

MINISTERIAL STATEMENT

ON THE

**DEBT STATUS OF THE ROAD SECTOR AS AT 30<sup>TH</sup> JUNE 2021**

BY THE

**MINISTER OF FINANCE AND NATIONAL PLANNING (DR MUSOKOTWANE), MP**

Madam Speaker, I wish to thank you for giving me this opportunity to brief the House on the debt status of the road sector. I wish to start by giving a composition highlighting the five main players in the sector.

Madam, the five main players are as follows:

- (a)* the National Road Fund Agency (NRFA) falling under the Ministry of Finance and National Planning;
- (b)* the Road Development Agency (RDA) falling under the Ministry of Housing, Infrastructure and Urban Development;
- (c)* the Road Transport and Safety Agency (RTSA) falling under the Ministry of Transport and Logistics;
- (d)* the Ministry of Local Government and Rural Development; and
- (e)* the National Council for Construction (NCC) under the Ministry of Housing, Infrastructure and Urban Development.

Madam Speaker, the RDA is responsible for the procurement and implementation of road works in the country. In collaboration with the Ministry of Housing, Infrastructure and Urban Development, the RDA signs contracts with various contractors for major road works mainly on trunk, main and district roads, including bridges. The Ministry of Local Government and Rural Development is responsible for feeder and urban and roads in the country. The NRFA is responsible for the funding of all the road works.

Madam Speaker, funding to the road sector in Zambia is derived from both local and external sources. The local funding sources include the fuel levy, inland and port of entry tolls, road license fees, registration and examination fees and weighbridge fines. The external funding is derived from loans and grants from cooperating partners such as the World Bank, the African Development Bank (AFDB), the European Union (EU), funds from contractors financing initiatives and public-private partnerships.

Madam, during the last ten years, the Government signed road contracts valued at K127 billion without clear foresight on how these commitments would be liquidated. As at 30<sup>th</sup> June, 2021, arrears payable to contractors and consultants accumulated to K9.6 billion. Further, the Government obtained expensive loans from NAPSA and NATSAVE valued at K4.2 billion as a way of raising funds, but these initiatives did not clear all arrears due to the huge over commitment.

Madam, the breakdown of all the contract commitments, debt arrears and loans as at 30<sup>th</sup> June, 2021 is as follows:

#### *Contract Commitments*

- (a) The Road Development Agency (RDA) has 690 running contracts valued at K111.46 billion.
- (b) The Ministry of Local Government and Rural Development has 315 contracts valued at K16.15 billion.
- (c) The contracts commitment is therefore, 1,005 contracts valued at K127.61 billion.

*(d)* The total of the K9.6 billion is also owed to contractors as debt arrears.

Madam Speaker, the following are the commercial loans obtained by National Road Fund Agency (NRFA), totalling about K5.06 billion.

*(a)* The National Pensions Scheme Authority (NAPSA) loan K3.8 billion;

*(b)* First loan from, the National Savings and Credit Bank (NATSAVE) K260 million;

*(c)* Second loan from, the National Savings and Credit Bank (NATSAVE) K500 million and;

*(d)* Indo–Zambia Bank Limited loan K500 million.

Madam Speaker, further, the total arrears plus the loans brings the total to K14.7 billion as at 30<sup>th</sup> June, 2021.

Madam Speaker, it is clear that this approach is unsustainable and obviously requires serious adjustments. My ministry has therefore, directed the NRFA, in consultation with other road agencies to develop a ten year debt services sustainability plan which will outline how the Government will implement road infrastructure in a more sustainable manner going forward. This ten year plan will:

*(a)* Priorities payments of all debt arrears due to routine maintaence, small and medium contractors and thereafter ensure timely monthly payments to all routine maintenance contractors;

*(b)* Propose the financing mechanism of the costly NASPA and NATSAVE Loans within the next six months, which will result in significant servings when all loans are fully paid within five years;

- (c) Priorities the planning and provide adequate funding towards implementation of periodic maintenance and rehabilitation of road works before considering the costly upgrading over the ten year period;
- (d) Priorities the annual planning and provide adequate funding for implementation of 80 per cent complete upgrading road projects, for completion within the first two years of the ten year period and;
- (e) Propose to the implementing agency that is the RDA and the Ministry of Local Government And Rural Development, immediate termination of the dormant road contracts to stop the intangible cash, such as interest claims on delayed payment of interim payment certificates. The termination costs will be part of the debt arrears.

Madam Speaker, the ten year debt services sustainability plan will in addition propose an overall suspension for the debt arrears in terms of:

- (a) The proportion of redeemable through the road sector ten year annual work plan,
- (b) The proportion luckily to be suspended now and to be redeemed during the second five year, period thus after all the five year loans have been fully redeemed,
- (c) The proportion of which could be negotiated at sovereign level, and
- (d) The proportion which could be a candidate of a medium to long term bonds till adequate funding is available to redeem fully the arrears.

Madam Speaker, the debt sustainability plan if approved by the Cabinet will ensure Government does not incur debt unnecessarily without any viable repayment plan beginning the year 2022. My ministry will table the debt servicer suitability plan for the Cabinet approval before 31<sup>st</sup> December, 2021.

Madam Speaker, the Public Privet Partisanship (PPP) Unite under the Ministry of Finance and National Planning has been directed to immediately engage RDA and NRFA to identify potential road projects across the country that could be financed and implemented under the PPP arrangement. This is expected to create relief on the treasury going forward.

Madam Speaker, lastly but not least, the NRFA in collaboration with RDA, and the Ministry of Local Government and Rural Development, has been guided to develop a transparent, effective and fair payment mechanism for the period October 2021 to December 2021, in line with the National Road Fund Act No. 13 of 2002. Going forward, with this system in place, I do not expect contractors owed to lobby for payments as this is breeding ground for corruption which the New-Dawn Government shall not tolerate at all costs.

Madam Speaker, I thank you

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