

“IS THE 2009 PUBLIC FINANCE MANAGEMENT IN ZAMBIA SOMETHING WE SHOULD APPLAUD OR REGRET?” ASKS JCTR

The year 2009 was a challenging year for Zambia, and yet not without opportunities for growth and correction of past mistakes in public finance management, observes Privilege Haang'andu, JCTR's Programme Officer for Debt and Public Resource Monitoring. "It was challenging in that the global economic crisis continued to seriously depreciate Zambia's main foreign exchange earner, the mining industry, seeing the commodity prices tumbling to below US\$3500 per metric ton in the first quarter of 2009".

This posed a huge challenge in the nation's fiscal policy.

Haang'andu observes that Zambia also had some opportunities to grow. "The copper prices improved up to more than US\$6000 per metric ton in the last quarter of 2009, slowly bringing some stability to national income", he notes. He, however, observes that there is still a concern in this area. Much as copper is Zambia's most important source of foreign exchange, accounting for two thirds to three-quarters of its export revenue, tax revenues from the copper sector are not significant contributors to the public finances. There is serious need to rework the tax regime of the mining sector. The nation needs a more convincing argument as to why the windfall tax was scrapped.

Another of those opportunities, which was appropriately seized, was the change of the budget cycle to enhance budget implementation and timely expenditure. We applaud Government for this initiative.

Most importantly, however, it is crucial that we take note of the missed opportunities. First, the scandalous scam in the Ministry of Health was a momentous revelation that unveiled inherent weaknesses in financial administration in the public service. We continue to hope that thorough investigations will sweep-clean the entire public service system and restore confidence in the Zambian people.

Second, continues Haang'andu, though in a similar line as above, "2009 is the year the National Constitution Conference (NCC) reached a deadlock on the national framework for loan contraction. It is important to mention at this point, that the JCTR observes some inaccuracy with the NCC's article published in the Times of Zambia, Zambia Daily Mail and Post Newspapers on 05 January 2010, page 6 titled *Parliament to regulate State borrowing, lending*. According to the NCC record of May 12, 2009, the NCC did not adopt clause 2 of Article 311 of the Mung'omba Draft Constitution. Instead they reached a deadlock in the voting and the subject was deferred to a possible national referendum".

Third, the revelations made by the 2007 Auditor General's Report were an immense window for the Zambian Government to spell out its seriousness in curbing misappropriation and theft of public funds. The correction of past vices and corrupt practices, some of them by personnel still serving in public

offices, would have, once and for all, sent a strong signal that public funds are for public benefit and not for private use. With so much uncorrected or at least not made known to the public, the tax payers are left at risk of skepticism and fear that their money this year and in the future could still be stolen. One would have expected an honest and public exposure of how much was misappropriated in total; how much recovered; how many arrests and convictions secured; and what measures were put in place to avoid similar occurrences in the future, one of which would be to sack culprits.

Fourth, the 2009 National Budget raised a lot of concern about key national priorities. For example, among several other things, allocations to the Ministry of Agriculture and Cooperatives still lacked the much needed will for crop diversification to enhance national food security, especially in the face of changing global climate patterns, observes Haang'andu. "The emphasis made on the Fertiliser Support Programme is indicative of this factor. As the JCTR consistently recorded throughout the year, the cost of food items kept swelling in 2009".

With this record, Haang'andu concludes, "should we applaud our performance or honestly admit the avoidable failures? Yes, there are things to applaud, like the change of the budget cycle, among others, and these can make a difference in the future. But also no, there are still systemic problems, for instance, the lack of a strong debt mechanism, unnecessarily bureaucratic and almost impossible processes of acquiring information that should be readily available to the public. There are also personal problems, for instance, the reluctance to take really strong measures against corruption. "

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