HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

REPUBLIC OF ZAMBIA

Data Quality Assessment for Public Sector Debt Statistics (September 30–October 4, 2024)

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High-Level Summary Technical Assistance Report

Statistics Department

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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: In October 2024, an assessment was undertaken of the data quality of the public sector debt statistics (PSDS) of the Republic of Zambia against the IMF's Data Quality Assessment Framework (DQAF) for PSDS. The assessment was undertaken as part of a project to strengthen the quality of public sector debt in select African countries, funded by the Government of Japan. The mission reviewed the PSDS compilation and dissemination practices against each element of the DQAF and presented a series of recommendations to improve the quality and transparency of the PSDS of the Republic of Zambia.

Background

1.   Since 2016, Zambia has received a significant amount of technical assistance from the IMF's Statistics Department (STA) on public sector debt statistics (PSDS), including that provided under the Data for Decisions (D4D) Trust Fund which focused on improving public debt data for decision making. The last D4D mission took place in 2019 and identified two key impediments to enhancing debt data transparency and accuracy, namely, weak systems for collecting source data, and weak institutional coordination to ensure debt data is regularly validated and reconciled. The mission also identified easily available financial data from nonfinancial public corporations that could be used to expand the institutional coverage of public sector debt. Progress has been made since 2019, most notably with respect to the validation and reconciliation of data and the enactment of new legislation to guide debt management and reporting in Zambia.

2.   Against this background, the main objective of the mission was to use the IMF's standardized Data Quality Assessment Framework (DQAF) to identify areas of improvement in PSDS compilation and dissemination processes and recommend priority actions to help Zambia enhance public debt data transparency. Discussions with various stakeholders as well as review of published data indicate that Zambia's public debt statistics have improved significantly in the last two years. The statistics are broadly reliable, transparent, and of good quality, thanks to the strong and sustained commitment of the government to improve debt data transparency and accountability.

Summary of Findings

3.   Legal Environment: The primary responsibility for collecting, processing, and disseminating public debt statistics in Zambia is clearly established. In 2022, Zambia enacted a new Law: "*Public Debt Management Act, No. 15 of 2022*" or (PDMA 2022) establishing a Debt Management Office (DMO) in the Ministry of Finance and National Planning (MoFNP) with specific functions, key among which is to "maintain and keep an updated database of outstanding public debt and guarantees". The DMO, which is expected to be fully operational by end-2024, has three functional areas based on best practices for debt management offices—the Front Office, Middle Office, and Back Office.

4.   Institutional Environment: Data sharing and coordination among debt data-producing agencies in Zambia are adequate. The PDMA 2022 provides sufficient guidance on the roles and responsibilities of the key players, the MoFNP, the Bank of Zambia (BOZ) and Zambia Statistics Agency (ZamStats). These institutions are effectively coordinated ensuring smooth flow of debt data. The BOZ acts as the agent of the Minister in the case of a loan raised under the new Act in relation to the issuance of bonds or treasury bills. The new Act has revitalized debt management operations in Zambia, and while the DMO is largely in embryonic phase, resources are being put in place to commence its operations in earnest. Immediate priorities include appointment of senior management of DMO and training on administration of the Debt Management and Financial Analysis System (DMFAS) 7 to facilitate integration (or interfacing) with other systems such as the central securities depository (CSD) in the BOZ and the Integrated Financial Management System (IFMIS) for easy exchange of public debt data and related information.

5.   Assurances of Integrity: There is strong evidence that the MoFNP, BOZ, and ZamStats demonstrate professionalism, are transparent in their practices, and promote high ethical standards to their staff. Recruitment is conducted through a competitive process based on the qualifications for the position being filled. Promotion is done on merit and based partly on performance and partly on seniority. On-the-job training is provided to new hires. The choice of source data, methodologies, and statistical

techniques is based on measurement objectives and data requirements. Commitment to debt transparency is evident in the forward message written by the Secretary to the Treasury in the Debt Statistical Bulletin (DSB) for the second quarter of 2024: The "Government is committed to transparency and adherence to international debt reporting standards, which include the timely publication of the DSB." Clear and comprehensive ethical standards and guidelines are set out for staff in all institutions.

6.   **Methodological Soundness:** Zambia broadly applies international standards, guidelines, and agreed practices in compiling and reporting public debt statistics. The concepts and definition of what constitutes government debt in Zambia is in line with the international statistical standards and fosters cross country comparability of public debt data. The budgetary central government (BCG) debt data reported by the MoFNP further meets the standards by being broken down in a variety of ways including by whether the creditor (or debt holder) is resident in the economy (domestic debt) or nonresident (external debt), by the original and remaining maturity of the debt, and by the currency of denomination of the debt. However, although there is good coverage of BCG debt there is a need to expand the coverage to other sub-sectors of the public sector. Currently not reported within the MoFNP debt reports are the debts of local governments, extrabudgetary units, social security funds, and public corporations. To expand the current data reporting in a structured manner, it is recommended to first urgently establish an authoritative list of all public entities in Zambia sectorized in accordance with the international statistical standards. The mission noted that there were some differences of perception as to which entities were public and which private, as well as which were market (public corporations) and which nonmarket (government). Secondly, the expansion in sector coverage (which would ultimately arrive at full public sector coverage) should be guided by materiality and practical considerations, which in the view of the mission would lead initially to the inclusion of public corporation debts followed by those of local governments.

7.   **Accuracy and Reliability:** Consistent with the recent efforts to strengthen public debt management, the source data on the debt stocks of BCG is comprehensive, appropriately validated and quality assurance measures and processes well implemented. The BOZ is the source of data for government debt securities, while MoFNP is the data owner for external government borrowing and the two collaborate effectively to produce harmonized outputs. Most data sources are available in a timely manner after the end of the quarter, allowing the MoFNP to meet its publication target of two months after the end of the quarter. However, the lack of full system integration complicates the process of compiling debt statistics. The planned upgrading of the DMFAS system is expected to lead to further automation and so improved efficiency in the process of debt data collection, compilation, and reporting. Users surveyed and met by the mission indicated widespread satisfaction with the perceived accuracy and reliability of current PSDS in Zambia, a significant break from the past. However, many of the same users expressed frustration with the narrow focus of the current debt statistics, highlighting a need for information on local government debts, non-guaranteed debts of public corporations, and a breakdown of domestic arrears by economic subsectors. The mission investigated possible data sources for this required expansion of the PSDS, identifying existing quarterly data for the debts of most public corporations but less availability of high-quality data for local government debts.

8.   **Serviceability:** MoFNP disseminates quarterly PSDS in a periodic and timely manner and publishes annual public sector debt data in the annual economic report. The quarterly data are released within two months of the end of the reporting period, while the annual data within six months of the end of the year. This regularity and frequency of publication align with best statistical practices. MoFNP also publishes adequate metadata on its website in the quarterly DSB including various statistical definitions, concepts, and formats. This bulletin provides detailed analysis, explaining current economic trends and

offering commentaries on debt. The disseminated data, which includes information on end period outstanding debt stock, disbursements, repayments, and other economic flows, offers valuable information for understanding the consistency between debt stock and flows. In addition, the mission review found that the PSDS published in the DSB were internally consistent overtime and comparable with similar datasets in other macroeconomic statistics—balance of payments and monetary accounts. However, it is recommended to publish more detailed reconciliations between the changes in debt stock and the associated flows.

9.   **Accessibility:** The main publication vehicle for informing all users of the Zambian public debt is the MoFNP's quarterly DSB. The bulletin presents data that is largely aligned with the classifications recommended by the *Public Sector Debt Statistics Guide for Compilers and Users (PSDG 2013)* and the *Government Finance Statistics Manual 2014 (GFSM 2014)*. The DSB provides clear charts and comprehensive tables, along with current commentaries and developments that enhance analysis by users. These commentaries on recent developments are an integral part of the quarterly reports, ensuring that stakeholders are well-informed about the latest trends and insights. Discussion with users, however, highlighted the need for data used in the production of the DSB to be made available in formats which facilitate reuse and further analysis (such as MS Excel or csv). Also, users called for a broader coverage of public debt, more comprehensive metadata, and a detailed breakdown of some debt components, in particular arrears, by economic sector or sub-sector.

Summary Ratings of the PSDS DQAF*

Dimensions/Elements	Rating	Dimensions/Elements	Rating
0. Prerequisites of quality		**3. Accuracy and reliability**	
0.1 Legal and institutional environment	O	3.1 Source data	LNO
0.2 Resources	O	3.2 Assessment of source data	LO
0.3 Relevance	LO	3.3 Statistical techniques	LO
0.4 Other quality management	O	3.4 Assessment and Validation of Statistical Outputs	LO
1. Assurances of integrity		3.5 Revision studies	LNO
1.1 Professionalism	O	**4. Serviceability**	
1.2 Transparency	O	4.1 Periodicity and timeliness	LO
1.3 Ethical standards	LO	4.2 Consistency	LO
2. Methodological soundness		4.3 Revision policy and practice	LNO
2.1 Concepts and definitions	O	**5. Accessibility**	
2.2 Scope	LNO	5.1 Data accessibility	LO
2.3 Classification / sectorization	LO	5.2 Metadata accessibility	O
2.4 Time of debt recording, valuation, and consolidation	LO	5.3 Assistance to users	LNO
Key: O = Practice Observed; LO = Practice Largely Observed; LNO = Practice Largely Not Observed. NO = Practice Not Observed; NA = Not Applicable			

*DQAF August 2024 Public Sector Debt Statistics
https://dsbb.imf.org/content/pdfs/dqrs_psds.pdf