

COVID Brief: Transparency and Accountability of the COVID Fiscal Response in Zambia



Cover Graphic: Sergey Demushkin / The Noun Project

Introduction

COVID-19 has had an enormous impact on Zambia and the Southern African region more generally. The first case of COVID-19 was found in Zambia in March 2020 and soon thereafter President Edgar Lungu announced a series of restrictions on movement and economic activity to prevent further spread of the virus.

The country's economy was hit extremely hard and COVID-19 emerged in a situation of growing inequality, while compounding the already growing public debt. The very unequal impact of the pandemic, with disadvantaged groups bearing the brunt of the health and economic fallout, risks making the situation worse. By November 2020, Zambia had become the first country on the continent to default on its debt following the start of the pandemic, with serious implications for its ability to respond to the health and economic consequences of the pandemic.

However, responding in an open and accountable manner to the pandemic is not only a way for the government to show its commitment to the well-being of its citizens, but also because open budgets have real benefits, from reducing the risks of corruption to ensuring more equitable and effective policy outcomes. In other words, shortcuts and limitations are neither necessary nor inevitable. Even during terrible crises, accountability can work if everyone does their part in an open and collaborative effort. An urgent and speedy response, in other words, does not have to come at the expense of accountability.

As such, civil society partners across 120 countries, including Zambia, worked with the International Budget Partnership (IBP) to undertake a rapid assessment of "emergency fiscal policy packages" in the period from March to September 2020 — sets of policy initiatives aimed at addressing the impact of the COVID-19 emergency. The goal of this assessment was to gauge how countries responded and identify how they could improve both during and after the crisis.

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Key findings

Limited transparency and citizen engagement opportunities, but promising oversight practices that do strengthen accountability.

Between March and September 2020, the government of Zambia introduced 3 major emergency fiscal policy packages.¹ For the purposes of this assessment, we focused on assessing the June Economic Stimulus Package (K8B COVID Bond), as it was the largest. This was a K8 billion economic stimulus package that cabinet approved and that was funded by a bond issued by the Bank of Zambia on behalf of the government. The funds were earmarked for COVID-19 related expenses, including health spending, arrears clearance, and grain purchases, amongst others.

The findings of our assessment in Zambia indicate that the overall transparency of the stimulus and response package, and the opportunities for citizen engagement in its formulation and implementation were fairly limited. However, we also saw some promising developments that strengthened accountability and that could be built on, such as including rapid audits of COVID-19 spending implemented by the Zambian Office of the Auditor General (OAG) and the consideration of the Budget Committee of the warrant request for COVID-19 funds allocation to DMMU submitted by the Ministry of Finance. It is a requirement that in the case of emergencies, warrants are tabled before the Budget committee within 48 hours before presentation to Cabinet.

1. Decision-making on the formulation and implementation of the stimulus and response packages included very little or no input from the public, especially from those most impacted by the crisis.

Citizen participation in the formulation and implementation of the emergency measures did not take place. This ultimately excluded the public from having a voice in decisions on priority-setting during the pandemic and deprived the government of contributions which could greatly improve the effectiveness of their actions.

Zambia already has pre-budget deliberations during budget formulation and public consultations during budget implementations. However, the government did not for example, re-purpose these existing opportunities for participation so that citizens could have given inputs during the formulation of the June stimulus package.

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¹ See the full questionnaire and details of the packages for Zambia here: <https://internationalbudget.org/covid/wp-content/uploads/2021/05/report-ZMB.pdf>

2. The government did not adopt key measures to enhance accountability, in particular transparency on the implementation of the COVID-19 policy and fiscal response as well as transparency on procurement of services.

Transparency on implementation provides a way to understand how policies have been implemented and what has been achieved. The lack of public reporting on implementation of the stimulus packages and related policy initiatives hampers efforts to hold government accountable for the effectiveness of their crisis response.

The pandemic forced the government to authorize emergency procurement procedures, intended to circumvent normal rules, in order to buy services from private contractors faster than usual. Emergency procurement procedures like these should remain transparent, particularly since when the government awards contracts to service providers, the risks of irregularities are heightened. These should include for example, clear criteria for the use of emergency procurement and a system to enable contracts to be tracked effectively and openly. The [Interim Report of the Auditor General](#) on the Audit of Utilisation of COVID-19 Resources identified a number of examples where COVID-19 procurement was abused.

The government however published very limited information on the introduction and use of simplified pandemic-related procurement procedures, making it difficult to assess if the country was getting value for money in purchases of medical equipment or other goods and services. They also published very little information on actual vs. planned spending as well as on financing and performance of contractors.

3. There were promising developments that can enhance accountability, including rapid audits undertaken by the Auditor General and oversight undertaken by the Zambian legislature.

The Zambian Auditor General carried out a rapid [audit on the use of COVID-19 resources](#) using guidelines for auditing disaster-related aid from the International Organization of Supreme Audit Institutions (INTOSAI), an umbrella organization for the audit community globally. This led to [disciplinary action against 25 officials](#) cited in the probe.

Likewise, we found some oversight over the COVID-19 emergency package by the legislature. The legislature heard testimony from members of the executive and received and debated regular or special audit reports which included information on audits of emergency fiscal policy packages. Importantly, the legislature through the Budget Committee considered and approved the Excess Expenditure Warrant, No. 1 of 2020 of amounts totalling K450 million to mitigate the spread of COVID-19.

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Recommendations

Accountability beyond the crisis

The practices noted in the findings remain important beyond the crisis. Achieving sufficient levels of transparency, participation, and oversight over the long term is crucial both for accountability and to ensure that resources are used effectively and equitably. The 2019 OBS found that there was significant room for improvement in Zambia.

As noted above one of the most severe challenges facing Zambia that has been compounded by the pandemic is the debt crisis. Zambia's debt, according to the IMF, is unsustainable. Zambia External debt reached over US\$14.48 billion in 2021. Zambia owes 46 percent of its external debt to private lenders, 22 percent to China, 8 percent to other governments, and 18 percent to multilateral institutions. In December 2021, the International Monetary Fund (IMF) and the Zambian Government reached a Staff Level Agreement for a three-year Extended Credit Facility amounting to USD1.4 billion. A Staff Level Agreement was followed by Zambia's request for a debt treatment under the G20 Common Framework. Zambia is therefore, currently negotiating a restructuring of its debt with private and government creditors through the G20's new Common Framework. The debt crisis continues to have serious implications for the country and a major impact not only on the pandemic response, but the long term sustainability of the country's public finances. Improved budget transparency would include information on debt and this is both urgent and crucial – citizens need to know how public resources are being used and have the ability to hold government accountable.

Indeed, in late 2020 the Zambian parliament itself passed a new law – the National Planning and Budgeting Act – that provides a significant step in developing a legal framework for open budget practices in the country. Civil society pushed for many years for the Bill to be improved and enacted.

The Law however still has gaps that need to be addressed, particularly on providing for clear opportunities for inclusive public participation and ensuring adequate and timely access to planning and budgeting Information and documents.

Based on our findings, we believe it is imperative to take immediate action on a set of measures to address the accountability shortcomings of COVID-19 fiscal and policy responses, both during the current crisis, and beyond to future emergencies that the nation could face.

In light of this, we call on the government to work with civil society to take the following steps:

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1. Act now to strengthen accountability in ongoing responses to the COVID-19 crisis.

- Include opportunities for public engagement on any further COVID-19 response measures, through the use of stakeholder submissions during budget consultations and involvement of civil society representatives.
- Publish progress reports on the implementation of the measures as tabled in the national budget, at the minimum on a quarterly basis.
- Disclose all details related to procurement contracts linked to the emergency spending, wherever possible in open formats.

2. Enact legislation to improve transparency and citizen engagement, while strengthening follow-up on audit findings by the Auditor General.

- Enact the Access to Information Bill to ensure adequate and timely access to budget information so that the Planning and Budgeting Act can be implemented effectively and meaningfully.
- Ensure that the audit findings by the Auditor General relating to COVID-19 spending are acted upon swiftly and that substantive audit follow-up is strengthened beyond the emergency. Audit reports should be further strengthened by increasing the amount of information on COVID-19 donations received by the government. This can be done if the Office of the Accountant General could issue periodic reports on the donations which can later be audited.

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