

PMRC PARASTATALS POLICY ANALYSIS

Maximising Zambia's National Resources and Economic Growth

WHAT IS A PARASTATAL? A legal entity that undertakes commercial activities on behalf of an owner government.

The Government is the sole owner of 29 parastatals and shares ownership in 12 enterprises in Zambia. These institutions operate in a range of industries, dominating some of the key economic sectors of energy, communications, transport and media. Other parastatal or statutory bodies are controlled by sector ministries. These are funded by Government and often in place for regulatory purposes, without aims of generating profit.

Government is the sole owner of **29 parastatals**



Shares ownership in **12 enterprises** in Zambia



WHAT WOULD IMPROVED MANAGEMENT AND CONTROL OF PARASTATALS MEAN FOR ZAMBIA?



Improved contributions to Gross Domestic Product and economic growth



Increased employment and human development



Increased access to and quality of water, power and communications services



Development of road, rail and air infrastructure



Effective and efficient use of national resources

THERE ARE A NUMBER OF CHALLENGES WITH PARASTATALS IN ZAMBIA:



Goals and intentions of parastatals are not clearly defined. Institutions have public service obligations but also need to operate as profitable, commercial enterprises



Parastatals face significant political interference with weak governance and control



No specific legislation or monitoring framework exists to guide and assess performance.

Review of the 2010-2012 Parastatal Audit Reports from the Office of the Auditor General revealed ZMW18.35 Billion to be under query.

2010-2012 PARASTATAL AUDIT QUERIES

ZMW18.35 BILLION

THE MOST SIGNIFICANT AUDIT ISSUES WERE:

- Uncollected funds or debt
- Non-remittance of tax
- Lack of contracts
- Irregular payments
- Poor record keeping
- Under value or irregular sale

ZMW 7.24 BILLION ALLOCATED 2010-2012



ZMW 58.98 MILLION reported as profits in this period

Less than 1/4 of institutions reported any profits between 2010-2012, suggesting that the Government is not receiving optimal economic returns for their investment. **ZMW 7.24 Billion** was allocated to parastatals between 2010-2012 for recapitalisation, upgrades, new projects and operations. However, only **ZMW 58.98 Million** was reported as profits in this period. As such, parastatal companies are not generating sufficient profits to sustain either operational or capital expenditure.

A **State Owned Enterprise Policy** was drafted by the Ministry of Finance in 2012 outlining a number of reforms to improve performance, supported by the World Bank. However this Policy has not been implemented and has been overshadowed by debate around a new **Industrial Development Corporation** (IDC). Minimal progress has been made, meaning poor performance, audit queries and weak governance remain significant barriers to economic growth of parastatals.

PMRC RECOMMENDATIONS

1



- Review the financial and management status of parastatals.
- Develop a parastatals policy outlining the social and economic objectives and future development plans

2



- Reconsider the State Owned Enterprise Policy and implement reforms
- Review the IDC initiative and communicate progress to the public

3



- Review financial, monitoring and evaluation controls and procedures in parastatals
- Review auditing processes and capacity at the Office of the Auditor General

