

TOWARDS ADDRESSING FISCAL AND DEBT CHALLENGES FOR SUSTAINED MACROECONOMIC STABILITY AND GROWTH

PRESS STATEMENT

Friday 15th June, 2018

On the 14th of June, 2018 the Honourable Minister of Finance Mrs. Margaret Mwanakatwe, MP released a statement addressing fiscal and debt challenges for sustained macroeconomic stability and growth. The measures announced by the Ministry of Finance are consistent with PMRC's recommendations made to Parliament and Government ministries over the last three years. The proposed measures include; strategies to curb the debt stock and the pace of debt accumulation, Government arrears, unsustainable Government expenditure, revenue measures and communication on economic and financial matters.

In relation to debt the following measures have been put in place;

- In definitely postponement of the contraction of all pipeline debt until the debt is brought back to moderate risk of distress;
- Cancellation of some of the current contracted loans that are yet to be disbursed to reduce the debt service outlays;
- Undertake refinancing on selected bilateral loans, both local and external, to extend the maturity profile and attain lower costs on debt;
- Carry out an asset liability management exercise on the debt to ensure sustainability of cash flows;
- Ceasing the issuance of guarantees to commercially viable projects; and,
- Ceasing the issuance of letters of credit and guarantees to state owned enterprises that are technically insolvent until their balance sheet challenges are resolved.

In order to address the existing Government arrears Government has committed to put in place the following measures;

- The Ministry of Finance has instructed all ministries to concentrate arrears dismantling to areas that will significantly reduce non-performing loans and release liquidity to the private sector;
- Ensure that ZRA comes up with profiles to liquidate current and non-contentious vat claims;
- The Secretary to the Cabinet to ensure that civil servants take annual leave to curtail expenditures related to personal emoluments such as commutation of days; and,
- The Ministry of Finance to enforce commitment controls to curb accumulation of new arrears.

Regarding the revenue measures the Government intends to put in place the following;

- The Ministry of Finance will ensure that there is strict adherence to the programmed domestic financing in the 2018 budget;
- The Ministry of Finance will also compel fuel importers to make declaration of fuel imports at borders to curb the problem of smuggling of fuel;
- The Ministry of Transport and Communication will expeditiously implement the telecommunication transactions monitoring system for mobile service providers;
- The Ministries of Finance and Mines and Minerals Development will put in place legislative measures to introduce taxation on precious metal exports;
- The Ministry of Finance will introduce electronically verifiable tax stamps on high risk imports to address the problem of smuggling; and,
- The Ministries of Justice; Finance, and Lands will urgently resolve all land titling issues to ensure that the planned issuance of 300,000 land titles is attained.

In relation to expenditure, Government will put in place the following measures;

- The Ministry of Finance will only fund projects that are at least 80 percent complete;
- In order to control the high expenditure on personal emoluments, recruitments will strictly be limited to the provisions of the 2018 budget;
- The management of the payroll will be moved to the Ministry of Finance by the end of June 2018 to ensure separation of duties in order to enhance the authenticity of entries on the payroll, address payment of wrong allowances and ghost workers;
- Cut down on the cost of running Government by reducing expenditures related to both local and foreign travel, and workshops, the Secretary to the Cabinet has been directed by the president to immediately issue new travel guidelines that will reduce the number of travels and the size of delegations;
- The Ministry of Works and Supply will finalize the policy on Government vehicles with the view to have them disposed of. This will reduce expenditures on running the Government fleet;
- The President has directed that a committee to scrutinize the quality of expenditure in ministries should be set up under the Ministry of Finance. The committee will allow Government to take remedial measures on unnecessary expenditures for the rest of 2018 and going forward;
- Renegotiate electricity tariffs with independent power producers to ensure there is parity between the buying and selling prices by ZESCO;
- The Industrial Development Corporation (IDC) will implement the President's long outstanding directive to relook at the portfolio of state owned companies to restructure the portfolio and bring in equity participation for those that are variable; and,
- The Ministry of National Development Planning will establish a multi-sectoral public investment board to scrutinize capital expenditure requests prior to submitting to cabinet.

PMRC commends the Ministry of Finance and Government for taking bold steps aimed at achieving macroeconomic stability and assuring citizens and the international community on its commitment to improve the fiscal position and ensure debt sustainability.

The organization is confident that the debt measures taken to address the pace of debt contraction and affordability are adequate. Furthermore, the ceasing of insurance of credit letters and guarantees to State Owned Enterprises (SOEs) that are technically insolvent until their financial viability is restored will reduce the debt stock as well as promote their efficiency.

The expenditure measures that have been put in place especially those that address financing of projects that are at 80% completion, will lead to reduced budget deficits. PMRC is confident that the management of payroll that will be undertaken by the Ministry of Finance will promote accountability of public funds as it will curb payment of wrong allowances and ghost workers.

The revenue measures put in place to adhere to programmed domestic financing in the 2018 budget will further enhance budget credibility.

PMRC will continue to advocate for progressive policy reforms through engagement with Government and other relevant stakeholders to ensure that Zambia achieve its development aspirations as enshrined in the 7NDP.

For more details, interviews or queries about this PMRC Media Statement
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