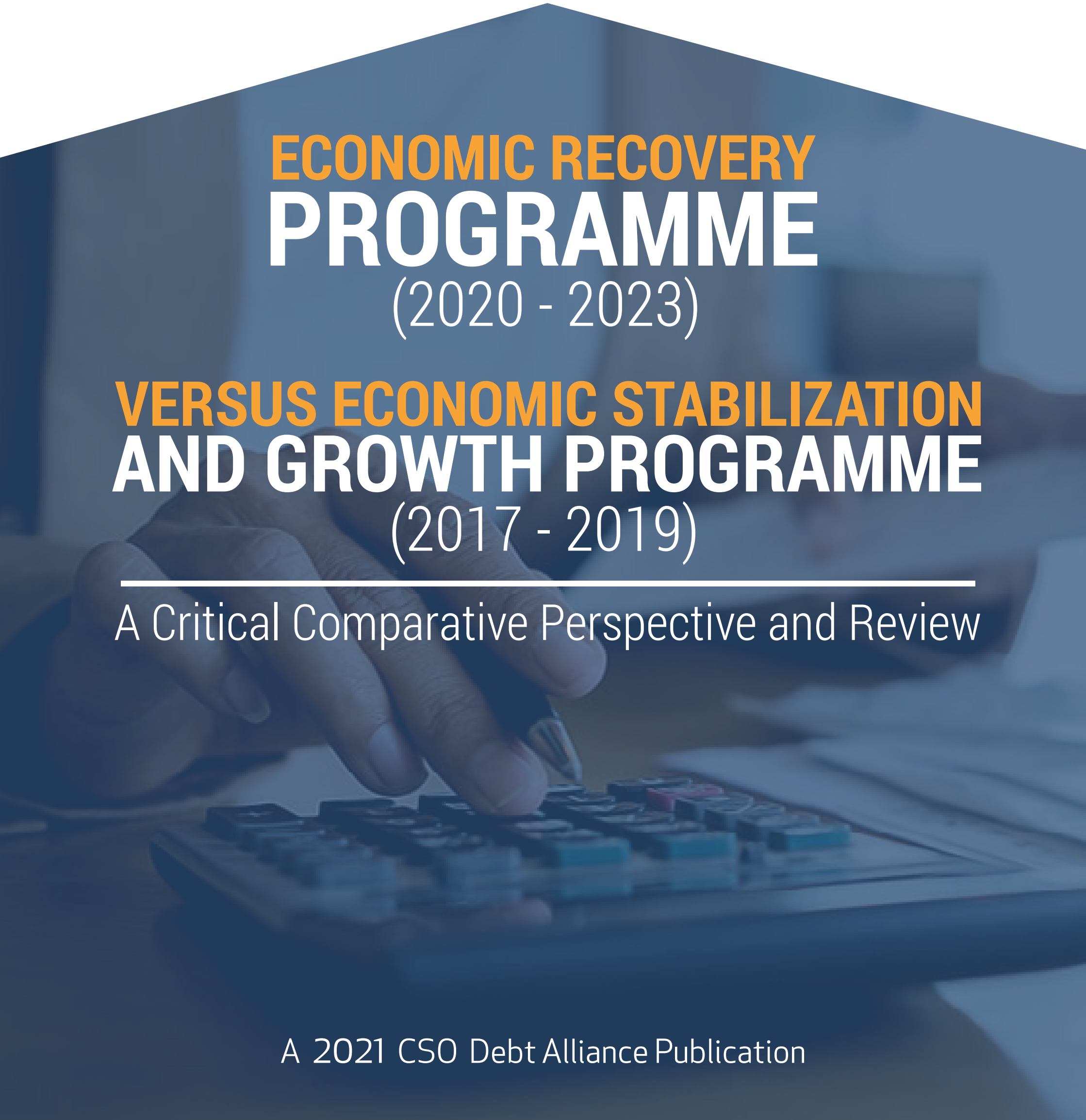
CSO Debt Alliance



ECONOMIC RECOVERY PROGRAMME (2020 - 2023)

VERSUS ECONOMIC STABILIZATION AND GROWTH PROGRAMME (2017 - 2019)

A Critical Comparative Perspective and Review

A 2021 CSO Debt Alliance Publication

ABOUT US

The CSO Debt Alliance that was officially launched on November 30th 2020, is a loose collection of civil society organizations working on debt and debt-related issues. The objectives of the alliance are to provide input into Zambia's debt management, support current debt restructuring discussions in finding lasting solutions to Zambia's Debt situation as well as to promote transparency and accountability on the part of the Government and other players with regard to Zambia's overall debt and related information dissemination.

Currently, there are over 30 institutions - inclusive of experts, that are contributing to the discussion in the Alliance. The Alliance has particularly positioned itself to implement projects to reach out to the community targeting the eminent citizens of the country including political leadership, taking a strong stand as one of the many facets within Zambia focusing on public finance management, to complement and supplement efforts in a harmonized manner.

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1. Introduction

In modern times, the economic damage of the Covid-19 pandemic has been unprecedented, shrinking the global economy by 3.5 percent, and the Zambian economy by about 3 percent in 2020. The disruptions in global supply chains, the reduction in consumer spending arising from containment measures, sent shockwaves across the world, with entire industries – such as tourism and aviation – literally closing down, while others operating substantially below full capacity. This also meant that commodity prices on which most developing countries depend upon for export and foreign exchange earnings were curtailed. Given an already narrow tax base in developing countries, mobilisation of domestic resources to fight the Covid-19 pandemic hit a brick wall. There were simply fewer economic activities from which to draw tax revenue; the scale and magnitude of economic activity had drastically reduced within a short period of time.

Zambia has an incredibly tough year ahead, in the wake of the Covid-19 pandemic, its debt levels have risen to the point that the country has recently defaulted not less than twice on its debt repayments, its fiscal deficit is well above 5.5 percent target, standing at 11.7 percent in 2020, its national currency, the Kwacha, has depreciated by almost 100 percent in the past year alone. In addition, the cost of living is rising, with year-on-year inflation in January 2021 recorded in excess of 21 percent. Meanwhile, formal sector employment wages have risen by no more than 10 percent in 2020.

The Government of the Republic of Zambia developed and launched the Economic Recovery Programme 2020-2023 (ERP) as a strategic plan to rejuvenate the economy and also partly as a tool to invite the international development community, particularly the International Monetary Fund (IMF) for a credit facility consideration. Nevertheless, the current ERP is not unique in many respects. Its predecessor, the Economic Stabilization and Growth Programme 2017-2019 (ESGP) also known as the Zambia Plus (ZP), shares with it a number of attributes, the key one being a commitment towards fiscal consolidation in the wake of rising debt levels.

This policy brief places the ESGP and ERP in comparative perspective. Fundamentally, this is to question the realism and achievability of the ERP, particularly in the wake of the three key complexes: the Covid-19 pandemic; the context of high debt levels; and the August 2021 elections. These complexes, operating alone or in combination, require substantial public resources, which in itself raises doubt for whether the ERP can truly deliver a tight fiscal outlook. In this policy brief, ESGP and Zambia Plus will be used interchangeably to refer to the same policy document.

2. Summary of the Economic Stabilization and Growth Programme (Zambia Plus): 2017 – 2019

In this section of the policy brief, a discussion is made of the ESGP, focusing on its key ambitions and formulation, bringing to light the strategies set out to accomplish national aspirations inscribed within it.

Published in September 2017, with roots in the 2017 National Budget address delivered on the 11th of November 2016 by the then Minister of Finance, Hon. Felix Mutati, the Economic Stabilization and Growth Programme was considered a home-grown developmental strategic plan, weaved together to deliver inclusive and sustained growth by Zambians, with support from cooperating partners.

Anchored on five pillars, the overarching thrust of the ESGP was to bring about both economic stability and acceleration of growth. The Ministry of National Development Planning (2018) reported that the ESGP was "an ambitious reform agenda to support its efforts to restore fiscal fitness and foster inclusive economic growth and development." This suggests that some economic stabilization was required during the implementation period, a concession that some key indicators were steadily running amok. In fact, the theme of the ESGP was "Restoring Fiscal Fitness for Sustained Inclusive Growth and Development."

Indeed, the immediate period preceding the implementation of the ESGP witnessed a rise in debt levels and rising debt servicing costs, diminishing fiscal space, hence requiring a framework to invite a measure of fiscal discipline and restore fiscal fitness. In 2010, total public external debt was only 21.8 percent of GDP, by 2015, this proportion had doubled, standing at 43.1 percent of GDP. By the time ESGP was being launched, total public external public debt was more than a third of GDP. Total public external debt was only 0.69 percent of exports, rising 5.1 percent in 2015 and 8.6 percent in 2017. The rate of inflation which stood at 6.5 percent in 2010, had risen to 21.1 percent in 2015, though it dropped again to 6.1 percent in 2017. Worryingly though, the rate of economic growth had dropped drastically: from a real GDP growth rate of 10.3 percent in 2010, the year 2015 recorded only 2.92 percent real GDP growth rate, while the same indicator was only 3.4 percent in 2017.

IESGP Pillars

Driven mainly by the priorities of economic stabilization and actuation of economic growth, the ESGP aimed to deliver for the Government the five pillars.

1. Pillar 1: Restore the Credibility of the Budget
2. Pillar 2: Enhance Domestic Resource Mobilisation and Refocusing of Public Spending
3. Pillar 3: Improve Economic and Fiscal Governance
4. Pillar 4: Ensure Greater Economic Stability, Growth and Job Creation
5. Pillar 5: Scale up Government's Social Protection Programmes

As will be argued below, the performance of the ESGP remained largely disappointing, reflected in dismal economic growth while the country's debt stock stacked higher and debt servicing costs escalated.

ESGP Structural Reforms

To deliver on its promises, the ESGP committed to a number of reforms, which in part can be seen as an acknowledgement that some degree of institutional change was required for more effective and efficient implementation of the programme.

The Procurement Bill approved by Cabinet during the implementation period of the ESGP was meant to reform and strengthen public procurement, placing importance on Zambian enterprises to promote local content as well as diminish the human element in the procurement process via the introduction of the e-Government Procurement System. For debt, it was only at the end of 2019 that Cabinet approved the restructuring of debt, despite Government having published the 2017-2019 Medium Term Debt Management Strategy whose purpose was to reduce the costs and risks of public debt. A number of other reforms were underway in other spheres of the economy such as energy and the agriculture sector as well as social protection areas.

3. Performance during Implementation of ESGP: 2017 - 2019

ZThis section highlights some macroeconomic indicators as measures of economic performance during the implementation of the EGSP between 2017 and 2019. From 2017, implementation of the Zambia Plus was considered government's top priority, which claimed to favour tight fiscal policy. Implementation of the national budget evidenced a commitment to austerity measures, with spending reducing in 2017, mainly due to reduction in spending and consumption of goods and services (Rasmussen, 2018).

Overall, economic growth during the implementation of the ESGP was unsatisfactory, compared to only seven prior years. In 2010, for example, real GDP growth rate was 10.3 percent falling to 7.6 percent in 2012, still laudable. By contrast, real GDP growth rate in 2017, dropping to only 2 percent in 2019.

The Government attempted to bring about fiscal consolidation to curb additional borrowing which had grown rapidly in 2014 and 2015, and despite a commitment to use the instrumentation of the Zambia Plus fiscal recommendations and framework of governance, it did not succeed: as a proportion of GDP, total public external debt over the past decade, in 2010, it was less than one percent, it tripled and then quadrupled over the next five years, rising to 2.59 percent and 5.2 percent in 2014 and 2015, respectively, before rising further during the implementation of the Zambia Plus to 8.6 percent in 2017 and then 16.51 percent in 2019. Despite clear indications within the ESGP that the government would restore the credibility of the budget and address its debt position, the entire implementation period of the ESGP in fact witnessed rising external debt.

With rising external debt levels came rising debt repayment costs; by 2019, external debt repayments had skyrocketed to about US$ 1 billion, and for a country with a 2019 GDP of around US$23 billion, and 2019 total national budget of only about US$8 billion, such an outflow of funds can place tremendous burden on fiscal space and availability of foreign exchange reserves. Though the Government managed to keep the inflation rate within the single-digit target range during the implementation of ESGP, the Government was not successful in arresting the exchange rate. From an average exchange rate of K4.8 to a US dollar in 2010, the Kwacha had depreciated to K8.63 per US dollar in 2015, and then further to K12.91 to a US dollar in 2019. By the end of 2020, compounded by the adverse effects of the coronavirus pandemic, the pace of depreciation had accelerated exponentially, with the Kwacha trading at well over K20 per US dollar. Correspondingly, rising debt servicing costs in addition to diminished foreign direct investment propelled the diminution of the foreign exchange reserves. Measured in terms of import cover, from 4.5 months in 2015, foreign exchange reserves were more than halved by the 2018 to 1.88 months of import cover, before marginally increasing to 2.12 and 2.3 months of import cover in 2019 and 2020, respectively. During the implementation of the ESGP, foreign exchange reserves were halved.

The Government was unsuccessful in attracting more foreign direct investment (investment from abroad), which stood at 8.53 percent of GDP in 2010. In the year of launching the ESGP, 2017, as a percent of GDP, foreign direct investment stood at 4.31 percent. Despite the commitment of the Government to creating a favourable business environment, the country was unsuccessful in attracting investment from abroad—on average, foreign direct investment as percentage of GDP declined to only 1.5 percent within a year of implementing the ESGP, in 2018, before a marginal increase to 2.36 percent in 2019. Thus, it might be fundamentally argued that developmental programmes and plans in and of themselves are not adequate signals to the international business community.

Peter Engbo Rasmussen, writing for the African Development Bank in its 2018 African Economic Outlook, indicated that the Government "tightened fiscal policy in 2017 and embarked on a path of fiscal consolidation to limit borrowing," managing to bring down the fiscal deficit in 2017 to 5.5 percent from a period high of 9.3 percent in 2015. But GRZ (2020) reports that the "ESGP period was characterised by significant variations between the approved annual Budgets and the actual outturns. This was evidenced by persistently high fiscal deficits, averaging 7.5 percent of GDP during 2017-2019, compared to planned deficits of less than 5 percent of GDP." In short, the fiscal deficit remained notably above the target, and the government was unable to restore credibility of the budget as it had envisaged at the launch of the ESGP. Explaining this outcome, the Government raised some key points: "higher than planned disbursements on capital projects and the depreciation of the Kwacha," which are alleged to have led to debt service payments being higher than what was anticipated (GRZ, 2020: 3).

In addition, while the Government had hoped to dismantle domestic arrears during the implementation of the ESGP, by the end of 2019, domestic arrears stood at K27.7 billion, from K12,7 billion in 2017. One key issue is worth raising here. In the beginning of the implementation period of ESGP, by end of 2017, the Government did prosper in dropping domestic arrears by 32.4 percent from K18.8 billion in 2016. However, the desire to reduce domestic arrears was quickly extinguished by "VAT refunds, road and other capital expenditures, pension obligations and agriculture subsidies" (GRZ, 2020: 3). On the budget side, positive scores were achieved in terms of keeping the central Government wage bill within the limit of 9 percent of GDP.

The performance of the ESGP appears to be in line with the issues raised earlier by some analysts. The major concerns raised during the implementation of the Zambia Plus were centred around fiscal discipline, questioning whether the programme was capable of arresting the growth of public spending as well as reduce government's inclination to borrowing (Cheelo, 2018; Rasmussen, 2018). By the middle of 2020, the external public debt stock had increased to US$11.97 billion from US$11.48 billion in 2019. The reason for an increase in debt was due to financing of public capital projects in energy, education, road infrastructure and flows to the health sector.

Overall, the performance of the ESGP reflected in GDP growth may be considered unsatisfactory, with debt contraction and repayment dominating the conversation around Zambia's developmentalism.

4. Summary of the Economic Recovery Programme: 2020 -2023

Launched on 17th December 2020 by the President of the Republic of Zambia, His Excellency Dr. Edgar Chagwa Lungu, the Economic Recovery Programme (2020-2023), ERP, under the theme: Restoring Growth and Safeguarding Livelihoods through Macroeconomic Stability, Economic Diversification and Debt Sustainability, is seen as the vehicle through which economic reinvigoration will be delivered during and in the aftermath of the COVID-19 pandemic.

ERP Aim and Pillars

The ERP advances five broad objectives to reinvigorate the economy:

1. Restoring macroeconomic stability;
2. Attaining fiscal and debt sustainability;
3. Restoring growth and diversifying the economy;
4. Dismantling domestic arrears and avoiding accumulation of new arrears; and
5. Safeguarding social protection programmes

The specific targets set out in the ERP reflect modest optimism, ranging from a specific growth target to aspirations about a timeframe within which to reduce debt contraction and bring about debt sustainability. In particular, the following targets are enlisted:

1. Attain real GDP growth rate of above 3 percent by 2023;
2. Reduce the fiscal deficit to no more than 9 percent in 2021, no more than 6.1 percent in 2022 and no more than 4.9 percent of GDP in 2023;
3. Increase domestic revenue to not less than an average of 18 percent of GDP over the period 2021 to 2023;
4. Reduce and maintain inflation within the 6-8 percent range by 2023;
5. Raise international reserves to at least 3 months of import cover by 2023;
6. Significantly dismantle domestic arrears and curtail their accumulation; and
7. Reduce the pace of debt accumulation and ensure sustainability in the next 3 to 5 years.

The specific targets and general aims indicated here will be implemented within a particular Governance and institutional environment. The Government envisages to install a number of structural and reforms to enable achievement of the objectives of the plan which constitute part of next section's discussion.

There are a number of concerns in terms of the economic context within which the ERP will be implemented. Firstly, there are questions around the resource envelope available to the government. The 2019 national budget, at the conclusion of the ESGP, was K86.81 billion while the 2021 national budget is estimated at K119.62. Because of the deteriorated macroeconomic environment, the estimated US dollar value of the 2021 national budget is US$6 billion while the 2019 national budget was US$8.27. Thus, in dollar terms, the 2021 national budget is smaller, implying a diminished command for imported commodities, including crucial products such as crude oil. Secondly, the debt levels are notably higher at the launch of the ERP; the stock of external debt by the end of the fourth quarter 2020 stood at $12.75 billion. In 2021, the government envisages to spend about 23 percent of the national budget on external debt interest and principal payments. As the Kwacha has continued to depreciate, it will certainly become increasingly harder for the government to raise adequate resources. The debt complex alone raises questions about realism of government's prospects to attain macroeconomic stability in the time period indicated. Moreover, further depreciation of the Kwacha is likely to divert resources away from expenditure in social services in favour of debt repayments. Unless the government can raise sufficient foreign reserves from expanded exports to counteract the depreciation of the Kwacha, there is limited prospects for accomplishing the aims set out in the ERP.

5. Comparative Perspective of ESGP and ERP

This subsection is predicated on the fact that from the summaries laid out above, the two programmes share similar motivation and ambition—to rejuvenate the Zambian economy. Accordingly, the job of the Government going forward is not to justify how better off the ERP is from its predecessor the ESGP – both documents ably and aptly capture the economic contradictions of the time – but rather to demonstrate that the plans set out will be implemented effectively and efficiently. While the ERP as a plan remains a guiding document in the delivery of an economic recovery during the COVID-19 pandemic, the long-term trajectory of the Zambian economy should aim towards accelerating structural transformation more broadly in the aftermath of the coronavirus pandemic.

By and large, the ESGP was seen as "a structural reform programme to achieve macroeconomic stability and growth to support the 7NDP development outcome," while the ERP is considered by and large a precursor to the Macroeconomic Framework of the 8NDP in addition to guiding the implementation of the remainder of the 7NDP as well as 2021-2023 Medium Term Expenditure Framework. It is thus unsurprising that there are continuities between the two programmes. In fact, the focus on growth recovery and debt sustainability is by and large a continuing overarching theme. Minor differences lie in what can be considered how to get there. In addition to the reforms already embarked upon during the implementation of the ESGP, the ERP also proposes key structural, some of which are sector specific and some of the structural, legal and institutional nature, spanning agriculture, economic empowerment, central banking, energy, debt and public production and service delivery.

Like its predecessor, the ERP hopes to bring key international development partners like the IMF to the negotiating table, who often pay attention to the institutional and macroeconomic context of member countries. This context relays key information to the international community in terms of a country's risk profile for business and development partnership as well as capacity of the country to deliver on its developmental commitments. Not only is this information crucial for the international development community, but also for foreign direct investment and business confidence more broadly. Fortuitously for Zambia, prior to the November 2017 launching of the ESGP, the country's rating by Standard and Poors (S&P) was revised from negative to stable, citing improvements in growth prospects and more liquidity in the banking system. For the then Minister of Finance, Felix Mutati, this revision reflected the soundness of the policies being implemented by the Government to stabilise and grow the economy. But as earlier noted, economic growth had been unsatisfactory during the implementation of the ESGP.

Despite the structural conditions of the Zambian economy being by and large the same during the implementation period of the ESGP and the beginning of the ERP, there are some marked differences in macroeconomic context. The favourable rating of the country during ESGP reflected a stable macroeconomic environment. Inflation was kept in its single digit range during the ESGP, while the ERP begins with high levels of annual inflation, exceeding 21 percent in January 2021 and reaching over 22 percent in February 2021. Indeed, from a macroeconomic perspective, the economic contradictions are somewhat different, although the structural contradictions of the Zambian economy remain the same.

If the ESGP, framed and implemented within a better macroeconomic context, was unsatisfactory in achieving its aims and delivering rapid economic growth, then the ERP is swimming against the current. Not only has the macroeconomic context deteriorated at the beginning of the implementation of the ERP, but the dominant conversation has also shifted towards responding effectively to the COVID-19 pandemic while experiencing a debt crisis. ERP proclaims economic recovery during an unprecedented global health pandemic right at the time the country is experiencing both a debt crisis and radically deteriorated macroeconomic context.

In fact, prior to the launch of the ERP, from 2018, the country's international rating has been revised downwards. Fitch Ratings placed Zambia in Downgrade position, while S&P placed Zambia in the negative. These ratings reflected deteriorated credit worthiness of the country. Zambia's debt was being recognised as unsustainable even before the Covid-19 pandemic. In missing its coupon repayment on the Eurobond debt in November 2020, Zambia became the first African country to default debt repayments during the Covid-19 pandemic era.

During the ESGP, the failure of the Government to address fiscal concerns around debt contraction, debt utilisation and expansionary fiscal more broadly was cited as a reflection of weak fiscal Governance (Cheelo, 2018: 14). Specifically, that during the ESGP the

Government was unable to reconcile budgetary allocations with actual releases meant that the implementation systems and mechanisms were not fit for purpose. For most public expenditure programmes, public expenditure was well above the budgetary indicative figures. Thus, it was not accidental nor was it surprising that debt levels must have risen during this period.

Despite these observations during the ESGP implementation, the Government seems determined to deliver economic recovery while responding effectively to the COVID-19 pandemic, alongside addressing fiscal issues around debt contraction and public expenditure. A foreword in the ERP by the President notes that "in line with Article 8 of the Constitution of Zambia (Amendment) Act No. of 2016, the Programme will be guided by the principles of good governance and integrity." Accordingly, perhaps in recognition of the glaring fact that fiscal indiscipline—defined here loosely as inability of the Government to bring the budget deficit to targeted levels—largely precipitated and conditioned performance of the ESGP, the ERP proposes fourteen key structural and legal reforms. The ERP indicates that "these reforms will be undertaken mainly in the areas of fiscal and debt sustainability and dismantling of domestic arrears." These are discussed in the next section.

6. Critical review of the Structural and Legal reforms of ERP

MThe following summarises the reforms and selected indications of what the reforms hope to accomplish, including a critical reflection of some selected proposals:

(i) Business Promotion Reforms;

Reduce cost of doing business by reducing charges for permits and licenses. Also enforce use of the local currency—Kwacha—for all domestic transactions in addition to offering Business Support Services by way of training Business Development trainers while also addresses the skills gap in SMEEs via so-called tailored initiatives.
While this is welcome, it is not clear from the ERP alone what institutional mechanisms will be put in place to fund and deploy these interventions.

(ii) Citizen Empowerment;

Promote local content and empower citizens by comprehensively reviewing the Citizen Empowerment Act and the Zambia Development Agency Act in order to facilitate empowerment interventions for businesses where a threshold of equity is owned by citizens, including introduction of a local content allowance for income tax purposes.

In addition, the Government seeks to establish the trade and industry database as an initiative to promote market linkages and value chains.

Nevertheless, the ERP does not stipulate clearly how productive capacities will be developed and sustained. Economic agents without requisite productive capacities and a holistically supportive ecosystem cannot effectively and efficiently utilise empowerment funds and create their own competitiveness.

(iii) Farmer Input Support Programme (FISP);

The ERP notes that "Government will redesign the Farmer Input Support Programme to improve institutional arrangements and targeting so as to ensure the future sustainability of the programme."

Apart from being emphatic on fully implementing e-voucher system (from the Direct Input Supply system) as necessary for efficient allocation of agricultural inputs, it not clear from the ERP what is meant by institutional arrangements, and exactly what can be tracked and improved. The FISP often features as one of the top five public expenditure items, much higher than public expenditure on 'water and sanitation', for example. In 2016 alone, FISP was fifth largest, receiving an expenditure release of K1.9 billion, an amount 190% of the budget amount. In the same year, 'water and sanitation' came tenth place in terms of budgetary allocation but still received less than what was budgeted.

(iv) Public Investment Management;

To address divergences between planned and actual public capital investment, the Government intends to effectively implement the Public Investment Management Systems (PIMS). PIMS is designed to ensure that appraisal of capital projects before inclusion in the National Budget. Thus, only projects approved via PIMS will be considered for implementation and accorded budgetary allocations.

As crucial as this sounds, the criteria for approval within PIMS are not properly laid out in the ERP. In addition, it is unlikely that pre-approval via PIMS can stop the bloating of public expenditure via public investment projects once these have been approved. In reality, PIMS is simply an approval and filtering system rather than a guide to what is financially feasible. Whether or not it will prosper in reducing the seemingly unrestrained public investment expenditure is a matter that will have to be empirically settled.

(v) Public Procurement Reforms;

By suggesting that the Government seeks to enhance transparency, efficiency, effectiveness, economy, competition and accountability in public procurement, there is a concession on the part of the Government that the current Public Procurement Act No. 12 of 2008 has some weaknesses. In fact, it is being repealed and replaced by a new Act which "will give more opportunities to citizen owned companies to participate in public procurement."

However, the ERP is not clear how the new Act will necessarily achieve all the aforementioned aspects considered to have been deficient in the preceding Act. For example, how will effectiveness and accountability be fostered in the new Act is not clearly indicated. By engaging bidders and suppliers electronically using e-Government Procurement System, it is possible to achieve some degree of efficiency and economy, but it is not clear how concerns around rent seeking and corruption in public procurement will be categorically addressed by these changes.

(vi) Public Financial Management;

The ERP mentions that the Government will fully enforce the Public Finance Management Act of 2018. In this pursuit, Government will also facilitate the enactment and implementation of the National Planning and Budgeting legislation to ensure compliance to planned expenditure including through the PIMS. Nevertheless, this hardly addresses the concerns raised in (iv) above.

(vii) Debt reforms;

The ERP notes (emphasis added) that the "Government will repeal and replace the Loans and Guarantees (Authorisation) Act" so as to "enhance transparency in debt management and increase Parliament's oversight in borrowing activities." This suggests a concession that there were deficiencies in terms of limited scale and nature of transparency as well as oversight by Parliament.

While this indication is commendable, it is not clear how transparency will be promoted and what exactly the government will be transparent about. Will the government be transparent in its borrowing plans, from intention to actual borrowing and finally utilisation, including indicating from whom they will borrow and attached to what terms and conditions? These are some of the crucial issues that frame concerns around public debt acquisition.

(viii) Amendment of the Bank of Zambia Act;

The Bank of Zambia Act No. 43 of 1996 requires to be amended to inter alia provide for its operational independence, additional functions as envisaged by the Constitution and to meet the requirements on monetary and financial integration in SADC.

The ERP does not provide an indication of how operational independence will be achieved in the amendments, nor does is it offer details of the particular amendments themselves. Insulating Bank Zambia from capture by interests and interference is crucial in the effectiveness and conduct of monetary policy, including the institution's ability to promote macroeconomic stability.

(ix) Commitment Control System;

The ERP indicates that "The IFMIS functionality relating to controls will be enhanced, with priority given to areas with weak controls to avoid build-up of domestic arrears. In addition, there is need to review the provisions in the contracts especially in the road sector, to ensure that they are not onerous on the Government."

Enhancement and strengthening of controls is not properly explained in terms of specific institutional changes that will be made to bring this about.

(x) Fuel Procurement;

The Government aims to make petroleum pricing cost reflective. Currently, there are concerns around inefficiencies involved in fuel procurement and the lack of open competition in terms of sourcing fuel imports, by whom, as well as the operational efficiency of distributing agents.

(xi) Electricity reforms;

The Government intends to complete the Cost-of-Service Study in order to inform electricity tariff decisions. In addition, the Government intends to clear all arrears owed to Independent Power Producers. Also, there are indications within the ERP that ZESCO operations will be realigned into separate entities for generation, transmission and distribution.
Two key points are worth reflecting on given these aspirations: firstly, within the context of COVID-19, where will the funds to dismantle these arrears come from and over what time period? Secondly, it is not clear how the separation of ZESCO operations will achieve efficiency. There is need for empirical evidence to inform this decision as there is a risk that separation may in fact bloat administrative and operational costs on aggregate.

(xii) State Owned Enterprises (SOEs);

For SOES, the ERP indicates that "there will be need to undertake a comprehensive restructuring of operations as well as the Balance Sheets of most SOEs in the medium term. This will include asset revaluation; debt swaps (including Debt to Equity Swaps); transformation of business models; divestiture of shares; promotion of joint ventures and Public Private Partnerships (PPPs) and alignment of developmental versus profit objectives. This will be guided by the State Ownership Policy."

There are a variety of lessons to draw from experiences elsewhere around the world in terms of creating and running successful SOEs. An overriding theme however has been solely running SOEs as business profit-making entities. The ERP does not indicate how this will be specifically accomplished in terms of project design, formulation and execution.

(xiii) e-Government Systems;

in the ERP, it is indicated that "Government will continue rolling out e-Government systems to all MPSAs to reduce on human contact and increase transparency, efficiency, security and compliance by utilising solutions such as mobile payments, debit cards, vendor terminals, e-kiosks, electronic point of sale, web based online payments and electronic bank transfers.

Even though the aim is to reduce human contact and foster efficiency, which is commendable, it only serves as a platform for service delivery and collection of government revenue without spelling out how the resources will be safeguarded and efficiently utilised once they have been pooled.

(xiv) Review of the Penalty Regime in the National Pensions Scheme Act;

This is intended to take into account external shocks such as the COVID-19 pandemic, but does not provide for how businesses will be compensated or given relief.

Although reforms in and of themselves do not define how things will play out in practice, they are crucial modifications in conduct and delivery of public goods and services. Nevertheless, one must question their plausibility and the extent to which these reforms will transform the Government architecture for resource mobilisation, allocation and policy implementation as instruments for economic resuscitation.

7. Critical reflections for ERP, conclusion and recommendations

There are some lessons that can be said to have been learnt from the underperformance of the ESGP. However, it is noted that the ERP starts at a time when Zambia seeks to recover from a recession of 2020, and also encumbered by internal and external contradictions. The Zambian economy is estimated to have shrunk by 3-5 percent in 2020, as the entire global economy is still grappling with the Covid-19 pandemic.

Lessons from the ESGP suggest that policy formulation reflected in programmes and strategies set out in economic plans are not easily delivered. Commitments inscribed on paper only do so well as a point of reflection, to assess performance in retrospect, and less as an actual blueprint that can bring behavioural change and institutional efficiency. Granted, even if the commitment is genuine, allocation of resources needs to follow tenets of good governance. It is not justifiable to simply concede that performance was less than satisfactory due to unplanned expenditure on capital project, for example. In fact, that systems and mechanisms have failed to reasonably anticipate certain structural and economic changes suggests there exists room for improvement in economic strategy and management, both in the planning mechanisms and the systems of implementation.

Given low levels of domestic resource mobilisation and a fall over time in foreign direct investment, some goodwill from the IMF to extend Zambia an Extended Credit Facility would be welcome. Zambia's economy has been hard hit by the Covid-19 pandemic, contracting the economy by up to 5 percent. It can be appreciated that while the economy was on a downward trend prior to the pandemic, plunging the economy into recession can largely be attributed to the coronavirus pandemic.

The establishment of the Debt Sustainability Initiative (DSSI) is a concession that a measure of support is required for indebted developing countries, to help them better fight the disruptive effects of pandemic. While the IMF is optimistic about global growth in 2021, forecasting a global growth of 6 percent, there are variations across the world, depending upon the reception and widespread use of the Covid-19 vaccine. The intensity and effectiveness of a blend of fiscal and monetary policies, mediated and influenced by particular structural features and conditions, will also determine how well an economy recovers. Thus, Government commitment to fiscal consolidation must depart from what was witnessed during the ESGP. A failure to arrest and bring within sustainable levels the debt stock sent ripple effects to the rest of the economy. Hence, the solution starts from there; bringing discipline to fiscal management, while prioritising employment-maximising and linkage-optimising growth sectors – agriculture and manufacturing – already identified in the ERP.

Investor confidence influences foreign direct investment; thus, actualisation of discussion with the IMF, with an Extended Credit Facility agreed upon, could support the Government's growth agenda, while sending a signal to the rest of the world that Zambia is back in business. Overall, the macroeconomic context sends a stronger signal to both the IMF and the international development and business community.

The political economy framework offers a nuanced angle to pursue comparative analysis of implementation of development strategies and programmes, in which the interpretation and understanding of political economy dynamics will provide some insight into the successes and failures of development policy. In addition, this may help inform the developmentalism conversation by pinpointing specific actors and players involved in the particular trajectory of capital accumulation. The extent, for example, a development programme incorporates emerging issues such as climate change policy, gender issues and others can be said to be a function of the nuances of political intercourse. Whether or not investments in a particular economic sector bear fruit can also be argued to be rely upon of the configuration of political interests and how they interact, including the distribution of power. Thus, further inquiry can benefit from deeper political economy analysis, which, at present, is beyond the scope of this article.

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