

Strengthening Good Financial Governance in Zambia (GFG IV)

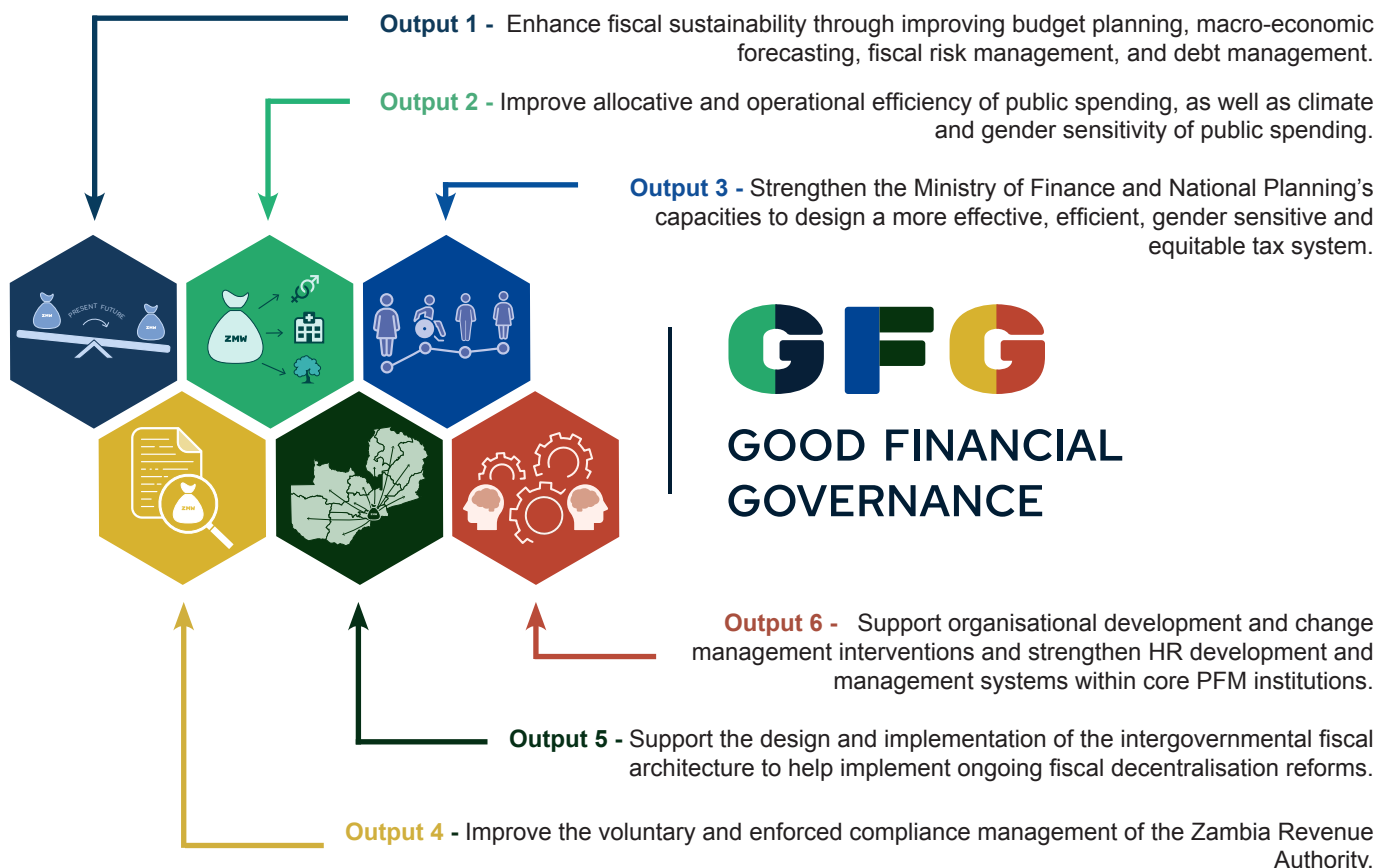
The Challenge

Zambia faces many challenges in the management of its public finances. Inadequate tax revenues and the spending of public resources in a manner that undermines budget credibility and sustainability has limited the fiscal space for social spending and development-oriented investments, including the reduction of poverty and (gender) inequality. In 2020 Zambia defaulted on its external debt, and in 2022 entered into an Extended Credit Facility Programme with the International Monetary Fund (IMF), which was accompanied by commitments to an ambitious set of reforms to systematically address challenges in Public Financial Management (PFM).

Our Approach

The Good Financial Governance IV Programme (GFG IV) seeks to support the Government of the Republic of Zambia in its efforts to strengthen public financial management. It does this through support activities across six, interconnected output areas:

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Lead Executing Agency:	Ministry of Finance and National Planning
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Results in stories

Modernizing Debt Management

After Zambia defaulted on its external debt in November 2020, it set the precedent for developing countries by restructuring its debt to a sustainable level within the G-20 Common Framework. This required entering into an IMF program and committing to substantial PFM reforms. With the support from the GFG Programme, the Ministry of Finance and National Planning has successfully designed, staffed and operationalised a Debt Management Office (DMO) based on international best practice to strengthen oversight and control of Zambia's public debt going forward. The DMO will analyse and address risks arising from the debt portfolio and support the Government of the Republic of Zambia in its strategic decisions oriented on sustainably managing the issuance and service of debt to prevent future debt default.



Key partners of the programme during the GFG Launch.

Enforcing Tax Compliance in Mining

The debt default in 2020 underscores the importance for Zambia to accelerate its capacity to raise its own domestic resources. Being a country rich in mineral resources, such as copper, cobalt and manganese, optimising the revenue contribution from the mining sector is a crucial aspect in this. One way of ensuring this is by building and developing capacity for mining tax audits. Mining is a highly technical and complex industry and thus poses significant challenges with regards to ensuring full compliance of the mostly multi-national mining companies with national tax

obligations. The GFG Programme's technical assistance to two mining audits has been instrumental in equipping the auditors with specialized skills and gaining insights into improving the overall tax audit process. Apart from that, GFG's dedicated support to these two audits contributed to additional tax claims amounting to 127,85 million ZMW (4,3 million USD) illustrating the revenue potential adequately capacitated tax auditors of the Zambian Revenue Authority could unearth.



Graduates display their certificates after participating in a Basic Accounting Knowledge Training for non-accounting officers supported by GFG.

Transparent Management of Fiscal Risks

For the first time in the implementation of public financial management reforms, the Ministry of Finance and National Planning, with technical support from the GFG Programme, has developed and published the Fiscal Risk Statement for the 2025 Budget on the ministry's website. A Fiscal Risk Statement is a critical document that outlines risks to revenue, spending, and assets and liabilities of a country through a range of risk factors. While Zambia's public finances face significant risks, threatening the country's economic stability and growth prospects, implementation of fiscal risk management provides the opportunity for effectively managing those risks and enhancing credibility and resilience of the budget. The Fiscal Risk Management Framework and Implementation Plan aims to guide informed fiscal policy decisions and better resource allocation. The Government of the Republic of Zambia has committed to operationalize the Framework across all ministries, provinces and agencies.

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