

WILL ZAMBIA AVOID ANOTHER DEBT TRAP WITHOUT A DEBT MANAGEMENT FRAMEWORK?

“Despite the stalled discussions by the National Constitutional Conference (NCC) to assure parliamentary oversight in the loan contraction process, the Zambian Government has continued to borrow under the existing weak legal provisions”, observes Privilege Haang’andu, JCTR’s Programme Officer for Debt and Public Resource Monitoring. Zambia recently accessed from the World Bank US\$10 million of the total of US\$85 meant for 2009 budget support.

“Continued borrowing under current conditions poses a great threat to current and future debt sustainability for Zambia,” says Haang’andu. “We at the JCTR strongly believe that the surest way for Zambia to avoid falling back into a debt trap is to amend the current legal provisions that mandate the Minister of Finance and National Planning to raise loans on behalf of Government.” Fears that have been expressed that the powers of the Executive will be curtailed if the Legislature is given oversight role on the loan contraction process are unfounded. The JCTR feel that this is instead a threat to transparency, accountability, and objectivity in the contraction and management of debt resources in our country. History has spoken to us loud enough that the path we are currently treading will land us into situations similar to those of the pre-Highly Indebted Poor Countries’ (HIPC) difficulties.

“Whilst there is a clear succession of public office in our country, there is no corresponding succession of promises and plans made by the previous Government to seriously address the issue of loan contraction”, notes Haang’andu. The individuals in Government may be different, but the people to whom the promises were made are the same. These are still the same people that made the sacrifices in enduring wage freezes, employment freezes, unsubsidised health services, etc., to meet the IMF and World Bank demands. These same people, if not their children and grandchildren, will bear the burden of debt servicing of the loans Government is contracting today.

It is disappointing that the assurance made in the 2008 budget speech by the Minister of Finance, to put in place an effective debt management strategy, was not fulfilled and no mention was made of it in 2009. The President in his 18 September address at the official opening of the Fourth Session of the Tenth National Assembly referred to a “public debt management strategy” linked to “sustainability” for new loans. We are hopeful that the 2010 budget speech to be presented on 09 October will adequately clarify what this entails.

The JCTR feels that as a country we must learn from our experience that it is not easy for the Government to raise money to repay loans. It means, therefore, that we must ensure that we responsibly exhaust all possible ways of mobilising resources domestically and ensure, to the last ngwee, that public funds are indeed used for public benefit. Otherwise, it is hard to justify to the 65% of Zambians living in poverty that our need to continue borrowing at the rate we are going is authentic in the light of the revelations we regularly see in the Auditor General’s Report. It is imperative to show the Zambian people that corruption and looting of public resources is a crime by seriously following up the findings of the Auditor General’s Report.

“We continue to remind our Government that the need to tighten the loan contraction process is urgent”, says Haang’andu, “Legal provisions are needed to ensure that Parliament takes an oversight role in approving the *why* and *how* of borrowing and the setting of how much our country can borrow in any given financial year” For this reason, the JCTR has consistently urged that the National Constitutional Conference (NCC) put in place constitutional constraints on borrowing and parliamentary oversight of loans.