

## TERMS OF REFERENCE

### **CONSULTANCY TO DEVELOP A NATIONAL DEBT DATABASE AND CONDUCT AN AUDIT ON DEBT STRATEGIES/KEY LEGAL REFORMS THAT SUPPORT FINANCING FOR DEVELOPMENT AGENDA**

Primary initiative of audit; to establish linkages between legal reforms such as Loans & Guarantees Act, Planning and Budgeting Act and Public Finance Management Act in relation to debt sustainability targets and/or strategies of policy reforms such as the Economic Recovery Programme 2020-2023 framed in the context of achieving the Vision 2030.

#### **1.0 BACKGROUND**

##### **1.1 Introduction**

The Jesuit Centre for Theological Reflection (JCTR), a faith-based organisation and a Ministry of the Society of Jesus (Jesuits), was formed in 1988 to translate into action Christian principles and values in its quest to promote social justice in Zambia. It provides from a faith inspired perspective, a critical understanding of current social, political and economic issues and generates action to address them. Key to its mission is the gathering and analysis of pertinent and topical data on issues, whose results are then employed in popular education and engagement with policy makers, service providers and other duty bearers on the identified issues.

In collaboration with European Network on Debt and Development (Eurodad) and partners, JCTR is jointly implementing the project “From commitments to actions: Increasing public accountability in the lead up to Monterrey+20.” Under the European Commission call “Support to civil society organisations to contribute to the achievement of the Sustainable Development Goals (SDGs) - Collect more spend better.” The project aims to contribute to increased public accountability and good governance, in order to promote increased domestic resource mobilisation (DRM), improve debt management and reduce illicit financial flows (IFFs).

Particularly on issues around debt management, JCTR has over the years joined many actors and remained instrumental in researching and advocating for an effective debt management system. History shows that Zambia’s debt soared to an extent that in the late 1990s, it became almost impossible for Zambia to pay back the loans. This led to the classification of the country as a Highly Indebted Poor Country (HIPC) with a fragile state of the economy. It was during this period that the Jesuit Centre for Theological reflection working together with the Catholic Commission for Justice and Peace (CCJP) hosted a nationwide Jubilee Debt Campaign for Zambia’s debt cancellation, which resulted in Zambia reaching the HIPC completion point. Zambia’s debt



significantly reduced from over US\$7.1 billion in 2004 to US\$502 million in 2006<sup>1</sup>. Subsequently, Zambia returned to an upward growth trajectory that saw the nation classified by the World Bank as a lower middle-income country in 2011 after years of robust growth in the early 2000s.

## 1.2 Context Summary

Fast-forward to today, almost 10 years later, Zambia became Africa's first sovereign nation in the pandemic-era to default after it failed to pay a \$42.5 million coupon on its Eurobonds at the expiry of the 30-day grace period on Friday 13th November, 2020. By the same token, on 30<sup>th</sup> January, 2021 Zambia skipped a coupon payment of \$56.1 million and is further predicted to miss its next coupon payment due in March 2021. The repercussions of poor debt management are increasingly being brought to light making the call for increased accountability and transparency timely.

At the global level, the 2021 World Bank Global Economic Prospects report establishes that the world at large is facing subdued economic growth. The global economy is expected to expand 4% in 2021 assuming an initial COVID-19 vaccine rollout widespread throughout the year following a 4.3% contraction in 2020. A recovery, however, will likely be subdued, unless policy makers move decisively to tame the pandemic and implement investment-enhancing reforms. At country level, the year 2020 was challenging and saw the government confronted with profound difficulties such as; rising debt obligations, high inflation, and climatic challenges. It is worth noting that development outcome achievements were further hindered by the emergence of the COVID-19 pandemic. Gross Domestic Product (GDP) was revised downwards from an initial growth of at least 3% to a new forecast indicating negative growth of around minus 4.2%.

One issue that has remained of concern is the slow legal reform process around debt contraction and application mechanisms. Zambia's current legal framework for public debt management is inadequate as far as ensuring accountability and transparency. The high level of external debt standing at US\$11.97 billion and domestic debt at K114.3 billion due to fast pace of debt contraction; the resulting heightened risk of debt distress; and the weak implementation of the key plans such as the 2017-2019 Medium Term Debt Strategy (MTDS), raise questions on the adequacy of the laws that govern public debt management<sup>2</sup>. In present day, on what seemed as a far away, Zambia is much closer to its first bullet repayment in 2022 on its 1<sup>st</sup> Eurobond debt worth US\$750million. The need to enhance its legal framework on public debt management and consolidate its fiscal and economic efforts remains key to enhancing accountability and restoring Zambia's economy.

Another challenge worth noting focuses on public debt transparency. Public debt transparency according to the United Nations Conference on Trade and Development (UNCTAD) depends on three key conditions: (i) effective recording, (ii) an extensive reporting function, and (iii) a willingness to share debt-related information.

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<sup>1</sup> Zambia: Debt Strategies to Meet the Millennium Development Goals (UNDP 2007)

<sup>2</sup> <https://cuts-lusaka.org/pdf/policy-brief-an-analysis-of-the-legal-framework-for-public-debt-management-in-zambia.pdf>



The role of access to information in the public financial management framework can therefore not be ignored.

## **2.0 RATIONALE TO THE DEBT AUDIT**

JCTR, Eurodad and partners recognise that the project intervention provides a unique and extremely timely opportunity to reinforce the capacity, interconnectedness and active role of civil society organisations working on debt and tax justice in developing countries around the world. Through a joint, targeted international effort, the aim is to turn political promises on financing for development into action, and strengthen public accountability and good governance at the national, regional and global levels. One means of achieving this will be through the provision of evidence-based research.

Despite binding provisions for the undertaking of requirements within the law. Lack of adherence to what is clearly stipulated in the law remains one of the biggest reasons why a weak framework has governed the public financial management space in Zambia. Thus, exposing the nation to a high risk of debt distress. For instance, over the years prescribed has been a debt ceiling which is the maximum amount the Executive(Government) is allowed to borrow by the law and it needs to be authorized by the legislature(Parliament) so as to avoid the Country falling into the debt trap and becoming a highly indebted nation. The huge amount of debt that Zambia has accumulated has weakened the economy and as the government continues to spend money on interest payments, its public service provision capacity as well as its ability to respond to pandemics including COVID-19 has been compromised. The lack of investment in public services has had a negative impact on economic justice and the social well-being of Zambians. It is therefore imperative that legal reforms begin to govern debt contraction and application process as well as support financing for development.

To effectively create debt strategies that promote a financing for development agenda, JCTR deemed it necessary to commission a study to review debt strategies that are put in place to uphold national development and to ensure that loan repayments do not curtail the country's ability to achieve the long term goals such as the Vision 2030. The study once commissioned will assess details around debt sustainability strategies that promote discipline, accountability and transparency and provides for disciplinary measures and sanctions for any actors that abrogate the requirements. This includes revisiting laws that hold government to account for borrowing - and ensure more democratic means of financing.

## **3.0 SCOPE OF WORK**

### **3.1 Debt Audit**

Considering that a debt audit is a public, participatory and comprehensive assessment of a country's debts. The consultant is expected to conduct interviews with relevant stakeholders (individuals and organizations) working on debt issues in the country as well as desk review to gather information. This will inform an analysis that addresses the following research questions:



1. Review implementation status of key pieces governing the public debt management particularly Loans & Guarantees Act, Planning and Budgeting Act and Public Finance Management Act. This will entail determining effects of delayed enactment in relation to accountability and transparency and the drivers behind the effective or ineffective implementation status.
2. Ascertain linkages between legal framework's governing debt, accountability and transparency as a tenet of good governance. In the context of Zambia, this will include reviewing debt management strategies and its link to a lack of access to information law and the role it plays to hinder accountability and transparency.
3. Determining the sufficiency of the Economic Recovery Programme (2020-2023) in providing legal frameworks that address debt contraction and application processes in Zambia by addressing sub-questions below:
  - Examine whether the policy programme provides for legal framework clearly and explicitly defining borrowing purposes.
  - Examine whether clear and explicit legal reporting requirements have been established
  - To determine to what extent the legal framework provided for in the programme provides mechanisms to determine the maximum limit for the external debt the government can borrow.
  - Examine fiscal and debt sustainability strategies set out in the economic programme as a means to restoring macroeconomic stability. As outlined in the recovery programme these will include domestic resource mobilisation (inclusive of tax and non-tax short term and long term measures), rationalising and streamlining expenditure (as well as means to reduce revenue losses) and reducing the pace of debt accumulation.
4. Establishing whether the Economic Recovery Programme (2020-2023) has a legal backing/mandate that compels all debt managers to accomplish necessary policy activities for the management of public debt. This will entail assessing whether the programme provides clear objectives to be achieved in undertaking of debt sustainability.
5. Ascertain the extent to which rising debt obligations has been an obstacle to the achievement of the Sustainable Development Goals (SDGs) and the long term Vision 2030 goal.
6. Develop trend of total debt servicing expenditure i.e. foreign and domestic within the implementation cycle of the 7<sup>th</sup> National Development Plan (7NDP) 2017-2021 as a case in point of the slow operationalisation towards achieving the SDGs and the nation's long term Vision 2030 established in 2006. The trend will be specific to social sectors; Education, Health, Social protection and Water and Sanitation. For instance, SDG (three) 3 aspires to ensure health and well-being for all. In the same manner Vision 2030 to provide equitable access to quality health care to all by 2030. It is therefore hoped that the consultant can demonstrate a trend of the impact of debt on the achievement of health outcomes within the stated period.



7. Considering that a weak legal system can undercut efforts to develop a modern, market-oriented economy. What is the relationship between legal reform and economic reform, and what specific steps can countries take to encourage adequacy in both spectrums?
8. Provide recommendation from the study that under spells key and clear legal reforms needed to link debt contraction and application to financing for development in Zambia.
9. What general policy recommendations can be made to enhance Zambia's sustainable debt management in the context of default payments?

### 3.2 Debt Database Development

The consultant is expected to develop an up-to-date debt database classifying Zambia's current debt stock while taking into consideration the following guiding notes:

1. Different forms and proportions of external debt (privately issued, government lending, multilateral, etc.)? How do they differ in terms and consequences for failure to keep up payments (to the extent generalizable by type)?
2. Domestic debt stock i.e. from Government securities (i.e., Treasury bills (TBs) and government bonds); Outstanding debt to suppliers of goods and services; Called up guarantees and parastatal debt, and; Outstanding statutory payments (i.e., pension contributions and litigation against GRZ).
3. Taking into stock Supranational contracted loans
4. To support effective debt monitoring, key dates of principal and interest payments falling due within the Economic Recovery Programme period of 2020-2023 must be presented were data is available (e.g. Eurobond, Chinese loans, AfDB loans etc.)

As a means to enhance transparency a documented experience around generating accurate assessment of a country's overall debt burden in as far as what information is typically available and what is not will be useful to the study findings. The consultant remains at liberty to sub-contract (at their own expense) services related to developing the debt database in a user friendly format (MS Excel, MS Access or any other suggested systems).

### 4.0 AUDIENCE AND USE

Report and data base will inform project objectives but additionally it is anticipated that a wider report will be used for wider public consumption through advocacy to create an impetus for sustainable loan contraction and application processes that support financing for development. Financing that improves livelihoods for the wider Zambian populace. The debt database will provide JCTR with a means to continuously monitor Zambia's debt obligations as and when they arise.

### 5.0 DELIVERABLES AND PROPOSED TIMELINES



- The consultant will work under the supervision of the Social and Economic Development Programme Manager.
- The consultancy is for a duration of twenty-five (25) working days, to run through the period **5<sup>th</sup> April to 7<sup>th</sup> May, 2021.**
- Submit to JCTR an inception report outlining the consultant's interpretation of the terms of reference, proposed methodology, timelines and activities to be conducted in undertaking this assignment.
- A first draft (inception) report and preliminary debt data base for JCTR to provide feedback.
- Half day meeting to present the report findings to JCTR and its partners (where applicable) and get feedback on the first draft.
- Final draft (with clear recommendations on the targets for advocacy, advocacy messages as well as the advocacy strategies to undertake in advocating for debt cancellation and sustainable debt management) after incorporating comments.
- Final debt database and monitoring strategy
- Availability to part take in further follow-on activities if need arise.

## 6.0 CONSULTANT REQUIREMENTS

The Consultant will need to demonstrate:

- At least 10 years of experience working in the public financial management and debt spectrum.
- At least a university master's degree in relevant educational background such Economics, Policy Analysis, International Development, Statistics, Public Sector Economics, Governance, Development Studies, in other related field. PhD degree is an added advantage.
- Deep understanding of issues pertaining to government finance (revenue collection and expenditures) and legal bench marks.
- Understanding of the role of communication in sensitisation and advocacy work. With strong speaking, and applied training skills.
- Demonstrated strong writing skills and ability to produce high quality research work as evidenced by publications of relevant studies, reports and/or articles. Proven track record of previous development of achievements with the Government, NGOs and Donor Agencies is desirable.

## 7.0 EXPRESSION OF INTEREST

All expressions of interest (of no more than eight pages) should include:

1. **Technical Proposal:** This should include a brief profile about the consultant with particular emphasis on previous experience in this kind of work; the consultants understanding of the Terms of Reference, proposed work plan (timelines) and tasks to be accomplished etc.
2. **Financial Proposal:** This should provide cost estimates for the consultancy (fees based on person's days for the assignment). **Tax obligations should be included.**



## 8.0 SUBMISSION OF EXPRESSION OF INTEREST

- All expressions of interest should be addressed to:  
**The Executive Director**  
Jesuit Centre for Theological Reflection  
P.O. Box 37774  
Lusaka
- The deadline for submission of the expressions of interest is **Monday 22<sup>nd</sup> March, 2021 at 12:00hours**.  
In view of COVID-19 health concerns, all expressions of interest should be submitted electronically to **admin@jctr.org.zm**

For further details, contact us on (+260 211 290 410 or +260 955 290 410)

