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Public Investment Management in Zambia

Zambia's infrastructure landscape

Zambia has seen some of the largest public investment projects in Africa. These include the Lusaka-Ndola road expansion project, costed initially at USD\$1.2 billion and later revised to USD\$650 million, and the US\$294.2 million Kariba Dam Rehabilitation Project. The financing models for these infrastructural projects vary considerably. In comparison, multilateral agencies and development banks financed the Kariba Dam Rehabilitation Project, while local pension funds and private sector players are funding the Lusaka-Ndola road expansion project through a Private Partnership model.

Governance challenges

Public Investment Management (PIM) is part of the broader Public Financial Management (PFM) system, as weak Public Investment Management puts a strain on the fiscal position.

In 2017, the International Monetary Fund (IMF) conducted a Public Investment Management Assessment (PIMA) on Zambia. The PIMA uncovered **several weaknesses**, including:

- the lack of investment project appraisal for domestically financed projects
- the absence of a central screening process underpinned by feasibility studies
- the inclusion of projects not identified through sectoral development plans, among others.

The Zambian Government has since addressed **five out of the nine PIMA recommendations** in an effort to address these PIM weaknesses. Unfortunately, Zambia's massive infrastructure development agenda, spanning the period from 2006 to 2021 resulted in the

rapid accumulation of public debt, albeit with limited economic benefits.

The external public debt stock **increased from USD\$1 billion in 2016 to USD\$14 billion by the end of 2022**, primarily due to the contraction of the three Eurobonds in 2012, 2013 and 2014, amounting to US\$3 billion, as well as private banks and supplier credit loans, with the vast majority linked to failed public investment projects.

The weaknesses in the management framework resulted in significant inefficiencies and waste of public resources through stalled multi-year infrastructure contracts.

Several large public projects stalled at various stages of completion due to inadequate funding resulting from poor planning and budgeting.



Furthermore, due to PIM weaknesses, coupled with limited transparency in public procurement and debt contraction, **corruption thrived and was at the very centre of these unintended public investment and fiscal failures.**

Between 2016 and 2021, corruption became entrenched and **institutionalised**:

- Financial resources invested in infrastructure projects provided avenues for political patronage and rent-seeking opportunities, leading to the inflated costs on numerous high-profile tenders and construction projects.
- Several public investment projects became infamous as the public questioned both the economic and social benefits, as well as the cost to taxpayers.
- These include the purchase of 42 fire trucks for USD\$42 million and the construction of a toll plaza for USD\$4.2 million.

Zambia's reform efforts

As a commitment to enhancing Public Investment Management, the Zambian Government, in collaboration with cooperating partners and other stakeholders, has recently developed **Public Investment Management Guidelines**, a **General Appraisal Manual for Public Investment Projects**, and **Public Investment Projects Risk Management guidelines** as tools to guide the preparation and appraisal of public investment projects.³ Further, Zambia has developed its first **National Public Investment Management Strategy**.

The strategy aims to address PIM weaknesses by creating an enabling policy and legislative framework, robust coordination and governance mechanisms, clear methodological procedures and processes, enhancing capacities, and developing a public investment management information system. Beyond developing the strategy, it is yet to be seen how the new regime will address PIM challenges in Zambia.

The Importance of ICRAT in Strengthening Public Investment Management

Transparency International Zambia (TI Zambia), in collaboration with Transparency International Australia, seeks to implement the **Fiscal Transparency and Accountability Initiative (FTAI)** in Zambia.

The FTAI focuses on contextualising and implementing the Infrastructure Corruption Risk Assessment Tool (ICRAT), designed to **assist civil society and other stakeholders in identifying the loopholes that enable corruption to thrive** during the project selection stage.

The ICRAT supports countries to identify corruption risks early, strengthen accountability and transparency, sustainable development financing, and the building of cultures of integrity and good governance.

The FTAI Project in Zambia

In implementing the Fiscal Transparency and Accountability initiative in Zambia, TI Zambia will assess corruption risks in infrastructure projects using the ICRAT.

This will include generating country and agency-level **risk profiles**, identifying **risks and vulnerabilities** during the public investment selection phase, and assessing **current investment projects**, such as the Lusaka-Ndola road expansion project, for specific corruption risks.

TI Zambia will also conduct social media campaigns and host policy engagement meetings to contribute to progressive reforms in public investment management in Zambia.