**STRENGTHENING GOOD FINANCIAL GOVERNANCE IN ZAMBIA**

**Commissioned by:**
German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Union

**Implemented by:**
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

**Lead executing agency:**
Ministry of Finance

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15 million EUR - 8 million EUR funded by the European Union
- 7 million EUR funded by the German Federal Ministry for Economic Cooperation and Development (BMZ)

**Primary partners:**

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**CHALLENGES IN ZAMBIA’S PUBLIC FINANCIAL SECTOR**

Zambia’s economy has slowed significantly since 2015/2016, when severe fiscal imbalances first emerged. As such, the country’s public finances remain challenging. Inadequate tax revenues and the spending of public resources in a manner that impedes budget credibility has caused government spending to be significantly higher than public revenues, resulting in important budget deficits. Public debt increased from 8% of the Gross Domestic Product (GDP) in 2011 to over 75% in 2018. In the planned 2020 budget:

**82.5% of domestic revenue is reserved for civil service salaries and debt services.**

**48.2 EUR per person available from domestic revenues for public service.**

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**PROGRAAME OBJECTIVE**

The Good Financial Governance Programme seeks to support the Government of the Republic of Zambia in its efforts to enable financial transparency, accountability, responsiveness to citizens’ needs, and efficiency.

**STRATEGY**

- Facilitate the introduction of Output-Based Budgeting, matching each ministry’s budget with their citizens-focused targets to improve the delivery of public services.

- Enable the systematic inclusion of public procurement and investment planning in the budget process. Additionally, introduce an e-procurement system to reduce costs and to increase accountability and transparency.

- Assist the government in managing its finances, including monitoring its financial commitments and assessing the accuracy of its employee database.

- Improve the timeliness and quality of the government’s financial reporting to increase accountability.

- Support the foundations needed to expand fiscal decentralization, including transferring funds and responsibilities to local governments to better serve citizens’ needs.

- Enhance tax compliance by large and medium-sized businesses (e.g. audits, and debt collection).

- Strengthen the tax authority’s data analysis capacities to improve tax audits.

- Improve the citizen responsiveness of tax service delivery (e.g. introduction of mobile tax offices).
PROGRAMME IMPACT
Through close cooperation with the partners, the programme has already achieved significant results.

**10% increase** in middle-income taxpayers complying with VAT

**29 Ministries and Spending Agencies** prepared Output-Based Budgets for 2020

**Supplementary expenditures** now compliant with Constitutional provisions

**Less than 20 minutes** average waiting time at Zambia Revenue Authority headquarters after launch of E-Queue Management System (EQMS)

In 2017, paying taxes in Zambia was a lengthy process due to long waiting times which could accumulate to several hours. With the support of GIZ, the Zambia Revenue Authority implemented an E-Queue Management System that allows taxpayers to register their request on their phones and receive a queue number for assistance. The system has been highly successful, reducing the average waiting time to less than 20 minutes. It will be implemented in other major cities in Zambia, including Chipata, Livingstone, and Solwezi.

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