



INTEGRATED PUBLIC FINANCIAL MANAGEMENT (PFM) REFORM STRATEGY

2024 - 2027

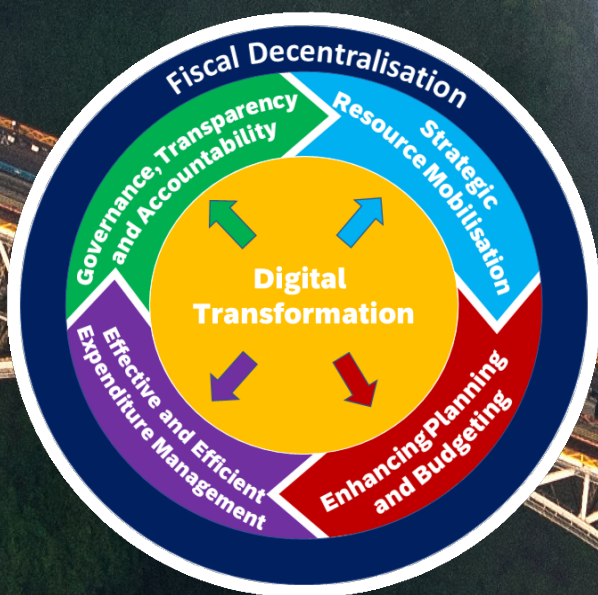




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FOREWORD

The New Dawn Government has a strong commitment to openness in public sector governance, transparency in fiscal operations and reforms for better service delivery to the citizens and communities. However, we are cognizant of the fact that the realization of this transformational agenda hinges on a strong and effective Public Financial Management (PFM) system. The vision of the Government is to have well-functioning integrated PFM that ensures efficient, effective, and sustainable service delivery which meets developmental aspirations of the citizenry, and is poised to transform the country into a middle-income country by 2030.

To achieve this vision, the Integrated Public Financial Management Reform Strategy (IPFM-RS) will serve as a key guiding document. The Strategy is formulated with a view to address the main challenges in the existing system and gear fiscal policy to maximize the potential for inclusive growth and macroeconomic stability. It provides a framework, lays down a roadmap, and delineates the implementation strategy for strengthening the management of public finances in Zambia over the next few years. Implementation of the reforms enunciated in the strategy will be the first step towards putting in place a set of uniform, harmonized and standardized interventions in conformity with international best practices. To this effect, workstreams have been identified for each of the six strategic themes of the Reform Strategy.

For realizing the policy objectives laid down in the IPFM-RS, my Government is fully committed to providing the necessary political stewardship and support as we enter the implementation phase. However, we are mindful of the fact that governance reforms usually take a relatively longer period to gain traction, and therefore I would urge the stakeholders to continue pursuing the PFM reform agenda with zeal and commitment to bring an everlasting transformation and change.

I express my gratitude to everyone who has contributed to the development of the IPFM-RS and Implementation Plan 2024 - 2027. It is my earnest desire that the implementation of the reforms planned in this Strategy are pursued with a mechanism of regular monitoring and review. I look forward to the achievement of the objectives articulated in the Strategy and implementation of the reform measures listed in the Implementation Plan.

The Government remains fully committed to the implementation of the PFM agenda outlined in this strategy. Henceforth, we will ensure transparency and accountability in the public sector, full political support and, together with cooperating partners, we will mobilise resources to achieve the funding required.



Hon. Dr. Situmbeko Musokotwane (MP)

MINISTER OF FINANCE AND NATIONAL PLANNING

ACKNOWLEDGEMENTS

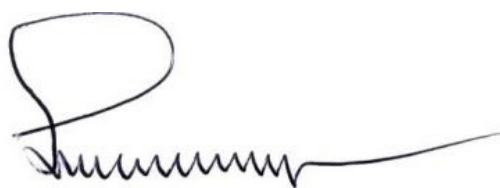
The preparation of the Integrated Public Financial Management Reform Strategy (IPFM-RS) for 2024-2027 would not have been possible without the contributions of various stakeholders and institutions in the public sector in Zambia.

The Treasury is particularly grateful for the support received from the Minister, the steering committee, the Technical Working Groups (TWGs), the secretariat and the entire leadership team of the Ministry of Finance and National Planning (MOFNP) for providing the direction needed in coordinating the stakeholder meetings in developing this Strategy.

We are also grateful for the cooperation received from all the Ministries, Provinces, Agencies, SOEs and departments of Government including Local Authorities and other stakeholders in providing valuable inputs and in the subsequent review of the document to make sure it is comprehensive and captures the key public financial management reforms.

Our sincere gratitude goes to the leaders of TWGs and team for their unwavering dedication and technical input throughout the process. We are grateful to our Cooperating Partners through the GIZ – Good Financial Governance programme for their financial and technical support during the entire formulation process of the Strategy.

Finally, it is our sincere hope the implementation of the Strategy will result in a well-functioning integrated PFM ecosystem and improved financial management practices within the entire public sector to enable efficient, effective, and sustainable service delivery that meets the developmental aspirations of Zambia.



Felix Nkulukusa
Secretary to the Treasury

MINISTRY OF FINANCE AND NATIONAL PLANNING

ACRONYMS

ABB	Activity Based Budgeting
ABP	Annual Borrowing Plan
AFS	Annual Financial Statements
AML	Anti-Money Laundering
BCC	Budget Call Circular
BO	Budget Office
BoZ	Bank of Zambia
BPC	Budget Planning and Consolidation
CAG	Cluster Advisory Group
CFT	Countering the Financing of Terrorism
CIA	Controller of Internal Auditor
CMU	Cash Management Unit
CO	Controlling Officer
COFOG	Classification of the Functions of Government
CPF	Countering Proliferation Financing
DDCC	District Development Coordinating Committee
DeMPA	Debt Management Performance Assessment
ECF	Enhanced Credit Facility (Agreement with the IMF)
E-GP	E-Government Procurement
EMD	Economic Management Department
EU	European Union
FY	Financial Year
GACA	Governance and Anti-Corruption Assessment (IMF report)
GFG	Good Financial Governance
GFSM	Government Financial Statistics Manual
GIZ	German Technical Cooperation
GRZ	Government of the Republic of Zambia
OBB	Output-Based Budgeting
IC	Internal Control
IDMD	Investment and Debt Management Department
IFA	Intergovernmental Fiscal Architecture
IFMIS	Integrated Financial Management Information System
IFRU	Intergovernmental Fiscal Relations Unit
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
LPO	Local Purchase Order
ML	Money Laundering
MMS	Management Monitoring System

MTBF	Medium Term Budget Framework
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
MSAs	Ministries and Spending Agencies
MPSAs	Ministries, Provinces and Spending Agencies
MOFNP	Ministry of Finance and National Planning
NAZ	National Assembly of Zambia
NDCC	National Development Coordinating Committee
NDP	National Development Plan
NGO	Non-Governmental Organisation
NPBA	National Planning and Budgeting Act
OAG	Office of the Accountant General
OBA	Off Budget Accounts
OBB	Output Based Budgeting
PAC	Public Accounts Committee
PDCC	Provincial Development Coordinating Committee
PDMA	Public Debt Management Act
PE	Procurement Entity
PF	Financing the Proliferation of Weapons of Mass Destruction
PFA	Public Finance Act
PEFA	Public Expenditure and Accountability Assessment
PFM	Public Financial Management
PFMA	Public Finance Management Act
PIs	Performance Indicators
PIMS	Public Investment Management System
PIP	Public Investment Plan
PPPs	Public Private Partnerships
SOEs	State-Owned Enterprises
ST	Secretary to the Treasury
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TF	Terrorist Financing
TOI	Tasks, Operations and Investments
TOR	Terms of Reference
TSA	Treasury Single Account
TSD	Treasury Services Department
USAID	United States Agency for International Development
VAT	Value Added Tax
WB	World Bank
WDC	Ward Development Committee
ZPPA	Zambia Public Procurement Authority
ZRA	Zambia Revenue Authority
8NDP	Eighth National Development Plan



EXECUTIVE SUMMARY

Zambia's vision is to have a well-functioning integrated Public Financial Management (PFM) ecosystem which enables efficient, effective and sustainable service delivery which meets the developmental aspirations of Zambia. To achieve this vision, the mission of this Integrated Public Financial Management Reform Strategy (IPFM-RS 2024-2027) is to plan, mobilize and utilise public resources effectively and efficiently in an equitable, integrated, transparent, prudent and accountable manner for a prosperous Zambia.

The commitments made in this strategy and the approaches employed are based upon a situational analysis of the previous PFM reform strategy (2019-22), the findings of the many diagnostic studies which have been undertaken over the last few years and an inclusive and collaborative dialogue between the Steering Committee and the Technical Working Groups (TWGs).

As a result of this work, an integrated and prioritised approach to reform is targeted with emphasis on the importance of coordination and communication across institutions and departments, and the prioritisation of reforms which are the most critical to the functioning of the PFM system. The strategy presents six overlapping Strategic Themes and highlights the interdependencies between them. The first four themes cover the traditional PFM cycle. These are Strategic Resource Mobilisation, Enhancing Planning and Budgeting, Effective and Efficient Expenditure Management, and Governance, Transparency and Accountability. The central theme – Digital Transformation – is seen as an enabler of the first four themes and also a critical platform for integration. The strategy also underscores how the success of the final cross-cutting theme – Fiscal Decentralisation – is contingent upon successful reforms throughout the rest of the PFM cycle.

A high-level Steering Committee supported by a Strategy Implementation and Monitoring Secretariat will be established to drive ongoing monitoring and ensure that implementation is well co-ordinated and sequenced. Further, to ensure necessary flexibility, the Steering Committee will adapt objectives and workstreams as necessitated by emerging issues. In order to successfully effect change, capacity building and communication will be prioritised. Political commitment and widespread ownership of the reform agenda has been engendered through the inclusive nature of the strategy preparation. The Steering Committee's remit to identifying resource gaps and proactive engagement with external partners will ensure the resourcing of the strategy. Finally, a detailed Implementation Plan will elaborate on the methods, timelines and monitoring framework used to realise the ambitious targets set out here.

CHAPTER 1. INTRODUCTION

A solid and strong PFM system has been a key priority for Zambia throughout its history, with the Constitution setting out the guiding principles of PFM for Zambia. These include the importance of transparency and accountability in the development and execution of plans and the promotion of equity in the raising of taxation and in the development of the country. The Constitution also stresses the importance of sustainable public borrowing, prudent and responsible use of public resources, and public participation at all levels of Government in seeking to ensure that these principles are delivered on. The ambition to create a prosperous middle-income nation by 2030 as set out in the Vision 2030 and catalysed through the Eighth National Development Plan (8NDP), recognises that the achievement of economic recovery, stability and economic growth will need to be built on a strong PFM framework.

This Strategy builds upon the wealth of knowledge and experience in PFM from previous governments and from the international community. Following the PEFA assessment that was conducted in February 2017, the Government, with assistance from cooperating partners, prepared and implemented a Public Financial Management Reform Strategy (PFMRS) for 2019 to 2022. In addition, there have been a range of detailed diagnostic studies which have provided insights into how the various aspects of the PFM system can be improved upon which have been undertaken by the Government in conjunction with cooperating partners such as GIZ, the IMF and the World Bank. These have not only provided a snapshot of the strengths and weaknesses of the existing systems, but also a considerable knowledge of how to consolidate, strengthen and transform the systems.

The two key characteristics of this Strategy which permeate every chapter are those of **Integration** and **Prioritisation**. The experiences of the last few years have led to a number of initiatives being developed, but their full realisation has been constrained by a lack of integration across the whole PFM cycle. The goal of this Strategy is, therefore, to ensure that all reform efforts are co-ordinated and integrated. Alongside integration lies the importance of prioritisation. In this regard, the Strategy places a premium on reforms that are needed to reinforce other reforms and these will be the bedrock of the PFM system in the future.

By setting out the critical objectives of PFM reform, this reform Strategy will help other Ministries to understand government priorities and align their own objectives accordingly. Furthermore, the clarity in this Strategy will help identify areas which cooperating partners can support.

The structure of the Strategy is as follows:

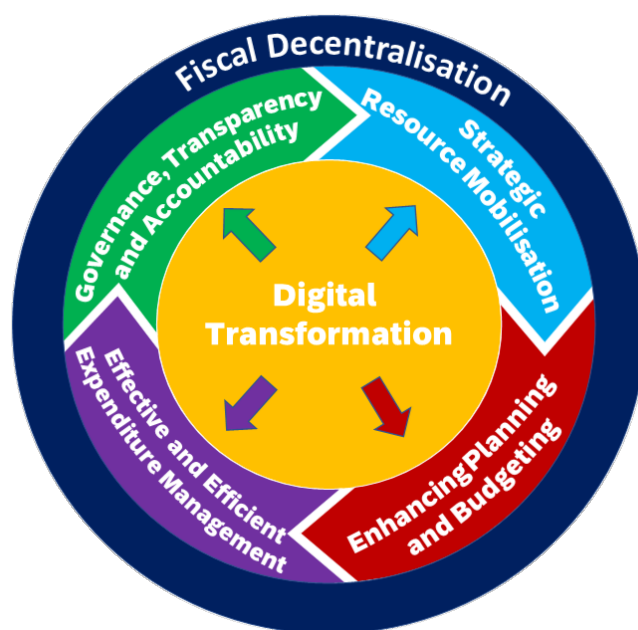
- **Chapter 2** sets out the main body of the strategy in six **Strategic Themes** and six associated **Strategic Results**. For each theme, the Government's current performance and challenges in key areas are highlighted, followed by Strategic Objectives which have been identified to address these challenges. Each Strategic Objective is then elaborated by outlining its intended result(s), target(s) and associated workstreams to achieve that objective, with workstreams divided into immediate (in the next 9 months) and medium-term (the 3-year strategy period).
- **Chapter 3** describes the **institutional arrangements** which will be needed to drive implementation and monitoring.
- **Chapter 4** describes the **change management** that will need to occur.
- **Chapter 5** sets out the **challenges, risks, and opportunities** of this strategy, as well as **next steps**.

CHAPTER 2. STRATEGIC THEMES

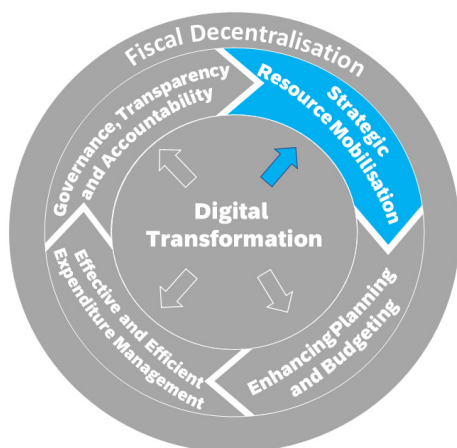
The six Strategic Themes together with their associated Strategic Results are set out below. Collectively, they detail how Zambia will improve public financial management and are consistent with the IMF-ECF programme. They capture the activities of the MOFNP as well as key agencies within the Government with responsibilities for planning, collection, stewardship and the spending of public resources.

Strategic Theme	Strategic Result
Strategic Resource Mobilisation	An integrated, enhanced and diversified revenue collection system and effective public debt management.
Enhancing Planning and Budgeting	An effective allocation and utilisation of resources.
Effective and Efficient Expenditure Management	An integrated and transparent expenditure system (cash management, accounting, reporting, procurement, and payroll).
Governance, Transparency and Accountability	Robust and resilient systems, credible oversight, and effective governance systems.
Digital Transformation	Fully automated and integrated information systems to support efficient and effective service delivery.
Fiscal Decentralisation	Efficient and effective service delivery at the local level.

The first four themes are consistent with a conventional representation of the PFM cycle, but the distinctive feature of the Zambian Reform Strategy is the centrality of Digital Transformation, both as an enabler of the first four themes and as a platform of integration underpinning all thematic areas. The scope, influence and ultimate impact of the transformation is represented by a set of concentric circles which sees changes envisaged in the Reform Strategy affecting the MOFNP and its statutory bodies such as ZRA and ZPPA. In addition, this has a ripple effect to other MPSA's and ultimately Local Authorities (LAs). The retention of Fiscal Decentralisation as a theme highlights the priority accorded to service delivery at the local level and the central role of the MOFNP in this. There are a range of cross-cutting issues that are reflected across all themes including equity, gender, climate change and corruption, which highlight the importance of integration to this Strategy.



2.1. STRATEGIC RESOURCE MOBILISATION



Strategic resource mobilisation, which comprises of both the Government's revenue collection and its financing capabilities, is crucial in securing inclusive growth and achieving the 2030 Sustainable Development Goals (SDGs). This section outlines how the Government will create an integrated, enhanced and diversified revenue collection system and an effective debt management system to ensure that resources will be available over the medium-term to effect Zambia's economic transformation.

Zambia's medium-term goal is to increase and sustain domestic revenue mobilisation to at least 22.5% of GDP and therefore progressively narrow

the annual fiscal deficit. This target will be achieved by strengthening tax policies, diversifying the revenue base, enhancing tax administration, closing tax leakages, harmonising tax rates, reviewing tax incentives and their governance, improving taxpayer compliance and inter-institutional collaboration, and enhancing the legal framework. Priority will be placed on fair and equitable taxation, as well as establishing a stable and predictable tax policy environment, and fully utilising the opportunities that digitisation can provide. This section also outlines how resources can be mobilised through climate financing and how public debt management can be strengthened to improve Zambia's financing capabilities in the medium-term.

This strategic theme builds upon key diagnostic and consultancy reports that have been produced over the last few years including the Action Plan on Domestic Resource Mobilisation (2022 to 2025), the 2022 Tax Administration Diagnostic Assessment (TADAT) and the June 2023 Paris debt restructuring agreement. In addition, the Addis Tax Initiative, to which Zambia is party, will guide future recommendations on green taxation and the development of a climate strategy. Together with the agreements reached with the IMF, these documents have informed the workstreams identified in this strategy.

2.1.1. Current performance and challenges

Zambia's revenue to GDP ratio of 20.5% over the period 2018-2022 compares favourably with some countries in Sub-Saharan Africa such as Uganda, Kenya, and Tanzania. However, it lags significantly behind SADC countries like South Africa, Botswana and Namibia where revenue to GDP averaged 26.6%, 28.5% and 31.4%¹ respectively over the same period. Zambia relies heavily on mining-related taxes, which can be volatile and subject to external shocks, with some additional revenues coming from non-mining income tax and non-mining value-added taxes. However, tax incentives across sectors, designed to promote diversification away from mining, have led to distortions, rent seeking and tax avoidance consequently contributing to the erosion of the tax base.

Zambia has implemented a series of tax and non-tax policy and administration reforms that have resulted in a modern revenue collection system that has strengthened the mobilisation of revenues. However, whilst ZRA's registration database is fully digitized, centralized and its design meets international good practice; there is still uncertainty regarding the number of registered taxpayers and the accuracy of the database. The TADAT Performance Assessment

Report published in March 2022 highlighted ZRA's successful leveraging of technological innovations to enhance performance and improve tax compliance. However, weaknesses identified in the important area of tax administration included inaccuracies in the taxpayer register, a lack of systematic risk management, an inadequate interface between the revenue accounting system and the MOFNP, and the absence of regular tax audits by OAG.

An important step towards greener tax policy was achieved in 2022 when the Government removed explicit fuel subsidies. However, Zambia's current policy framework rarely identifies opportunities for climate financing. A report on Green Fiscal Policy in Zambia, commissioned by the GIZ Good Financial Governance programme and published in June 2023, highlighted opportunities for Zambia such as the introduction of green fiscal policy instruments. The report proposed a combination of green taxes and incentives to mobilise more resources and increase fiscal space.

Zambia's total debt stock stood at US\$27.7 billion as of June 2023², with external debt accounting for 55.4%. Significant progress has already been made to restructure external debt through engagement with external creditors, and the final agreement should lead to the restructuring of over half of Zambia's debt which would then create the fiscal space for the provision of critical social and economic services. In terms of public debt management governance, the Public Debt Management Act (PDMA) No. 15 of 2022 provides a major step towards more transparency and accountability. Provisions in the PDMA set the ceiling for the total debt stock at 65% of GDP and for external debt service cost at 20% of revenue. They also mandate the establishment of the Debt Management Office (DMO), all of which are key to ensuring sustainable debt contraction. Significant progress has also been made towards the reporting of the debt position, with the Debt Statistical bulletin now published quarterly. Still, some of the 2018 Debt Management Performance Assessment (DeMPA)³ report recommendations, including the lack of analytical reports on debt execution and a lack of regular meetings with market participants, remain to be addressed. The Domestic Arrears Dismantling Strategy, which was recently developed, will play an important part in the overall debt strategy.

2.1.2. Strategic Objectives

In order to tackle the challenges outlined above, the Government commits to implementing the following four strategic objectives:

1. To enhance resource mobilisation by diversifying revenue sources
2. To increase tax compliance by automating and integrating revenue collection
3. To develop a climate finance resource mobilisation strategy
4. To strengthen public debt management

These objectives demonstrate the continuous improvements that the Government will make to achieve an integrated, enhanced, and diversified revenue collection system and effective public debt management system.

2.1.2.1. Strategic Objective 1: To enhance resource mobilisation by diversifying revenue sources

Bringing more taxpayers into the system by formalising households and firms and curbing leakages is crucial to increasing Zambia's revenue to GDP ratio and providing the resources the Government needs to invest in the future of the country. The Government seeks to increase the revenue base by creating a stable and predictable tax environment. This will be achieved by adopting policies to eliminate distortions and optimising the tax schedule. The Government also commits to developing a Medium-Term Revenue Strategy (MTRS) which would entail a holistic review of the Zambian tax policy environment and of strategies for domestic resource mobilization, including considerations of fairness and equity. This document will also provide an important tool for Government to promote strategic sectors for economic growth. A review of tax incentives and their overall governance will serve as another pillar in the Government's efforts to enhance revenue collection. Finally, the Government commits to improving financial reporting by cooperating partners, enabling it to better leverage the financial assistance received.

2.1.2.2. Strategic Objective 2: To increase tax compliance by automating and integrating revenue collection

The Government believes that data-driven tax administration can increase tax compliance and reduce costs associated with tax collection. The Revenue Action Plan estimates that efficiency gains can deliver a potential of 2% of tax revenue to GDP, and a recent paper from UNU-WIDER⁴ indicated that compliance with Corporate Income Tax in just the mining sector could provide an additional 1% of GDP. In order to unlock these gains, the Government will take further measures to improve the accuracy of the taxpayer database and improve taxpayer compliance. The existing Bulk Intelligence Data Analytics (BIDA) system, which is designed to enable the ZRA to make better analytical use of existing taxpayer data, will play an important role in this. The Government also seeks to fully integrate the ZRA system with those of other government departments and private agencies. This will help to increase the availability and quality of taxpayer data and thus support efforts in combating tax evasion. Finally, the Government will review the legislative position to ensure that all actions and initiatives are fully supported by the appropriate legislation.

2.1.2.3. Strategic Objective 3: To develop a climate finance resource mobilisation strategy

Climate financing is an underutilised tool that could provide the Government with critical extra resources. To this end, the Government will develop a climate finance resource mobilisation strategy which will both identify external financing opportunities and interventions and therefore help Zambia mitigate and adapt to the climate challenges it faces. This climate finance resource mobilisation strategy will build on work already underway to raise additional resources, manage the repayment of concessional finance through a comprehensive debt strategy, and improve the capital investment process. This will shape and prioritise the actions that need to be taken against climate change and provide a focal point for this important topic. It will also integrate the findings of the 2024 PEFA assessment, which will have a specific module looking at the capability of the Ministry of Finance and National Planning in this area.

2.1.2.4. Strategic Objective 4: To strengthen public debt management

A strong public debt management system is critical to ensuring sustainable borrowing, the prudent utilisation of public funds, and creating fiscal space to fund social and economic policies. A significant achievement has already been made towards reducing public debt to sustainable levels following the agreement with international creditors in Paris in June 2023, and the enactment of the Public Debt Management Act in 2022. The Government is committed to translating this agreement into practice and further negotiating with private and domestic creditors. In terms of enhancing public debt management, the Government will institute recommendations from the Debt Management Reform Plan developed in 2019. This will include taking steps to improve links between the new DMO and other units of the MOFNP and ancillary institutions, the importance of which has also been highlighted in various consultancy reports⁵. Reforms in this area will crucially help align the demand for short-term financing from the Government with the ability of the financial sector to provide financing. Enhancing oversight of public debt management is critical to prevent unsustainable borrowing, minimise borrowing costs and to promote transparency and accountability. The Government commits to regular reporting of the debt position, which will provide additional information of interest to the National Assembly, Creditors, Citizens, and other interested parties, and thus improve oversight, transparency and accountability, and strengthen investor confidence.

2.1.3. Intended results, targets and workstreams

STRATEGIC THEME: Strategic Resource Mobilisation		
STRATEGIC RESULT: An integrated, enhanced, and diversified revenue collection system, and an effective public debt management system		
STRATEGIC OBJECTIVE 1: To enhance resource mobilisation by diversifying revenue sources		
Intended Results	Targets	Workstreams
Increase in the revenue base.	Increase the revenue to GDP ratio to 22.5% by 2025.	Immediate: - Harmonise corporate income tax rates. - Adjust rates and thresholds across the tax system. - Merge the Large Taxpayer Offices for direct and indirect taxes to better focus on this group. - Develop a tool to improve financial reporting by cooperating partners. Medium-term: - Develop a Medium-Term Revenue Strategy. - Implement the two-pillar solution to address the challenge arising from the digitalisation of the economy. - Reform the tax incentive system. - Develop mechanisms to manage resource revenue volatility over the medium-term.
STRATEGIC OBJECTIVE 2: To increase tax compliance by automating and integrating revenue collection		
Intended Results	Targets	Workstreams

Increased compliance and reduced costs associated with tax collection.	• Increase the revenue to GDP ratio to 22.5% by 2025.	Medium-term: • Enhance ZRA's links with other Government IT systems. • Undertake a legislative review. • Undertake an external audit of ZRA. • Undertake a special audit of ZRA aimed at reviewing the cost and methods of revenue collections. • Strengthen compliance through a dedicated unit of the OAG. • Operationalise a systematic taxpayer compliance risks system. • Develop a strategy for the reconciliation and collection of tax arrears.
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STRATEGIC OBJECTIVE 3: To develop a climate finance resource mobilisation strategy

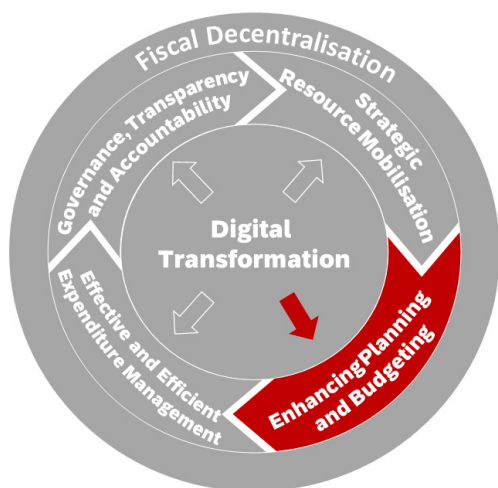
Intended Results	Targets	Workstreams
Climate finance becomes a viable resource mobilisation strategy.	• A strategy is developed.	Medium-term: • Building on existing measures and reports, develop a strategic plan for climate finance resource mobilisation.

STRATEGIC OBJECTIVE 4: To strengthen public debt management

Intended Results	Targets	Workstreams
Public debt is reduced to sustainable levels.	• Reduce domestic borrowing to 4.8% of GDP by 2026. • Reduce Central Government Debt to GDP to 70% by 2026. • Reduce interest payment/GDP to 7.1-7.2%. • Annual Debt Sustainability Analysis Report is produced. • Medium-Term Debt Management Strategy (MTDS) 2023-2025 is produced. • 100% of the targeted External Debt loans restructured under the G20 Common Framework.	Immediate: • Expedite the conclusion of the debt restructuring process. • Develop a framework for debt restructuring in consultation with the Creditors, drawing on the discussions and agreements in Paris. • Strictly adhere to the Annual Borrowing Plan (ABP). • Ensure new borrowings are informed by debt sustainability analysis. • Define fiscal rules/targets for public debt benchmarks. Medium-term: • Conduct a debt sustainability analysis annually to inform Government borrowing decisions. • Leverage support from cooperating partners to maximise concessional financing. • Develop an annual borrowing strategy informed by results of the MTDS. • Develop and operationalise the arrears dismantling strategy.

Public debt management systems are enhanced.	• The Debt Management Office is established and operationalised. • Regulations and Guidelines on Public Debt Management developed and operationalised. • Assessment tool for Sovereign Guarantees & On-lent Loans developed and operationalized. • Monthly/ Quarterly/ Annual Debt Statistical Bulletin (DSB) published on time.	Immediate: • Continue undertaking roadshows to market Government securities. • Align the Debt Management Office to international best practice, in line with the PDMA. • Institute procedures to ensure the timely publication of data. • Publication of Quarterly and Annual Debt Statistical Bulletins (IMF-ECF). Medium-term: • Develop regulations to guide MPSAs on procedures for public debt contraction, implementation, monitoring and reporting. • Develop tools to assess the financial performance of SOEs. • Develop tools for assessing fiscal risk in SOEs. • Build capacity of the Debt Office in assessing performance of SOEs. • Revise the Debt Management Strategy in light of the restructuring agreement. • Review the staffing and capacity of the Debt Office. • Quarterly debt statistical bulletins to be published within 2 months after the close of each quarter.
Enhanced oversight of public debt management.	• Annual Borrowing Plan approved by Parliament. • Quarterly/Annual Internal Audit Report on Public Debt. • Annual External Audit Report on Public Debt.	Medium-term: • Implement NPBA and PIM guidelines on feasibility assessment of public projects. • Build capacity of Internal/External Audit in procedures for public debt audits. • Strengthen compliance through a dedicated unit of the OAG. • Increase transparency through regular parliamentary debate and scrutiny.

2.2. ENHANCING PLANNING AND BUDGETING



Integration lies at the heart of the reform agenda across Government, but particularly in the area of planning and budgeting. Proper planning and budgeting are critical to public service delivery as it enables the effective allocation and utilisation of resources. In this theme, the key frameworks and processes crucial to the smooth functioning of Government will be addressed. Planning and budgeting underpin other themes in this reform strategy. In particular, effective and efficient expenditure management is not possible without a credible budget and effective cash management process, which are also not possible without a strategic resource mobilisation plan.

In order to enhance planning and budgeting, the Government recognises the need to improve forecasting, which underpins all plans, as well as tackling the mechanisms and processes of budgeting. Effective coordination between institutions and digital solutions will be needed to achieve this. Improvements in these areas will lead to significant improvements elsewhere in the budget cycle and enhance the Government's ability to deliver the critical services that the country needs. Finally, the Government also recognises the importance of reforms to further mobilise private capital, which will be essential to meeting Zambia's development needs.

There have been a number of key diagnostic reports that have been undertaken in the recent years and the analysis and subsequent recommendations in this area are drawn from these reports. These include the 2017 PEFA report, the 2023 IMF Diagnostic Report on Governance and the 2021 OBB Downwards Linkages Study, commissioned by the GIZ GFG Programme.

2.2.1. Current performance and challenges

Concerns about the credibility and reliability of the budget in Zambia are long-standing and actions to address them were central in the previous PFM reform strategy. These included issues of comprehensiveness (the lack of a consolidated budget), the need for better costed programmes, and the need to link revenue and macroeconomic forecasts with proposed expenditures. Fiscal and macroeconomic forecasts lack credibility due to inaccuracies. There is a disconnect between the objectives outlined in Zambia's medium-term development plans and the budget – the budget should contribute towards the implementation of plans, but the connection is not always clear. The MTBP tends to contain minimal reference to the policies, priorities, projections and allocations set out in the previous year's MTBP, meaning that there is a lack of structured institutional learning and knowledge management which could be used to improve forecasting over time. Furthermore, political decisions with considerable fiscal implications over the medium-term are often made without an explicit or credible estimate of the amount of fiscal space in the forthcoming year or in the medium term. This inevitably undermines the credibility of the budget and compromises Cabinet's ability to make informed political choices on new projects or on the expansion of existing programmes. Finally, the Budget scrutiny process – in which Parliament plays an important role – needs to be strengthened.

Another weakness within planning and budgeting concerns the capital investment process. Currently, investments are only taken into account for the budget year, but the medium-term impact of investment on expenditures through recurrent spending is not captured by the MTBP.

Only projects that are appraised should be included in the budget. Project execution is an ongoing weakness. One important step forward has been the passing of the Public-Private Partnership Bill in 2023, which provides updated procedures for the approval, award, and implementation of PPP projects.

2.2.2. Strategic Objectives

To ensure that Zambia's public resources are effectively allocated and utilised, the Government commits to implementing the following three strategic objectives:

1. To improve the credibility of the budget by developing a robust fiscal and macroeconomic forecasting framework
2. To enhance coordination by implementing an effective mechanism for planning and budgeting
3. To enhance the capital investment process

2.2.2.1. Strategic Objective 1: To improve the credibility of the budget by developing a robust fiscal and macroeconomic forecasting framework

In order to improve the credibility of the Zambian Budget, the underpinning forecasting of the macroeconomic and fiscal framework will be enhanced. The Government commits to tackling issues around the content and accuracy of the forecasts, data being available at the right time, and the right data being used. Furthermore, adequate structures will be put in place to encourage and promote communication at the front end of the Budget process. Accurate revenue forecasts will be particularly important and so there will be need for close liaison between ZRA, the Tax Policy Review Committee of the MOFNP, and EMD.

2.2.2.2. Strategic Objective 2: To enhance coordination by implementing an effective mechanism for planning and budgeting

Co-ordination mechanisms across the Ministry will be enhanced, ensuring that revenue, investment and debt planning are all properly integrated into the budget preparation process. The Government pledges to increase the transparency of the overall process so that different groups, both inside and outside of Government, will know when to engage. Monitoring of the budget process will be enhanced so that feedback can be given and received and a virtuous learning cycle can be developed. Improvements in engagement, reporting arrangements and general integration will have a major impact here. Finally, the urgent take up of the SAP Budget module is critical to ensure that there is a consistent classification of Budget and expenditure data.

2.2.2.3. Strategic Objective 3: To enhance the capital investment process

The Government will ensure that all major projects included in the budget in future have been through an appraisal process and that projects are completed in a timely fashion. Achieving the first will positively influence the latter, as costs will be rigorously appraised and recurrent costs are properly budgeted for. Furthermore, the Government commits to mobilising private capital to meet development needs, including through PPPs, whilst also developing robust processes to manage fiscal commitments and contingent liabilities arising from these financing sources. It is recognised that it will take some time for all of these actions to flow through and so the likely impact will not be until the end of the strategy period.

2.2.3. Intended results, targets and workstreams

STRATEGIC THEME: Enhancing Planning and Budgeting

STRATEGIC RESULT: Effective allocation and utilization of resources

STRATEGIC OBJECTIVE 1: To improve the credibility of the budget by developing a robust fiscal and macroeconomic forecasting framework

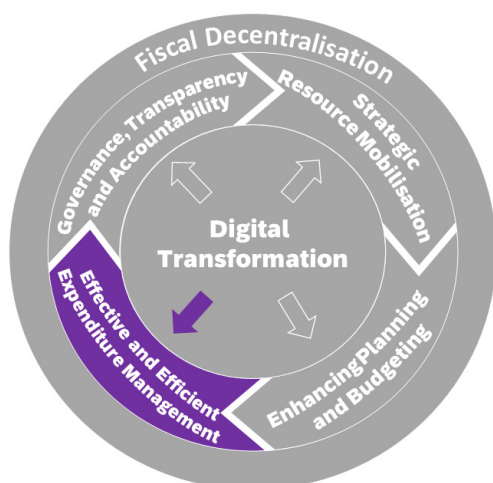
Intended Results	Targets	Workstreams
A more accurate, resilient, and credible forecasting model.	% reduction in forecasting errors of GDP growth, inflation and revenue.	Immediate: - Review forecasting model and the process of collating forecast information in a timely way to feed into the Budget process. Medium-term: - Develop a revised forecasting model. - Timely and regular engagement with the Budget Office by Debt Management and Treasury Services. - Improved communication channels between MPSAs, Budget Office, ZRA, Debt Management, Treasury Services, BoZ and EMD.

STRATEGIC OBJECTIVE 2: To enhance coordination by implementing an effective mechanism for planning and budgeting

Intended Results	Targets	Workstreams
Enhanced stakeholder participation in planning and budgeting.	- Quarterly meetings held for public bodies to enhance stakeholder participation in planning and budgeting. - Undertake public engagements on planning and budgeting. - Revised National Planning and Budgeting Act. - All MPSAs report performance through the MMS.	Immediate: - Strengthen operations of NDCC, CAGs, PDCCs, DDCCs, and WDCs. - Enhance participation of citizens in formulation of plans and budgets. - Allow tax submissions to be received throughout the year. Create an office for this purpose. - Revise the National Planning and Budgeting Act to enhance the integration of development and investment plans into the MTBP. - Ensure that the supplementary appropriation act complies with regulations and provides the source of financing of the new appropriation (Article 45 NPBA). Medium-term: - Strengthen feedback mechanisms in planning and budgeting processes. - Strengthen Monitoring, Evaluation and reporting at national, provincial and district levels. - Implement reporting through the Management Monitoring Systems.

Integration of the budget and expenditure modules.	SAP Budget module is fully utilised in the budget cycle.	Medium-term: System implementation of SAP together with associated training.
STRATEGIC OBJECTIVE 3: To enhance the capital investment process		
Intended Results	Targets	Workstreams
A streamlined and effective capital investment system.	100% of Public Investment Projects appraised before inclusion in the MTBP and National Budget. 80% of MPSAs allocating resources towards on-going projects annually before starting new projects. 80% of projects submitted appraised annually. - Increase access to private finance to enable more investment in infrastructure.	Immediate: - Prioritise resource allocation to complete high impact projects. - Capacity building in public investment planning, preparation, and project appraisal. Medium-term: - Revise and operationalise the PPP Act to promote the participation of the private sector in infrastructure projects and strengthen the institutional framework. - Review and appraisal of Project Concept Notes, pre-feasibility and feasibility studies. - Strengthen policy and legal framework for effective public investment management. - Strengthen coordination within MoFNP, and between MoFNP and other MPSAs on prioritization of resources. - Conduct validations of project implementation status.

2.3. EFFECTIVE AND EFFICIENT EXPENDITURE MANAGEMENT, ACCOUNTING AND REPORTING



This theme covers all elements relating to Government expenditure, from budget execution to accounting and reporting. Creating a fully automated and integrated accounting and budgeting system is integral to managing Government resources more efficiently. Digitisation will, once again, play a large role in the solutions highlighted in this theme. Given the level of external scrutiny on public expenditure, the improvements described here will play an important part in restoring faith and confidence in the Government.

One of the key weaknesses in the current expenditure management framework is the disconnect between budgeting and accounting systems as these are maintained on separate platforms. Integration, therefore, remains a priority of the Government. Procurement and payroll cover the bulk of Government expenditure, and thus are given considerable focus here. The recommendations of this theme are informed by the 2017 PEFA assessment, the OBB framework review and the 2019 analysis based on the Methodology for Assessing Procurement Systems (MAPS).

2.3.1. Current performance and challenges

In 2021, the Government commissioned a major review of the OBB framework⁶ which concluded that budget execution and implementation processes were not aligned to the OBB requirements and principles, and consequently, did not provide credible performance information for effective budget management and decision making. The report also highlighted fundamental disconnections between the upstream and downstream budget formulation and management processes, in particular, weak links in operational planning in the spending entities, procurement planning, expenditure forecasting and the budget release process. Other factors contributing to the weakness of the OBB process included: the misalignment between the core OBB system and IFMIS budget classification; the use of parallel and stand-alone electronic systems for budget formulation and execution; and a lack of a functional and forward commitment planning and control process for effective expenditure control.

A cash rationing approach has led to budget execution problems with concerns about cash shortages or Treasury auctions taking place when there has been no need to borrow domestically. This, in recent years, has resulted in an increase in fiscal imbalances rather than a management of Government finances within prescribed limits. There are also weaknesses in the forecasting of cash, particularly in relation to revenue. There are a number of contributory factors to explain this, including the fragmented nature of the overall cash management process and the lack of senior management oversight. Despite the work done on the development and introduction of the Treasury Single Account, proliferation of bank accounts in commercial banks outside TSA and central government oversight remains a challenge. The most recent Cash Management review undertaken by the World Bank⁷ makes a number of recommendations including an assessment of where a cash forecasting unit should sit.

Public procurement accounts for approximately 10% of GDP and is one of the key areas of Government weakness and corruption vulnerability, and therefore must be given priority within the overall reform agenda. Procurement activities need to demonstrate value for money, transparency, propriety and fairness. Zambia has achieved significant modernisation of its public procurement system over the last decade, particularly in its legal and institutional framework based on the Public Procurement Act of 2020 and the Procurement Regulations Act of 2022. The 2019 analysis based on the Methodology for Assessing Procurement Systems (MAPS), shows that Zambia has great potential to transform its procurement system and improve overall use and accountability of public resources. In terms of areas for improvement, the report noted that contract management practices were weak with only a quarter of all contracts being implemented on time. This is often caused by delayed payments that result in the Government accumulating payment arrears and inevitably driving up prices of future contracts. It was additionally observed that, although there is a strong legal framework covering fraud and corruption and a strong mandate for the ZPPA and OAG to investigate, there is no systematic detection, prevention, and prosecution of procurement-related corruption cases. Corruption is also believed to lead to inflated costs of high-profile tenders and construction projects. Policies addressing internal controls to combat corruption are discussed under Strategic Theme 4.

The final crucial area of budget execution is payroll management, representing over 30% of total Government expenditure. The 2017 PEFA report highlighted weaknesses in the payroll management system due to a lack of payroll controls and audits. It also found failures to terminate retired or deceased officers from the payroll.

2.3.2. Strategic Objectives

To develop an integrated and transparent expenditure system, the Government commits to implementing the following four strategic objectives:

1. To improve budget execution by operationalising a fully automated and integrated accounting and budgeting system
2. To develop an effective mechanism for cash management
3. To enhance and automate public procurement
4. To strengthen payroll management controls

2.3.2.1. Strategic Objective 1: To improve budget execution by operationalising a fully automated and integrated accounting and budgeting system

The Government commits to improving budget execution by strengthening the regulatory framework and developing and implementing comprehensive OBB procedures manual. The full operationalisation of commitment control, as observed by the IMF and the 2017 PEFA assessment, is also a priority. The integration and automation of the main accounting and budgeting systems represents another critical objective to be achieved in the time period of this strategy. There is a need to complete the roll-out of IFMIS to all de-concentrated sites at provincial and districts levels to strengthen the timely capturing and reporting of all financial information on the system. The successful implementation of both the roll-out of IFMIS and the integration will improve the accuracy of the reporting system, improve the credibility of the budget, and improve the overall control environment. The implementation of the measures outlined above will be combined with regular and timely reporting.

2.3.2.2. Strategic Objective 2: To develop an effective mechanism for cash management

Integrating cash management within the public finance management system will prevent unanticipated borrowing that might disrupt monetary policy and help improve in-year remedial fiscal action to address cash challenges. The Government will adopt strategies for improving coordination among the different public bodies responsible for budget formulation, budget execution and those responsible for treasury releases. The ability to actively manage cash and ensure that the appropriate amounts are borrowed domestically will also require extremely close co-operation between the cash and debt units. Organisational issues will be addressed, as well as updating legislation and more explicit guidance and awareness raising amongst staff, including developing a cash-operations manual. The Government will work to improve liquidity by addressing idle cash balances through targeting the effective use of the Treasury Single Account. There is a considerable amount of work to do in this area and its effectiveness will depend in part on the further roll out of IFMIS, which is further discussed below, and in theme 5 on Digital Transformation.

2.3.2.3. Strategic Objective 3: To enhance public procurement

The Government will ensure that procurement planning is properly integrated into the OBB budget preparation and operational planning process. The incorporation of procurement plans will be an explicit pre-condition of any budget release to an MPA. This will help in ensuring the timely financing of planned procurements thereby preventing engagement of bidders without availability of funding. The Government further commits to the full implementation of Section 16 of the Public Procurement Act of 2020, which provides for the mandatory usage of electronic government procurement system e-GP. This will need to be tied in with the broader digital transformation agenda and the more widespread use of IFMIS. The roll-out at the central level is essential, but decisions on how e-GP and digitisation will be taken forward to the local level will need further engagement with stakeholders. This will be an important step towards promoting

transparency, accountability, and value for money. Another area of focus will be on contract management, where there is a need for capacity building to counteract challenges and risks that occur during this stage of the procurement process. The Government also recognises the need for fairer competition between local and foreign players. This will be achieved through full implementation of the provisions of the PPA. Finally, oversight of procurement will be enhanced through specialised procurement audits undertaken by the Auditor General. Collaborative engagements between the Office of the Auditor General and the Zambia Public Procurement Authority in conducting procurement audits will be important in ensuring compliance to the law and reduction in procurement malpractices.

2.3.2.4. Strategic Objective 4: To strengthen payroll management controls

Progress on payroll management will also be contingent on the IFMIS rollout to all de-concentrated provincial sites and districts and the integration of the constituent systems that underpin good payroll management. The Government seeks to conduct data cleansing and eliminate ghost workers, perform system improvements, and commits to decentralising the payroll. This will close loopholes and enable a much stronger reconciliation of data in the various systems. An internal audit process will be conducted to verify the consistency of the current data on the system with existing manual records, which would also pave the way for a review by external audit. The cleaning up of the data will further provide the background for the next stage of decentralising the central payroll to the local level.

2.3.3. Intended results, targets and workstreams

STRATEGIC THEME: Effective and Efficient Expenditure Management

STRATEGIC RESULT: Integrated and transparent expenditure systems (accounting, reporting, procurement, and payroll)

STRATEGIC OBJECTIVE 1: To improve budget execution by operationalising a fully automated and integrated accounting and budgeting system

Intended Results	Targets	Workstreams
An efficient resource utilization and improved reporting system based on a credible budget.	100% elimination of wasteful expenditure, as defined in the Public Financial Management Act. 100% of planned OBB outputs reported. 100% of funds released on time. 100% utilisation of the funds released, while eliminating wasteful expenditure. 100% of all reports submitted on time. - All financial statements have unmodified opinions. 2025/26 Budget to be done on the IFMIS System.	Immediate: - Complete the roll-out of IFMIS and interface with other systems in use. - Mandate the use of IFMIS for all transactions currently able to be undertaken through the system. - Create an OBB compliant accounting classification system. - Build capacity on the usage of the integrated systems and accounting policies and manuals. Medium-term: - Integrate the accounting and budgeting systems and develop a consistent classification system. - Introduce and enforce a full cycle and forward commitment planning and control process. - Ensure that accounting and reporting systems generate reports in formats that are consistent with the plans and budgets, allowing for direct comparisons (PEFA PI-28). - Enhance commitment control within IFMIS to capture multi-year commitments and arrears. - Consolidated guidelines on recognition, ageing, settlement and reporting of arrears. - Align accounting policies and manuals to IPSAS. - Enhance and implement a comprehensive OBB implementation guidelines/procedures manual. - Strengthen the regulatory framework for budget execution including internal and external audit and align with NPBA of 2020. - Establish a comprehensive performance management system that should include the OBB budget M&E Framework. - Separate budget from cash management by introducing a quarterly commitment warrant system (instead of monthly cash releases) as a basis for commitment planning by MPSAs. - Introduce MPSA quarterly rolling operational plans and expenditure forecasts.

STRATEGIC OBJECTIVE 2: To develop an effective mechanism for cash management

Intended Results	Targets	Workstreams
Improved coordination between debt, the cash management system and the banking sector.	- Reviewed PFM Act and Regulations operationalised. - Cash Management Guidelines developed and operationalised. - Number of cash management planning meetings held weekly monthly or quarterly.	Immediate: - Develop a three-month rolling cash plan, based on projected aggregate cash inflows and limits on cash outflows. Medium-term: - Develop a monthly operational cash plan including a daily forecast of cash outflows and inflows. - Re-align functions for budget formulation and management of budget challenges, treasury and cash management functions, public debt management and Central Bank functions. - Establish a coordinating mechanism with clear roles and responsibilities for all units involved in cash management. - Develop expertise and skillsets in staff involved in cash management. - Review and update the PFM Act.
Strengthened cash management arrangements to effectively support the OBB budget execution processes.	- Development of OBB cash management guidelines % reduction in expenditure overruns.	Medium-term: - Define the Cashflow Forecasting and Planning function to the Treasury Service Department (TSD) under Accountant General's Office and assignment of cash limits. - Develop and implement OBB oriented cashflow forecasting model in line with the OBB programme classification framework. - Develop tools for carrying out cashflow forecasting and accurate budget costings in MPSAs. - Develop and implement OBB Cash Management Guidelines.
Improved cash liquidity for payment needs of MPSAs and efficient cash management.	% reduction in idle cash balance in the banking system (BoZ, Commercial Banks). % of MPSAs at National and Sub-national level implementing an integrated TSA and IFMIS system. % of Revenue Collection Agencies implementing an integrated TSA and IFMIS System.	Medium-term: - Integrate all Revenue Collection Agencies and commercial bank accounts to the TSA System. - Set up cash limits in Commercial Bank Accounts for MPSAs. - Integrate a cashflow forecasting function in IFMIS. - Roll out integration of payment system at sub-national level into the TSA system. - Automate & connect all non-tax revenue collecting agencies to the GSB and implement Simplified Transaction Processes (e.g. USSD codes) for online payments.

STRATEGIC OBJECTIVE 3: To enhance and automate public procurement system

Intended Results	Targets	Workstreams
Procurement planning is integrated into the budgeting process.	Procurement plans completed and part of MPSA Budget submissions.	Medium-term: - Ensure all procurement requirements for MPSA's are incorporated into budget submissions and are contained in Operational Plans. - Ensure timely preparation and submission of Annual procurement plans. - Ensure that Annual Procurement Plans are updated throughout the year.
Procurement is more effective and efficient.	100% of MPSAs, parastatals, LAs and projects on e-GP platform by April 2024. - E-GP fully integrated with IFMIS. - Procurement audits are conducted on a regular basis.	Immediate: - Complete the roll out of e-GP to all procuring entities. - Ensure the full application of e-GP at procuring entities. - Conduct capacity building on contract management. Medium-term: - Build capacity in public service. - Conduct training and sensitization of suppliers. - Get buy-in from civic leaders and controlling officers. - Digitise further, especially Local Authorities, with support from Smart Zambia Institute. - Integrate e-GP with IFMIS. - Ensure the full application of the provisions of PPA. - Conduct specialised procurement audits on an annual basis.

STRATEGIC OBJECTIVE 4: To strengthen payroll management controls

Intended Results	Targets	Workstreams
An improved system of payroll management.	80% elimination of payroll related irregularities e.g., under/over payments, duplicate/ghost records.	Immediate: - Data cleansing and elimination of unaccounted for workers. - Internal and external audit of the payroll system, focusing first on the key sectors of education and health. Medium-term: - Monthly management reviews and updates to payroll system. - Implement a quarterly internal audit of payroll. - Make payroll data validation, verification, and reconciliation a routine process for accounting and reporting. - Enhance and strengthen the Payroll Management Establishment Control (PMEC). - Fully operationalise the Human Resources Management System and integrate with IFMIS. - Manage the transition of staff from central to local payroll.

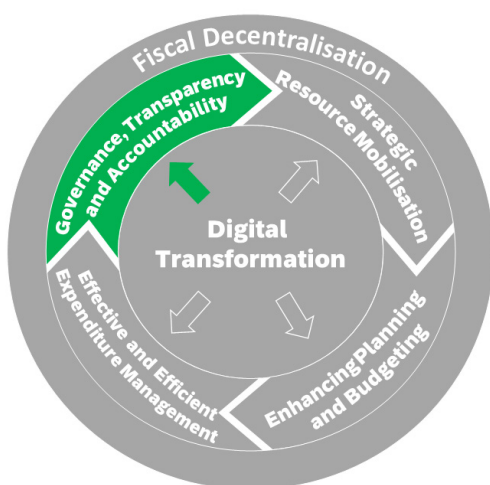
2.4. GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY

A critical element of Zambia's reform agenda is to restore confidence in the public financial management system. Rigorous oversight, strong management and enhanced levels of transparency are important parts of this. The restoration of confidence in Government is dependent on the effectiveness of the oversight role that institutions such as the National Assembly play in the PFM system.

The 2023 Budget speech recognized the commitment of the Government to transparency and accountability in managing public resources. At the same time, the 8NDP refers to the need to strengthen the enforcement mechanisms responsible for upholding principles of integrity among those charged with the responsibility of managing public resources and providing public services. Achieving this will increase investor and citizen confidence, which is crucial to driving forward Zambia's economic and social agenda. One of the key issues observed with the implementation of the previous PFM reform strategy was that audit findings were not acted upon by those charged with governance, and thus this is also a focus of this strategy.

Much of the work envisaged in this area is undertaken by internal and external audit, but there are also important roles for Parliament and the relevant committees which scrutinise public expenditure as well as a broader set of stakeholders who are committed to holding the Government to account. There is also a dependency here on the work that needs to be done on the integration of budget planning and execution so that they can be recorded and monitored on a consistent basis.

2.4.1. Current performance and challenges



Internal audit has continued to evolve over the years and has already developed both a performance audit framework and risk management guidelines. However, internal audit is currently conducting pre-audits alongside other audits, which puts a strain on available resources and may cause conflicts of interest. Consequently, there is also a need to reorient and upskill the internal audit functions to be able to deliver on their core mandate including specialised audits.

External audit has made significant improvements by making sure reports are submitted to Parliament within set timeframes. In addition, the Office of the

Auditor General (OAG) publishes the audited annual report providing budget performance, execution, gaps and challenges. The legal mandate exists for the Auditor-General to conduct financial audits and performance audits in accordance with Article 250(1)(c) of the Constitution of the Republic of Zambia. As noted by the 2022 IMF Diagnostic Report on Governance and Corruption (Governance Diagnostic), however, there is need to bring the OAG's legal framework into force by issuing the statutory instrument. Furthermore, despite the fact that different audit reports together cover the entirety of the public sector, such as Local Government Audit reports and Parastatal bodies Audit Report, they have a different presentation timeframe to Parliament and are being discussed by different committees (Public Accounts Committee, Local Government Accounts Committee (LGAC) and the Committee on Parastatal Bodies).

MoFNP has drafted a fiscal risk management framework that will help put in place a coherent fiscal management policy. It sets out to adopt standards and norms for proactively managing

risks that may affect fiscal performance. A Fiscal Risk unit has been set up, but it requires strengthening in terms of its structure and functions.

With regard to transparency, efforts are being put in place by the MoFNP to update the public on fiscal performance through quarterly press briefings. MoFNP further improved public information through the regular publication on the MoFNP's website of all budgetary documents, including the Green Paper, White Paper, Citizen Budget, National Budget, the audited financial statements, as well as quarterly, mid-year and annual economic reports providing information on budget execution. Debt transparency is ensured by the publication of quarterly debt reports together with the medium-term debt strategy as well as annual borrowing plan. However, in-year budget reports are either not available publicly or not produced in the OBB format.

Another important Governance weakness that Zambia seeks to address is surrounding Anti-Money Laundering (AML). The Governance Diagnostic found that Zambia's legal framework and institutional setup are generally in line with international standards. However, significant legal and structural weaknesses, and deficient implementation practices hinder Zambia's ability to fight corruption and money laundering effectively. In particular, the report found that the understanding of Money Laundering and Terrorist Financing (ML/TF) risks and the application of preventive measures varies significantly between institutions.

2.4.2. Strategic Objectives

The Government commits to attaining the following three strategic objectives, in order to develop robust and resilient systems, credible oversight and effective governance systems:

1. To enhance internal control, risk management and oversight
2. To promote transparency at all levels
3. To strengthen law enforcement by improving the effectiveness of institutions to prevent and counter AML/CTPF

2.4.2.1. Strategic Objective 1: To enhance internal control, risk management and oversight

The Government intends to improve compliance, performance, and stakeholder confidence by enhancing the audit functions and implementing a framework to ensure that recommendations from both internal and external audit work are followed. Increased reliance on internal audit results where appropriate can improve timeliness of external audit reports. This will allow for improved audit coverage, follow-up, and ultimately compliance. Furthermore, a better programme performance evaluation will feed into a well-informed policy analysis and formulation process. This is a fundamental shift that will require a significant mind-set change and capacity enhancement of the external and internal auditors. Joint training with other financial staff is an effective way to engender integration, which remains a key ambition of the overall strategy. The Government intends to deal with resource constraints through a risk-based approach, to ensure that resources are devoted to areas where they can make the most significant impact. The Government also puts explicit focus on risk management to prevent, mitigate and manage fiscal risks. To this end, the Fiscal Risk Management Framework will be updated to ensure that all fiscal risks across the public sector are covered. In particular, the Government will ensure that there is adequate analysis of the potential fiscal risks posed from tax expenditures.

2.4.2.2. Strategic Objective 2: To promote transparency at all levels

The Government remains committed to transparency, building on the guiding principles set out in the of Constitution of the Republic of Zambia. In order to promote transparency, the Government will review the legal framework on the public access to information and promote

information dissemination. Together with a more active outreach by MoFNP aimed at policy makers, this will complement the ongoing efforts of MoFNP to make more PFM information publicly available.

2.4.2.3. Strategic Objective 3: To strengthen law enforcement by improving the effectiveness of institutions to prevent and counter AML/CTF

The Government aims to strengthen the capacity of law enforcement and other competent authorities in intelligence gathering, investigations, prosecution, and asset forfeiture in relation to money laundering, and terrorist financing. In order to achieve this, a training needs assessment will be conducted, followed by the development and implementation of a training program for relevant staff. Inter-agency cooperation will also be strengthened to enable better tracking of suspicious funds.

2.4.3. Intended results, targets and workstreams

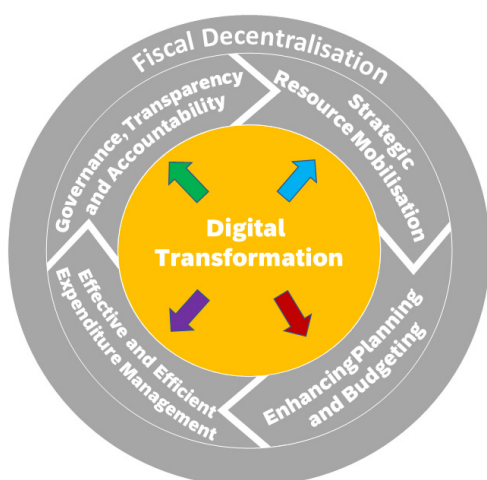
STRATEGIC THEME: Governance, Transparency and Accountability		
STRATEGIC RESULT: Robust and resilient systems, credible oversight, and effective Governance systems		
STRATEGIC OBJECTIVE 1: To enhance internal control, risk management and oversight		
Intended Results	Targets	Workstreams
Improved compliance, performance, and stakeholder confidence.	100% audit coverage achieved. 80% of agreed audit recommendations implemented within agreed timescales. 100% of cases cited in the AG's Report acted on by 2026. - Audits carried out from 2025 onwards consistent with new reporting framework.	Immediate: - Strengthen and update the regulatory framework for audit by operationalising the Public Audit Act of 2016 and the State Audit Commission Act of 2016 (IMF-GACA). - Capacity building and sensitisation in performance audits and other specialised audits for all audit staff. Medium-term: - Implement recommendations on Internal controls, Internal Audit and Risk Management. - Ensure financial audits, performance audits and other specialised audits are undertaken on time. - Establish a dedicated performance audit function and performance audit tools. - Create an audit regime for sub-national Government. - Automate audit functions for both external and internal audit. - Ensure adequate resources for Sub-National Government financial management oversight. - Update operational and performance reporting manuals. - Update internal and external performance audit frameworks, functions and tools. - Strengthen ICT in relation to cyber security and governance risk. - Implement shared tracking system to monitor and report on implementation of audit recommendations.

Enhanced fiscal risk framework.	Revised Fiscal Risk Management framework.	Immediate: - Develop and operationalise a Fiscal Risk Management Framework. - Ensure the Fiscal Risk Statement encompasses all risks across the public sector (IMF-ECF). - Mandate regular preparation and external publication of tax expenditure reports on measures expected to result in significant foregone revenue.
STRATEGIC OBJECTIVE 2: To promote transparency at all levels		
Intended Results	Targets	Workstreams
Improved transparency.	100% compliance with the legal requirements and international standards in disseminating relevant information to all key stakeholders.	Immediate: - Guarantee public access to information by adopting a legal framework compliant with IMF-GACA recommendations. - Train government staff and/or stakeholders on effective information dissemination practices Enhance scope/content on Government websites. - Upload key historical documents to Government websites creating a timeline of fiscal information. Medium-term: - Review publication standards as defined by the Open Budget Index and ensure that the relevant documents are disseminated on a regular basis. - Translate and simplify key reports to increase accessibility across diverse audiences - Establish a system that ensures timely publication and dissemination of fiscal information by local authorities. - Develop a strategy to disseminate information in local languages, promoting transparency at community level.
Political engagement on PFM.	- Quarterly engagement meetings on PFM between Cabinet, MoFNP and MPSAs. 100% Members of Parliament capacitated on PFM.	Medium-term: - Engage Cabinet on PFM through policy briefs. - Empower Members of Parliament and support structures, in particular at PAC, LGAC and CPB through capacity building on PFM.

STRATEGIC OBJECTIVE 3: To strengthen law enforcement by improving the effectiveness of institutions to prevent and counter AML/CTF

Intended Results	Targets	Workstreams
Strengthened capacity of law enforcement authorities (LEAs) in intelligence gathering, investigations, prosecution and asset forfeiture.	• Training Needs Assessment conducted. • 5 training modules developed • 100% LEAs and competent authorities trained. • Inter-agency cooperation is strengthened.	Immediate: • Conduct a training needs assessment. Medium-term: • Develop a training programme to meet the needs identified in the training needs assessment. • Develop training modules. • Undertake relevant training in AML/CTF. • Enhance inter-agency cooperation through collaborative training and capacity building initiatives.

2.5. DIGITAL TRANSFORMATION



The drive to build a fully integrated PFM system within Zambia will be dependent on continued ICT development. Of the six broad themes identified in this strategy, Digital Transformation lies at the centre. It provides tools to support integration and progress in other areas that will be dependent on the full implementation of a comprehensive and integrated digital ecosystem. Strengthening this area will be critical in supporting good management, promoting transparency, and enabling effective control and oversight.

The goals of this theme are to streamline the digital transformation of public finance management through the strategic enhancement of IFMIS and core Enterprise Resource Planning systems (ERPs), eliminate gaps & duplications in implementing ERPs and other software applications, and to strengthen systems compatibility and integration/interfacing for data exchange, visibility and shareability across platforms. In order to achieve this, there is a need to develop a comprehensive rationale for an ICT Governance strategy and enhance capacity in ICT skills. A recent study⁸ has been undertaken to assess the ICT capability within the Ministry of Finance and National Planning and the recommendations that follow are drawn partly from that report as well as from inputs from across the Finance sector.

2.5.1. Current performance and challenges

The progressive development and use of ICT has been an integral part of the development of public financial management for a number of years. Key reforms have included the roll out of the SAP based Integrated Financial Management System (IFMIS) at the central level as well as in selected MPSAs. More recently the Government has been able to adopt and implement Output Based Budgeting (OBB) using the Microsoft Access software platform. In addition to

⁸ Forthcoming, GIZ 2023.

these and the parallel introduction of Payroll Management and Establishment Control (PMEC) solution on the SAP platform, the Government has introduced the Government Service Bus and Payment Gateway (GSB & PG) aimed at digitising the provision of services and collection of non-tax revenues. Digitisation is therefore emerging steadily in public service delivery and there is now an opportunity to build on the existing digital platforms for Public Finance Management to ensure that systems can be integrated and the full benefits of digital transformation within the Ministry and beyond can be realised. In terms of roll out on the local level, there remain 4 out of 62 MPSAs which are yet to be fully connected, and the bigger challenge is to identify an appropriate solution to support the fiscal decentralisation ambitions which are described in the next section.

2.5.2. Strategic Objectives

The digital transformation in public finance management in the next phase of Zambia's development will be built around the following four strategic objectives:

1. To enhance business process automation
2. To modernise ICT infrastructure and systems
3. To enhance data warehousing and analysis
4. To integrate processes & systems

2.5.2.1. Strategic Objective 1: To enhance business process automation

The Government seeks to fully automate and progressively improve various processes in the PFM cycle and the existing financial systems. Automation offers numerous benefits, including increased efficiency through faster and more consistent task execution, substantial cost savings by reducing labour expenses, minimized human errors leading to improved accuracy, and enhanced product and service quality. In addition, it enables 24/7 operation, provides quick scalability to meet demand fluctuations, delivers data analysis for valuable insights, brings heightened safety in hazardous environments, allows for the standardization of processes, empowers employees with more strategic roles and enhances customer experience through streamlined service processes. Finally, the Government commits to building a digital payments ecosystem that fosters trust, interoperability and accessibility.

2.5.2.2. Strategic Objective 2: To modernise ICT infrastructure and systems

The Government will develop secure, resilient, and robust ICT infrastructure and ensure that it is both fit for purpose and fully configured for the increasing demands on the system. This will require a sequenced programme of upgrading and integration of the existing critical public finance system, in line with objective 4. The Government will bolster cybersecurity measures to safeguard sensitive data and protect against cyber threats, mitigating potential risks to the PFM systems. By upgrading hardware, software and the network, the system performance will be improved, and downtime will be reduced, leading to increased reliability and better user experiences. Through these actions, the Government will future proof the ICT infrastructure, ensuring scalability and adaptability to meet the evolving technological demands. During this strategy period, the Government will also improve network connectivity among all the key PFM institutions by adopting a mix of technologies for increased coverage and last mile connection.

2.5.2.3. Strategic Objective 3: To enhance data warehousing and analysis

Reliable and accessible data are crucial to the success of any digital agenda. In Zambia, there remains a large amount of data held in different locations, often in different formats, and causing significant duplication of effort both in their collection and maintenance. To this end, the Government commits to streamlining data capture and storage, abiding by the 'capture once and use many times' principle as it builds and maintains various national data registers. This will result in massive benefits, including improving the quality and accuracy of the data, and will be at the heart of future data initiatives both in this strategy period and beyond. The Government also commits to presenting data in various formats according to the target audience through use of dashboards in order to support evidence-based decisions-making.

2.5.2.4. Strategic Objective 4: To integrate processes & systems

The Government recognizes the importance of harnessing the power of data and system integration to drive and achieve the PFM vision. The Government aims to foster seamless integration across all systems in the PFM cycle, unifying disparate data sources, and breaking down silos between systems to enable real-time insights and informed decision-making. By leveraging cutting-edge technologies and robust integration frameworks, the full potential of Zambia's data assets will be unlocked, enabling the delivery of improved customer experience. The Government shall adopt open data standards to enable sharing, exchange, and interoperability of data across various systems and institutions. Through this transformative approach operational efficiencies will be enhanced, resource allocation will be optimised, and the quality and speed of services will be optimised. In keeping with the Data Protection Law, to the Government commits to maintaining the highest standards of data governance and privacy, fostering trust among stakeholders.

2.5.3. Intended results, targets and workstreams

STRATEGIC THEME: Digital Transformation		
STRATEGIC RESULT: Fully automated and integrated information systems to support efficient and effective service delivery		
STRATEGIC OBJECTIVE 1: To enhance business process automation		
Intended Results	Targets	Workstreams
Increased productivity, improved data quality, reduced process cycle time, increased customer satisfaction.	100% of identified processes and systems automated or enhanced.	Immediate: - Identify manual processes. Medium-term: - Re-engineer identified manual processes to improve productivity, cycle times, quality, and customer satisfaction. - Build a digital payments ecosystem.

STRATEGIC OBJECTIVE 2: To modernise ICT infrastructure and systems

Intended Results	Targets	Workstreams
Improved secure ICT infrastructure, coverage, availability, and performance.	100% of identified ICT infrastructure (Network, Hardware) upgraded/modernized. - Reduced redundancy/downtime for systems. - ICT strategy developed. 90% of staff provided with appropriate ICT equipment and services by 2026. - Capacity development plan developed. - Help desk created.	Immediate: - Develop a subsidiary ICT strategy in the MoFNP to guide overall work and priorities in this area. - Recruit additional ICT staff e.g., analysts and programmers. Medium-term: - Enhance the infrastructure and operational model of the data centres to reflect the needs of business today and the latest technology developments. - Plan for the upgrade of the existing critical PFM solutions e.g., SAP at a time which minimises disruption to other plans. The deadline for this exercise is 2027. - Implement high availability on all systems to improve the performance, availability, and redundancy of systems. - Bolster cyber security measures. - Improve network coverage. - Design and develop an ICT solution for local authorities. - Create a responsive help desk to support all work across the Ministry. - Develop an ongoing capacity development programme alongside a training programme for new users of systems.

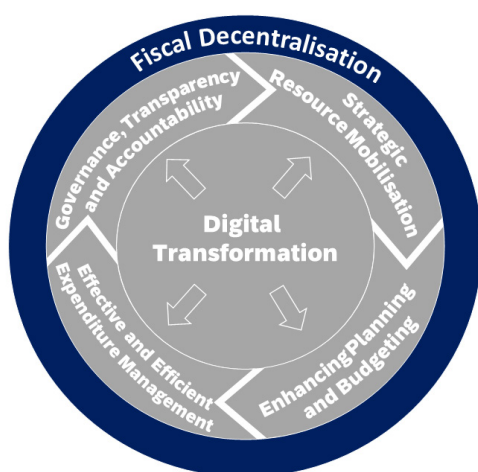
STRATEGIC OBJECTIVE 3: To enhance data warehousing and analysis

Intended Results	Targets	Workstreams
Improved data quality, accessibility, and compliance.	100% identified data registers connected to GSB.	Medium-term: - Implement centralised and consolidated repository of the core data that is used across the operations. - Establish a secure consolidated market-wide Data Warehouse with capabilities to facilitate efficient work processes, research activities, improve statistical information services, regulatory and supervisory activities as well as data management. - Build dashboards to assist with data analysis and evidence-based decision-making.

STRATEGIC OBJECTIVE 4: To integrate processes & systems

Intended Results	Targets	Workstreams
Increased information sharing, seamless communication across various platforms.	100% of identified stand-alone Systems (Nation-wide) automated and connected.	Immediate: - Complete the integration and utilisation of existing PFM digital solutions to enable a streamlined system of budgeting, accounting, and reporting. - Establish interconnections using common code language such as APIs to enable systems to transmit data seamlessly throughout different system solutions. Medium-term: - Complete the roll out of the IFMIS system to all MPSAs. - Take forward the integration of standalone systems in line Ministries such as the Microsoft dynamics system in Health. - Review system segregation and the segregation of roles to ensure appropriate standards of propriety and to minimise the risk of collusion and corruption. - Adopt open data standards, whilst maintaining high standards of data governance and privacy.

2.6. FISCAL DECENTRALISATION



Fiscal decentralisation involves a shift of expenditure responsibility, revenue mobilisation powers, resources, and financing from national to sub-national government units. It aims to ensure that functions devolved to Local Authorities and other subnational structures are matched by the resources required to carry out these functions. The fiscal decentralisation ambitions for Zambia are set out clearly in the National Decentralisation Policy, published in March 2023, which follows the priority assigned to decentralisation in the 8NDP. The policy summarises the current position with respect to decentralisation as well as setting out the steps that will need to be taken to fully realise both the political

ambitions underpinning the policy as well as the ambitions set out in the Constitution, other legal documents and in the agreements with the IMF.

In order for fiscal decentralisation to be successful at improving service delivery, it is essential that accounting and management systems are integrated, to allow for appropriate oversight. It is also essential that a comprehensive framework is developed for the revenue raising. There is need firstly for a focus on what needs to be taken forward at the decentralised level, and then secondly the development of the architecture and financial modalities which will be set up to plan, manage and monitor the flow of funds from the centre to the local authorities. In addition to work at the local level, there is also a need to strengthen the oversight and policy function at the centre of Government. Finally, there is a need for immediate capacity building, supervision, and support.

The steps that need to be taken encompass a broad range of stakeholders at different levels of Government (District, Provincial and National) as well as across Government. The MOFNP alongside the Ministry of Local Government and Rural Development (MLGRD) have taken forward a range of initiatives alongside other actors who all have a role to play for Zambia to realise its decentralisation ambition in the medium term. The objectives and workstreams set out below are drawn from the 2023 IMF TA report on Strengthening Subnational PFM, the forthcoming report on Fiscal decentralisation as well as being shaped by the experience of other countries in the region.

2.6.1. Current performance and challenges

Several institutional and policy initiatives have been undertaken in the last decade as part of political and administrative decentralisation, however, progress has been limited. The Local Authorities (LAs) have not been empowered with adequate authority, resources, and capacity through devolution of centrally managed and funded functions. The Constituency Development Fund (CDF) is, to date, the Government's biggest fiscal decentralisation initiative. CDF targets political subdivisions and funding to ensure development at lower levels of communities is channelled through the LAs. Current high-level political support has created strong reform momentum to move the decentralisation agenda forward. The CDF policy document highlights the reported levels of indebtedness at the local level (K3.7 billion as of the 31.3.22) as an indicator both of the severe resource constraints facing Local Authorities as well as the lack of financial management expertise to adequately manage funds. The indebtedness of LAs is a significant fiscal risk for Zambia requiring immediate action.

The implementation of fiscal decentralisation over the next four years will run in parallel with the current commitment to the CDF. These arrangements must be reviewed to ensure efficient and effective utilisation of funds. The principle that 'funds follow functions' should carefully be followed to ensure that there are structures at the local level to manage and utilise these resources. The IMF Governance Diagnostic also emphasised that progressing the decentralisation agenda without parallel capacity building in budget management and the introduction of accountability and oversight mechanisms would increase exposure to corruption. Finally, there is need to strengthen the oversight over local government finances, both concerning Parliamentary oversight as well as by OAG.

2.6.2. Strategic Objectives

The Government commits to implementing the following four strategic objectives to achieve efficient and effective service delivery at the local level:

1. To strengthen public financial management, accountability and transparency in local authorities
2. To develop and implement an equitable resource management framework in local authorities by 2026
3. To enhance generation of own source revenue in local authorities
4. To reduce debt in local authorities to sustainable levels

2.6.2.1. Strategic Objective 1: To strengthen public financial management, accountability and transparency in Local Authorities

The Government commits to rolling out an integrated financial management system to enable the planning, budgeting, and accounting of resources at the local level. Staff will be recruited to operate the system and deal with a higher level of resources alongside a set of skills in budgeting and reporting on the different financing channels. This will be combined with system strengthening so that the overall level of financial management capacity keeps pace with the increasing level of resources and the increasing demand for information from citizens. Performance standards will be developed for LAs, including norm financial ratios, to promote accountability. The law will be reviewed so that the Report of the Auditor General on Local Authorities is given a timeframe for presentation to the National Assembly and consideration by the Local Government Accounts Committee (LGAC).

2.6.2.2. Strategic Objective 2: To develop and implement an equitable resource management framework in Local Authorities by 2026

A strong fiscal framework is crucial to ensuring that decentralisation delivers improved service delivery at the local level. In order to achieve this, clear policy direction will be needed to operationalise the four pillars of the intergovernmental fiscal architecture, namely: the assignment of expenditure, tax base assignment and revenue sharing modalities as well as the architecture and administration of Intergovernmental transfers. Operational and capacity building support will be provided to the 116 LAs across all facets of the financial management cycle, and work will also be undertaken at the central level to customise systems and develop consistent policy guidelines which can ensure the consistent application of policies at a decentralised level. As well as setting clear guidance on this, there will need to be continued monitoring and surveillance to ensure that this risk is managed. The centre will need to exercise an oversight function and look at how resources can be deployed both to fund Local Authorities as well as to provide the level of training and capacity building that is required. Zambia's commitment to equity is embedded in the Constitution and any policy development of transfers to the local level will reflect this national commitment.

2.6.2.3. Strategic Objective 3: To enhance generation of own source revenue in Local Authorities

The decentralisation agenda relies upon a greater proportion of resources being available at the local level. In order to achieve this, the ability for Local Authorities to generate their own revenue will be enhanced, as well as increasing the financial resources available for disbursement to LAs. The Government commits to improving the legislative environment for LAs to raise revenue as well as automating revenue collection.

2.6.2.4. Strategic Objective 4: To reduce debt in local authorities to sustainable levels

Policies that reduce the debt burden of local authorities and ensure that debt is undertaken in a responsible way in the future are crucial to a sustainable system of decentralised government. In order to achieve this, Local Authorities' power to borrow will be mainstreamed and strict rules will be put in place to avoid contingent liabilities arising from the accumulation of debt by LAs. A debt monitoring system will be developed as well as debt liquidation plans and mechanisms to dismantle local authorities' arrears.

2.6.3. Intended results, targets and workstreams

STRATEGIC THEME: Fiscal Decentralisation		
STRATEGIC RESULT: Efficient and effective service delivery at the local level		
STRATEGIC OBJECTIVE 1: To strengthen public financial management, accountability and transparency in Local Authorities		
Intended Results	Targets	Workstreams
A robust and integrated Local Authority Financial Management System (LAFMIS) developed for local authorities underpinned by appropriate capacity building.	- Integrated and automated financial management System implemented in Local Authorities by 2026 (Phase 1). - Local Authorities Accounting Policies (LAAPs) revised by 2024. - Automated system for revenue collection at the local level developed and rolled out by 2026 to all LAs. - Sequenced introduction of NAVISION system.	Immediate: - Identification and piloted introduction of a Local Authorities Financial Management Information system (LAFMIS). Medium-term: - Roll-out of an automated system for financial management in local authorities. - Update LAAPs.
Oversight of LAs is strengthened.	Strengthen the Parliamentary approval of budgets for LAs.	Medium-term: - Revise the legal framework around local authority PFM. - Undertake Local Authorities' financial and accounting system audits.

STRATEGIC OBJECTIVE 2: To develop and implement an equitable resource management framework in local authorities by 2026

Intended Results	Targets	Workstreams
Strengthened Intergovernmental Fiscal Framework that enhances the capacities at the local level to implement devolved functions.	• IFA updated and operationalised by 2024. • 80% of Local Authorities have accessed matching grants. • Improved equity of intergovernmental transfer system.	Immediate: • Recruit a strengthened policy and implementation unit at the centre to work on the architecture. • Revise the IFA. Medium-term: • Creation of a Performance assessment function to ensure that ongoing decentralisation is tailored and balanced with the development of capacity at the local level. • Engagement with the Office of the Auditor General to ensure that sufficient resources are allocated to financial management oversight. • Assess LA compliance with conditions for matching grants. • Develop and implement formulas for the LGEF, CDF and sector grants.

STRATEGIC OBJECTIVE 3: To enhance generation of own source revenues in Local Authorities

Intended Results	Targets	Workstreams
Increased revenue in Local Authorities.	• 80% of local authorities have increased their own source revenue collection. • Exclusive resource mobilisation functions for 116 local authorities implemented. • Capacity building on revenue mobilization conducted in all the 116 LAs by 2026. • Alternative revenue mobilisation strategies identified and implemented. • Harmonisation of LA levies, use fees & charges.	Medium-term: • Develop an automated system for revenue collection in local authorities. • Implement exclusive resource mobilisation functions as prescribed in the Constitution. • Identify alternative sources for resource mobilisation for respective local authorities. • Develop and roll out a capacity building program on revenue mobilization in all the LAs. • Undertake a legislative review of own source revenue to streamline levies, user fees, charges, permits and licensing.

Increased financial resources disbursed to Local Authorities.	• Resource allocation for programmes at district level increased. • Sector grants operationalised by 2024. • All districts allocate resources for implementation of district implementation plans. • Re-introduction of a minimum of 5% of total national income tax allocated to the Local Government Equalization Fund by 2026.	Medium-term: • Increase resource allocation for programmes at district level. • Allocate resources for implementation of the district implementation plans. • Review and amend relevant legislation. • Develop a resource sharing mechanism for devolved functions.
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STRATEGIC OBJECTIVE 4: To reduce debt in Local Authorities to sustainable levels

Intended Results	Targets	Workstreams
Decreased debt in Local Authorities.	All Local Authorities move towards a defined sustained level of debt.	Medium-term: • Establish a mechanism for debt cancellation, refinancing and restructuring. • Develop a debt monitoring system for local authorities. • Support LAs to develop debt liquidation plans. • Develop instruments and mechanisms to support the dismantling of local authorities' arrears.

CHAPTER 3. INSTITUTIONAL ARRANGEMENTS TO DRIVE IMPLEMENTATION, MONITORING AND EVALUATION

Given the integrated nature of this strategy, monitoring at the level of a department or division will not provide the information or communication. Therefore, the Ministry of Finance and National Planning will create a high-level Steering Committee supported by a technical Secretariat to drive implementation, monitoring and evaluation.

One of the distinctive features of this reform strategy is the collection of targets and measures which underpin workstreams across the programme. This means that the monitoring of the implementation of the strategy can be undertaken at the highest level by reviewing the progress against the defined Strategic Objectives. While strategy implementation covers a much wider range of issues, the use of a set of high-level indicators will give a snapshot of progress. The strategic objectives and their constituent targets will be reviewed on a quarterly basis, with additional interrogation of the reasons why there might be slippage in certain areas. More in-depth interrogation of progress will take place on an annual basis. The first annual review point, which will be towards the end of 2024 can also draw on the 2024 PEFA review which will have been undertaken and published by then. While the PEFA data is not available on a regular enough basis to use as a monitoring tool, the PEFA review will be an opportunity to review the strategy, make suggestions and recommendations to assist with implementation and provide an independent validation of the work that the Ministry has done in developing and implementing the strategy. The Climate and Gender PEFA modules can also be used to improve the gender responsiveness and climate sensitivity of PFM systems.

The Government has already made a commitment to the IMF for a six-monthly assessment of the IMF programme with a technical committee identified for that purpose. The programme will be monitored six-monthly with the IMF, but the Minister will receive a monthly update. This committee will be used as a basis for ongoing monitoring across this programme. In line with Government policy, the implementation of this strategy will be subject to a terminal review which is anticipated will take place at the end of 2027. This will feed into a new strategy for the period 2028 onwards.

3.1. THE STEERING COMMITTEE

The Steering Committee will exercise overall responsibility to ensure necessary authority over relevant departmental heads. The existing Steering Committee under the chairmanship of the Secretary to the Treasury is well placed to do this. The Steering Committee will meet on a regular basis and be supported by an active secretariat who can both monitor implementation and recommend where further action is required to keep the strategy on track. The role of the Steering Committee will include revising objectives and targets where needed, identifying resource gaps and reaching out to external partners where necessary. Additionally, the Steering Committee will act as an Oversight Committee for the PEFA assessment, monitoring the work on the main PEFA report.

3.2. THE SECRETARIAT

The MoFNP will also create a Strategy Implementation and Monitoring Secretariat who can monitor implementation and report on progress on a quarterly basis. The Secretariat will be independent from the conventional hierarchy within the Ministry and have the ability to call for information and hold senior people to account. They will report to the Secretary to the Treasury through a Steering Committee, which will represent at a senior level all the constituent parts of the Ministry and other relevant entities who are involved in the ongoing reform.

The Secretariat will have a minimum of three personnel attached to it – the Head, who will be a senior PFM specialist, another PFM expert, and an M&E specialist, who would set up and run the programme monitoring system. The Secretariat will review operational plans to ensure they are consistent with the IPFM-RS on an annual basis. It will also play a key role in ensuring that the strategy retains cohesion and integration, which may mean that additional resources have to be devoted to certain areas if they fall behind to ensure that the many interdependencies are maintained. The Secretariat will also consider whether it needs a full-time advisor to assist. Additionally, the IPFM-RS Secretariat will also perform a secretariat function for the PEFA assessment by facilitating collaboration with stakeholders, undertaking data-collection and information gathering, organising consultative meetings and ensuring the timetable is followed.

3.3. WORKSTREAMS

Immediate:

- Mandate a Steering Committee to oversee and drive forward implementation as well as ongoing Monitoring and Evaluation.
- Create a Secretariat to support the Steering Committee on co-ordination, implementation and ongoing monitoring and reporting.
- Agree the first-year implementation plan, drawing on the immediate workstreams highlighted in this document.
- Set up a baseline indicator set together with a monitoring framework to assist in measuring and monitoring implementation.
- Support the PEFA assessment process through coordination, information gathering, monitoring and oversight.

Medium-term:

- Commence quarterly monitoring and reporting.
- Feed information into six monthly IMF reviews of progress and into the EU Budget Support policy dialogue.
- Contribute and learn from the forthcoming PEFA exercise and update the strategy in the light of any new insights and emerging priorities.

CHAPTER 4. CHANGE MANAGEMENT AND COMMUNICATION

The reform strategy sets out a challenging agenda which will require both the rapid introduction of new staff into the Ministry and its agencies and the development of new and additional skills for existing staff. There will be challenges therefore around induction, ongoing capacity building and the development of an outreach and communication programme to ensure that other parts of Government and other stakeholders are fully aware of the transformation process that the Ministry is undergoing.

The process undertaken to date to produce this strategy has already captured some of the key features of best practice in managing change, namely the involvement and engagement of actors across key central government agencies, significantly beyond MoFNP. The series of design workshops and the use of Technical Working Groups to both explain and involve different stakeholders have been a key part of this process.

4.1. INDUCTION AND CAPACITY BUILDING

The Ministry and its constituent agencies' process of induction has largely been driven by normal turnover and the filling of ongoing vacancies. While this will continue to be the case, there is a strong likelihood that turnover in the next 12 months (FY 23 and FY24) may be exceptional as ongoing legal and disciplinary cases lead to the need for a significant influx of new staff.

In order to manage this, the Ministry will commission an induction programme which will involve an initial block of training followed by ongoing training which can be undertaken by a mixture of e-learning and day release, delivered by NIPA. This newly designed block of modular training will also be used as a refresher for existing staff and provide the opportunity to build commitment towards the reform strategy. The training programme will give staff a good grounding in the different aspects of the PFM cycle as well as the role of digital transformation in driving forward change.

In addition, a process of mentoring will enable senior staff members to impart their wisdom and experience to small groups of junior staff. Special attention will need to be paid to sensitisation workshops for senior staff across the Ministry. In line with the overall ethos of the reform programme there will be a deliberate attempt to mix groups of staff from different departments to ensure that the drive to integrate systems and processes is driven by a change management process which demonstrates and is built on the exchange of staff and the promotion of learning across departments. The development of a growing cadre of staff who have a good understanding of the different aspects of the Ministry's work will create increased resilience and flexibility within the Ministry which will be a vital asset in the years ahead.

In addition to the various training inputs which are envisaged to support the implementation of the strategy there is an ongoing need to continually professionalise finance staff, and work needs to take place in parallel with local and international professional bodies to make sure there is a process to do this. This will require a mixture of continuous professional development within the Ministry and the strengthening of professional training bodies who can support this ambition.

4.2. OUTREACH AND COMMUNICATION

It is essential that a change of this magnitude is communicated well to both internal and external stakeholders. Separate communication plans will be needed to target these different groups.

4.2.1. Internal Communication

Building staff allegiance and commitment to a new reform programme, particularly one that requires a cultural shift away from working in silos towards one which celebrates and builds on integration, will take time to create. The first step is to create awareness of the change through an internal communication strategy explicitly targeting MPSAs. The MoFNP will employ a diverse set of methods using internal communication to present the six central themes of the strategy along with some basic information on the changes envisaged in each area. The key messages of the change programme will also be communicated through the change programme outlined above, and the monitoring programme described below will also provide a focus for staff to see how progress is being made in implementation.

4.2.2. External communication

The impact and implications of the programme will be felt across Zambia. Stakeholders, from citizens to cooperating partners, need reassurance that the MoFNP has a clear strategy to manage the Nation's finances, as well as understanding some of the finer details of the strategy. The increasing use of e-procurement as well as the ongoing improvements to payment processes will be communicated. Changes in the management of debt, the implications of looking to 'green' the economy, the diversification of revenue sources and the automation of revenue collection systems, are all pertinent to citizens and the rest of the economy. The commitment to transparency will be widely welcomed and the regular publication of financial information will enable external stakeholders to hold the Government to account in ways that have not been possible to date. Finally, local authorities will be targeted to ensure that they are aware of the commitment to improve services and the importance of management of funds at the local level.

4.3. WORKSTREAMS

Immediate:

- Develop a modular induction programme which can be used for new entrants and as a refresher for existing staff in both MOFNP and MPSAs.
- Convert the training into e-learning products so that it can be used more widely across the Government and at the decentralised level.
- Develop an internal communication plan to ensure that all staff within core PFM institutions are able to understand the direction and key priorities of PFM for the next period.

Medium-term:

- Develop a programme of continuous professional development including peer learning, training on the job, etc.
- Strengthen institutions related to PFM capacity development and change management who will then be able to support the Ministry and other public sector organisations.
- Prepare and conduct workshops on change management for the leadership level in Finance and other PFM functions
- Develop an external communications plan to ensure that a wider group of stakeholders are aware of the priorities and commitments set out in the strategy document.
- Execute the communications plan.
- Implement plans and strategies for change management.



CHAPTER 5. PRECONDITIONS AND ASSUMPTIONS, RISKS AND MITIGATION, AND OPPORTUNITIES

Zambia's experience over the past two decades illustrates that implementing PFM reforms is not a smooth process and is replete with risks and challenges. The process of developing this strategy involved a consideration of underlying preconditions and assumptions, elaborated below, which will underpin the likelihood of the reforms being successful. Next, key risks and risk mitigation measures are highlighted, followed by potential opportunities.

5.1. PRECONDITIONS AND ASSUMPTIONS

5.1.1. Political commitment

Political commitment is hugely important and has been demonstrated by the President and the Government since its election in 2021. There has been renewed engagement with the broader international community which has resulted in ongoing support from the IMF as well as the landmark debt deal which was secured in June 2023. The drive for transparency and the steps taken to address corruption have placed the Ministry of Finance at the centre of the Government's reform efforts. This, in turn, is driving the reform strategy within the Ministry.

The working assumption is that this support will continue up until the next election and hopefully beyond. However, past experience suggests that the pace of reform and indeed the attention and support of politicians often drops in the run up to the next set of elections. It is therefore anticipated that the highest level of support for the reforms outlined here will be in the period up to the end of 2025, with a possible drop in commitment and support during 2026. A conscious understanding of this will enable the reforms to be managed in a way that secures support and attention when it is needed with technical and procedural work to be taken forward later in the political cycle.

5.1.2. Widespread ownership across the Ministry

The actions outlined above will not be taken forward without adequate ownership from the Ministry. A lack of ownership was one of the challenges experienced with the previous PFM reform strategy and therefore the design of the strategy has been deliberately inclusive to avoid this pitfall. All of the main sections of this report have been workshopped through a target group of over 50 people who have made up the reform strategy secretariat and its constituent technical working groups. As well as contributing to the raw material of this report, there has been a comprehensive review of the final product to make sure that the strategy is endorsed by the technical working groups who are representative both of the Ministry and its constituent agencies. The inclusive nature of the strategy preparation was also important since integration was singled-out as a key part of the strategy. The constructive engagement of the technical working groups with their peers has been important both in delivering a strategy that is fully integrated but also ensuring that integration becomes a core part of how the Ministry operates.

5.1.3. Resourcing the strategy

The two main resources which will be critically important to the delivery of the strategy are financial and human resources. The central importance of digital transformation means that the implementation will be heavily dependent on the mixture of software and hardware that will be needed to implement it. Key pieces of software will include the additional modules on budget, payroll, procurement, and audit that will be needed together with the associated licences. The further roll out of integrated IT solutions will have additional costs associated with licences and hardware, not least the connections that might be needed to ensure that the roll-out works. This strategy also calls for a review of the underpinning systems solutions for fiscal decentralisation, which requires additional funding. It is likely that a further step-up in the recurrent costs of running the underpinning system will be needed on top of one-off capital investment.

In relation to human resources, there may be a need for additional staff in certain areas combined with a need to reskill and upskill existing members of staff. While this is to be expected with any strategy, there is an added complication in Zambia given that around 25% of the workforce in the MoFNP are under investigation. This means that there is a very real risk that the numbers who will need training or retraining, including those who will need an induction programme are going to be large. The section on risk management below sets out a number of measures that could be undertaken to manage this risk and ensure that there remain adequate numbers of staff within the Ministry to both deliver ongoing operations and take forward the requirements of the strategy.

5.1.4. Legal and policy framework

Zambia has a comprehensive array of legislation which underpins Public Financial Management. Key principles are articulated within the Constitution and a number of critical pieces of legislation. The detailed legal framework means that the legislation is in constant need of updating as different practices and policies emerge. During the consultation and development of this strategy numerous legal interventions were identified, but it was considered that the level of demand for legal drafting would far outstrip the capacity of the Ministry of Justice to provide in this area. This does not negate the fact that there is a considerable amount of legal work to undertake, but the legal requirements within this strategy have been scaled back to ensure that this area does not constrain the work that can be done.

5.2. RISKS

There are a large number of inherent risks involved in taking forward this strategy. The three main issues identified from a review of the previous PFM reform strategy were ownership, prioritisation, and delivery.

One of the key drivers behind the 2019 to 2022 strategy was a donor requirement to have the strategy in place. Although this did not affect the quality of the strategy, it did have a bearing on the ownership of the strategy across the Ministry and meant that it was not used as an active tool to prioritise and focus efforts over the period. In fact, it was never formally adopted. In addition to this, the strategy did not prioritise the various interventions that were needed and a lack of a steering committee and measurable indicators meant that it was not used to drive forward reform. As a result, many of the recommendations that were highlighted in the strategy were not taken forward.

In order to mitigate this particular set of risks there have been a large number of people from across the Ministry and relevant agencies who have been involved in formulating the objectives, targets, and strategies to deliver. There have been over 10 days of workshops involving both a secretariat and four technical working groups, from which the six strategic themes, objectives, and indicators were identified. In addition, the final draft has gone through a process of validation to ensure that any drafting changes are acceptable to the representative groupings in the secretariat and TWG. A high-level steering committee has overseen the development of the strategy and also played a part in validating the priorities.

A deliberate step has been taken to develop a realistic set of priorities which can be undertaken in the next three years and the decision has also been taken to highlight a tighter and more focused set of objectives which it recommends should be taken forward in the next 9 months. In order to drive implementation of the strategy there are a set of measurable indicators which together with the attention of the steering committee and a dedicated secretariat will be used to drive forward implementation.

In addition to these high-level risks, further work has been undertaken to identify a set of internal and external risks, along with a management plan to mitigate these. These are set out below.

5.2.1. Risk Mitigation Plan

Internal Risks	Risk mitigation action	Indicators
Capacity constraints within the MoFNP.	Development of an induction and training programme.	Sufficient capacity to take forward reforms.
Lack of full buy-in for reforms by the line ministries.	Involve the top management of line ministries and seek their agreement on the proposed reform agenda.	Reforms internalized and sustained.
Rotation of trained staff responsible for implementing reforms in key areas.	Take on board Cabinet Office for retention of trained and skilled staff.	Trained and skilled staff are retained.
Senior managers' commitment to line management roles reduces the scope of providing effective leadership in taking forward reforms.	Free up senior managers to provide effective leadership in taking forward reforms.	Effective leadership is provided by senior managers.
Insufficient attention paid to skills transfer undermining sustainability; insufficient number of experienced staff to take over responsibility from the consultants.	Work out an effective plan to transfer skills; make available a sufficient number of experienced staff to take over responsibility from the consultants.	Reform outputs sustained.

Failure to agree an exit strategy resulting in continuing dependence on external inputs.	Work out an agreed exit strategy well in advance.	A well-laid out strategy is in place.
Insufficient trained staff in permanent set-up of the Government to absorb the technical solutions such as the Public Accounting System (SAP).	Work out proposals for required number staff in the permanent set-up well in advance; creation of modular training programme.	Systems operate as planned and technical glitches are fixed immediately.
Challenges of coordination across institutions to ensure effective implementation and lesson learning.	Establishment of IPFM-RS Secretariat as outreach body.	Communication channels between institutions are actively used.
Underfunding of the strategy.	The Steering Committee engages CPs on regular instances to ensure sufficient funding.	The strategy is sufficiently resourced.
External Risks	Risk mitigation action	Indicators
Lack of political engagement in PFM and wider governance reforms.	Regular engagement with the Cabinet through progress reports.	PFM is on the political agenda.
Absence of institutional reforms to embed and sustain the results of process reforms.	Draw political support for concomitant institutional reforms.	New institutions to embed the results of process reforms are in place.
Delays and disruptions to the flow of funds from development partners.	Initiate dialogue and continue to demonstrate progress with development partners through regular reporting.	Funds are disbursed on time.
Excessive delays in enacting new legislations required to support a well-functioning PFM system.	Identify the barriers, draw up a timeframe and persuade the relevant channels to act.	Relevant legislations are enacted within a reasonable timeframe.
Capacity constraint in the relevant outfits of line ministries requiring constant mentoring from MOFNP.	Create a critical mass of skilled staff to perform the assigned task.	The assigned tasks are performed with professional competence.

5.3. OPPORTUNITIES

While the risks that threaten the implementation of this strategy are high, there are opportunities as well that are emerging from the changes in the governance landscape. The present Government has been implementing wide ranging reforms to ensure good governance in keeping with the demands for improved service delivery. In addition to the ongoing and projected reforms in public financial management, revenue administration and procurement management, a set of complementary reforms is underway to scale up the efficiency in the public sector. These complementary reforms taken together are instilling confidence in the change agents. This confidence should be seized as an opportunity to successfully implement the reform strategy both in the medium and long term.

5.4. NEXT STEPS

This reform strategy provides a strong platform for Zambia to maintain and develop a positive trajectory of public financial management reform and ensure it is well placed as a government to make the most effective use of the resources at its disposal. The strategy outlined here will be followed by a more detailed implementation plan which will assist in sequencing actions, defining more detailed results and actions, and providing a strong monitoring template to measure progress.

ANNEX 1. WORKING DEFINITIONS

Government Institution	This means a Government Ministry, department, agency or institution, a statutory body, commission and a local authority.
Institutions	The state and non-state agencies responsible for - and directly or indirectly involved with - PFM.
Monitoring and Evaluation	Monitoring and Evaluation (M &E) involves tracking progress and evaluating performance against set targets in order to institute corrective measures timely.
People	The natural persons that formulate the PFM policies, carry out the mandates of the PFM institutions, and manage the attendant systems. Their behaviour in carrying out PFM functions - as with all other functions - is motivated by the set incentive structure (i.e., the prevalent state of rewards and sanctions).
Performance Assessment	This is the evaluation of an institution's performance against a previous Strategic Plan or any other means to establish institutional performance.
Policies	The laws, rules and regulations that guide the way a national or local government should plan, mobilise revenue, allocate public funds, undertake public spending, account for funds, monitor and evaluate and audit the results.
Public Financial Management	The mechanisms through which public resources are planned, collected, allocated, spent, accounted for, monitored and evaluated and audited. It has four key components: (a) policies; (b) institutions; (c) systems; and (d) people.
Public Financial Management Reform	The process of strengthening and improving the PFM framework by addressing gaps in the four key components.
The PFM Reform Strategy	The tool or plan developed to prioritise and implement PFM reform.
Stakeholder Analysis	A technique used for identifying stakeholders based on their needs and expectations. It is used to identify all key primary and secondary stakeholders.
Strategic Issues	Strategic issues are major challenges that an institution is facing and must be addressed for its survival, prosperity and effectiveness.
Strategic Plan	A document used to communicate with the organization the organization's goals, the actions needed to achieve those goals and all of the other critical elements developed during the planning exercise.
Strategic Planning	Strategic planning is a process through which an organization determines its strategic direction (vision), identifies strategic goals (strategic results) and objectives in view of its operating environment.
Systems	The interlinkages between or among the policies and institutions in the management of public finance, including information, communication and authorisation processes that facilitate the PFM function.