



ZAMBIA

Fiscal transparency in Zambia is hamstrung by the legal framework and systems underpinning the budget process, poor budget information requirements, a lack of compliance with existing regulations and weak legislative oversight.

Legal framework for transparency

- The Zambian Constitution authorizes the minister responsible for finance to draft the budget and spend funds in accordance with the budget as approved by parliament.
- The legal framework however lacks adequate provisions to ensure transparent and accountable budget management. A great deal of latitude is left to the finance minister and the president.
- Politicians and their administrative counterparts have almost limitless scope to remake the budget during the spending year. The only proviso is that changes are to be ratified by parliament up to 30 months after the fact.
- The legal framework is particularly weak in governing the procurement and management of both domestic and external debt, leaving much to the discretion of the finance minister.
- While the law provides relatively detailed financial reporting and auditing requirements, many financial transactions take place outside the established financial system.
- The legal framework contributes to a situation where it is in fact impossible to know the total resource envelope or to track government expenditure.

Clarity of roles and responsibilities

- The legal framework assigns clear roles and responsibilities for most budget functions. But in practice, roles and responsibilities are often murky.
- The authority of the Ministry of Finance and Economic Development is well-defined, but lacks checks and balances to ensure transparent budget decisions.
- The role of civil society in the budget process is only defined to a limited extent, with little or no clarity on the role of donors.
- The roles and responsibilities of the legislature are relatively well assigned in principle. However, parliament does not engage critically with the budget in practice. The *ex post facto* rubberstamping of deviations from the budget clearly undermines the legitimacy of parliament's decision-making authority and oversight role.
- The functions of different government units in budget implementation are clearly spelled out in the law. However, disbursement decisions are taken by the finance ministry on an ad hoc basis, with politics playing a dominant role. It is often unclear who can then be held accountable for non-delivery.

Public availability of information

- Poor, relatively detailed budget information on revenue and expenditure estimates is made available annually, although adequate supporting documentation is lacking.
- The accompanying information of actual spending is generally too outdated and inconsistent in terms of classification to inform decisions for the following year.

- Donor funds are reflected in the budget, but only partly. No information is made available on donor conditions, loan interest implications or donor funded-programme outcomes.
- There is virtually no information available on actual spending during the fiscal year. The lack of information on disbursements is a reflection of the non-transparent in-year cash-budget funding mechanism. Audited statements are neither timely nor comprehensive, and the classification system is not user-friendly.
- Available information on extra-budgetary activities, government equity holdings and contingent liabilities is inadequate.

Capacity and systems in the budget process

- Existing systems to support budget management and protect the integrity of budget information are generally weak.
- The cash budgeting system allows for budget-making on the fly during the fiscal year, undermining any efforts towards proper budget planning.
- Information management and dissemination systems are poor. The statistical office responsible for recording socio- and macro-economic data and government finance statistics, is not independent.
- In-year reporting systems are weak. The audit system suffers from lack of capacity and poor co-operation from departments, resulting in late and incomplete audit reports.
- The legislature has insufficient capacity to engage in critical budget analysis and debate.

MANAGEMENT OF EXTRA-BUDGETARY ACTIVITIES

- Inadequate and inconsistent information on extra-budgetary activities contributes to the overall lack of transparency in the Zambian budget system.
- Government appoints the board members of public enterprises, creating opportunities for political patronage and continuous interference.
- Information on flows from the main budget to such enterprises is not regularly available, sometimes only reaching the public domain two years later.
- While there is a legal requirement for the executive to report on contingent liabilities and equity holdings, this is not always fulfilled.

PARTICIPATION IN THE BUDGET PROCESS

- There is no legal obligation on government to allow civil society input in the budget process. Parliament provides no official access point for external stakeholders to impact on the budget. Civil society is itself largely uncertain what its potential role is or should be.
- Due to a lack of hard budget data and contextual information, it is also limited in its ability to engage effectively and meaningfully with the budget process.
- In spite of these obstacles, civil society and parliament are starting to forge a participation space in the budget process, with some positive effects.

FISCAL TRANSPARENCY research team in ZAMBIA

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