

ZAMBIA RESEARCH NOTE

Mwanakatwe's latest effort

*Published amid much fanfare last week, the ministerial statement on "Addressing Fiscal and Debt Challenges", turns out to be **as unpersuasive¹ as Mrs. Mwanakatwe's report covering the first quarter of 2018.***

1) Emblematic of the document's comedic content is the assurance that:

"The secretary to the cabinet has been directed by the president to immediately issue new travel guidelines that will reduce the number of travels and the size of delegations [to cut down on the cost of running government]."²

As will be recalled, only days earlier an eight-man parliamentary delegation had arrived in Kenya, ostensibly *"to learn from Nairobi's experience in the war against corruption (sic)"*. Kenya's social media erupted in paroxysms of mirth at the unintended irony³.

2) One is inclined to accept at face value the USD 9.5 billion figure⁴ that the debt-sustainability analysis provides for total government debt. But this **estimate only covers funded debt and so takes no account of contingent liabilities** such as sovereign guarantees issued to fund the government's pet projects⁵.

3) It was also instructive to read of the government's resolve to *"carry out an asset-liability management exercise on the debt, to ensure sustainability"*⁶— the implication being that no such exercise has been conducted to date.

On a related note, it was gratifying to read that, *"The ministry of national development planning will establish a multi-sectoral public investment board to scrutinize capital expenditure requests prior to submitting to cabinet"*⁷.

However, the implicit admission that no such evaluation process has been required hitherto is deeply disturbing and supports the anecdotal evidence that **Zambia's procurement system has been a virtual free-for all for senior officials of the Lungu government.**

4) On the subject of the Government's mountain of **payment arrears**, the statement declares that, *"All ministries [are] to concentrate arrears dismantling to areas that will significantly reduce non-performing loans and release liquidity to the private sector."*⁸

However, **no guidance is provided as to exactly how these past-due amounts are to be settled.**

5) In other words, **the ministerial statement should be seen as a non-event, unlikely to expedite discussions with the IMF**, much less facilitate the achievement of macro-economic stability.

¹ The position of the IMF Staff remains, *"We need to see concrete actions"*. | ² See Section 15(iv).

³ It had just been revealed that, over the three previous years, a total of USD 1.4 billion had been misappropriated from a major pipeline project. See *"Hilarious reactions as Kenya's corruption attracts Zambian MPs to Nairobi"*, posted by [Nairobi News](#) on Jun. 12, 2018.

⁴ See Section 10.

⁵ A case in point is the 320 km. Lusaka-Ndola highway, whose 2015 cost estimate was approximately USD 95 million, but has since ballooned to a staggering USD 1.2 billion. As reported, the project is being financed by the Export-Import Bank of China, on the basis of a sovereign guarantee from Zambia.

⁶ See Section 12(iv).

⁷ See Section 15(ix).

⁸ See Section 13(i).

⁹ As will be recalled, the maiden budget presented by Mwanakatwe's predecessor laid out a "strategy" for dismantling the mountain of past-due supplier invoices that hinged on tapping the international market⁹See Section 55 of 2017 Budget. The strategy was quietly abandoned a few weeks later, when it emerged that there would be no bidders for a new Zambian eurobond, at prices acceptable to the prospective issuer.

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