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JCTR Launches Comprehensive Debt Management Proposals and Debt Resources Monitoring Manual

“For Zambia to be secure from the risk of high debts and poor management of debt resources, a comprehensive debt management strategy should be enforced. This will promote sustainable debt, protect Zambia from unlawful debt contraction and mismanagement which can erode the gains of debt cancellation” Says JCTR.

“Two years after attaining the Heavily Indebted Poor Countries (HIPC) initiative completion point, Zambia has not made significant achievements in reforming policies, institutions and laws which contributed to the rise of the debt” observed JCTR Debt and Trade project Co-ordinator, Muyatwa Sitali.

HIPC and the Multilateral Debt Relief Initiative (MDRI) significantly contributed to the reduction of Zambia’s external debt which in December 2006 was US\$1.5billion from over US\$7.1billion in December 2004.

“However, external debt write-offs in themselves are not the ultimate solution to Zambia’s debt problem which was caused by a combination of factors including balance of payment problems but more so because of a weak legal, policy and institutional framework. Therefore, government has to be quick to enact reforms which will cushion Zambia’s debt portfolio from uncontrolled borrowing and poor management of debt resources.” Sitali said.

In the post HIPC phase, Zambia continues to face accountability challenges such as misapplication of resources, for example, the Auditor General’s report for 2005 expenditures highlights that over K3 billion of resources allocated to the Public Welfare Assistance Scheme were not used according to HIPC guidelines. The application of the nation’s debt resources to ensure growth and human development have not produced significant results as several schools, hospitals and roads are still in a dilapidated state even if spending on social sectors increased from 30 % to 36 % in 2006 and 2007 respectively.

The proposal, launched on Thursday 29 November 2007 by the Debt and Trade Project of the JCTR at Mulungushi International Conference centre comprises a Layperson’s Comprehensive Debt Management Bill and a stakeholder’s manual for monitoring debt resources. This is with the background that Zambia lacks a proper monitoring strategy which can provide early warning on misuse of debt resources, notwithstanding the efforts of the Auditor General’s office. “The current legal, policy, monitoring and institutional framework has failed to protect Zambia from falling into unsustainable debt and ensure that new loans benefit the nation. Between 2005 and 2006, domestic debt has risen by over 67 % to K8.9 trillion which is over 75 percent of Zambia’s K12.1 trillion 2007 budget. This is contributing to the resurgence of the debt and can create the nightmare of its debilitating effects which the debt campaign was trying to eliminate. In this regard the JCTR proposes a comprehensive approach to the debt problem.” Sitali said.

The debt management bill if enacted will provide oversight authority to parliament to discuss loans, terms and conditionalities attached to all debts the government can contract. Parliamentarians will also have the authority to consistently determine the annual limits for which both external and domestic loans will be borrowed. The bill proposes the creation of a special debt advisory committee which will assist in determining the debt management strategy and provide guidance based on consultations.

The stakeholders manual for monitoring debt resources is an interactive and flexible tool to facilitate independent monitoring of debt resources at the point of receipt, allocation, disbursement, utilisation, outcome and finally impact on the community.