeder road continues to worsen with increased traffic by heavy trucks belonging to companies such as Roan Antelope Milling carrying maize grain. Fortunately, Roan Antelope Milling is willing to help in rehabilitating the road once equipment is available. During monitoring, it was found that there were some efforts by Roan Antelope Milling to put stones in some parts of the road that were in very bad state of disrepair. The local council also warned that if the first 4km of the

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road is not worked on, Lukanga resettlement will be cut off especially with the coming of the 2010-2011 rainy season.



*Picture: 3, 4 & 5. Some bad areas of the road and the stones put on parts of the road to alleviate the situation*

The residents indicated that the workmanship of the last rehabilitation of the road was very poor.

Another feeder road which was initially planned to benefit from the project is Kanyenda-Kasamba. Though the road is in fairly good state, it has had problems with its main bridge for about 10 years according to the council. With continued heavy rains, the bridge may be completely washed away.

Other feeder roads in bad shape include Mulela - St. Anthony and Mpongwe-Shingwa while Mukumpu - Mukubwe and St. Anthony-Ndubeni are in fairly good state after being worked on in 2008 by the Rural Road Unit.



*Picture 6 & 7: The narrow (left) and impassable parts in rainy season of Mulela-St. Anthony road*

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**7. Discussion of findings**

The Zambian economy has for many years been dependent on copper production and exports leaving it very vulnerable to external shocks such as experienced when copper prices fall on the world market. Given this problem, emphasis as can be seen in the FNDP and the draft SNDP has been on diversifying the economy. One of the major alternatives is the agriculture sector. This is cardinal in the efforts of poverty reduction since the majority of poor people (78%) are in rural areas and depend on agriculture for their livelihood. Increased agriculture production and productivity is cardinal in achieving sustainable economic growth driven by the agriculture sector.

To achieve this, the agricultural areas and rural areas in general should have good road infrastructure and a good road network. This is because road infrastructure affects the efficiency delivery of agriculture inputs, produce and cost of transporting inputs and produce. Given Zambia's limited resource base as evidenced by the budget deficit financed by cooperating partners through aid and loans, it is imperative that resources are used efficiently and timely to ensure that the desired results are achieved.

This report has shown the status of the feeder roads and also the need for urgent rehabilitation of the feeder roads to ensure that they play their role in increasing agriculture productivity and help in the diversification of the economy. This has shown that the loan obtained from BADEA and OFID has great potential to benefit the people and farmers of the Copperbelt. As such the need for government commitment to the implementation of this project cannot be over emphasised.

The findings show that 2-3 years after signing the loans, implementation of the project has not taken off. This has continued to negatively impact on the performance of agriculture in the province and the country at large as the farmers continue to struggle with input and produce transport and cost implications as a result of the poor status of roads in the district. This is because, the continued poor status of the feeder roads in the province as a result of non implementation of the project by government despite contracting loans prevents farmers in the province from having efficient and cost effective access to agriculture in-puts such as seed, fertilizer and equipment and produce. The farmers cannot therefore realise their potential. This in turn will continue to affect their productivity, food security and income generation.

Road infrastructure also plays a critical role in access of basic social services such as health. This can mean life and death for people in critical condition who need urgent medical attention. This is true for road to St. Anthony Mission Hospital especially during the rainy season when the road becomes impassable making it extremely difficult and sometimes impossible to access the hospital services. Expectant mothers have been reported to deliver even before they reach the hospital because of the poor state of the roads leading to the hospital.



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In the process of development, stakeholder and citizen's participation is very cardinal and it is a recognised civil right and as such access to information is paramount. The findings of the study indicate that the key stakeholders such as the local council and the Rural Road Unit which should be in-charge and responsible for rehabilitation and maintenance of feeder roads should have been involved in this project were not aware of the loan project. Reviewing of the initial plan and agreement should have been done in consultation with all the stakeholders so that there is transparency and community participation in the whole process.

Continued delay of implementation of the project will have serious costs on the rural communities of the Copperbelt as only a few roads will be rehabilitated and there is no guarantee that Mpongwe will benefit. With coverage distance reduced from 768 km to only 210 km, the Zambian people will be required to pay back the same amount of money for lesser coverage than the intended. With the poor status of the feeder roads in the district (as shown in the findings of our reports), this will not be adequate in addressing the challenges faced by the farmers and the entire communities in improving access to the markets for their produce and also in accessing farming in-puts.

## **8. Conclusion**

The government clearly needs to put in place a comprehensive legal debt contraction framework that is transparent, accountable and participatory unlike the current framework provided in the constitution. The government should also ensure that all stakeholders including the citizens are provided with information regarding the loans contracted, the budget and all aspects regarding socio-economic development. Parliamentary oversight in the process of loan contraction is very cardinal. Zambia should learn from other countries such as Uganda, Ghana, Sierra Leon and Nigeria that have comprehensive debt contraction frameworks giving parliament the over sight row in debt contraction. In project implementation, timely implementation is very critical if the projects are to produce intended results and to ensure value for money for the citizens who are the bearers of the cost of repaying the loan.

### **9. Recommendations**

- Enactment of a comprehensive, transparent, accountable and consultative debt contraction legal framework is matter of necessity. This includes oversight powers being assigned to parliament, full loan information disclosure for easy and effective stakeholder monitoring.
- Timeliness in implementation of approved projects is very important for effective results as well as in ensuring accountability. This is in light of the increasing social and economic costs arising from non implementation of the approved projects.
- Enhance information flow and sharing among key stakeholders such as RDA, NRFU, Rural Road Unit and the Local Councils.
- Improve efficiency of MoFNP and RDA to ensure timely project implementation.
- Government should increase the pace of economic diversification process by timely implementation of infrastructure development projects such as the Copper belt feeder roads project.
- The government should thoroughly evaluate the capacity of contractors given road contracts to ensure good quality road works.

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**Jesuit Centre for Theological Reflection (JCTR)**

**JCTR Repository**

**<https://repository.jctr.org.zm>**

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Reports

Advocacy on Public Finance Accountability

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2010-11

# Debt Resource Monitoring Report

Mwansa, Sydney

Jesuit Centre for Theological Reflection

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