

ZAMBIA'S K8 BILLION COVID-19 BOND: RESTATING THE FACTS ON ECONOMIC STIMULUS PLAN

PRESS STATEMENT

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Zambia's cabinet recently approved the establishment of an economic stimulus package that will be financed through the issuance of a COVID-19 bond. This is in addition to other economic measures instituted by the Government such as the availing of **K2.5 billion** in financial relief for businesses, and the Bank of Zambia's **K10 Billion Medium-Term Refinancing Facility** made available to eligible commercial banks and non-bank financial institutions to access in order to restructure, refinance or extend credit to businesses and households impacted by COVID-19 on more favourable terms while ensuring that financial institutions adhere to set objectives.

To provide further clarity and understanding, "*Bonds*" are investment securities where an investor lends money to a company or a government for a set period of time, in exchange for regular interest payments. Upon maturity of the bond, the bond issuer returns the investor's money. Fixed income is a term often used to describe bonds, since investments earn fixed payments over the life of the bond. The Government of Zambia is raising the entire K8 Billion and this will be done in multiple tranches. In this regard, the Government is relying on support from various stakeholders, especially financial institutions and fund managers to participate. The Bank of Zambia is the issuing authority of the Bond on behalf of the Government and this Bond has the same features as regular bonds that the Bank of Zambia issues and will be issued at a discount that will attract coupon payments just like the regular bonds. The only difference is that the resources raised will be specifically targeted towards local entities that have been affected by the impact of COVID-19.

There is no doubt that in the current context it is necessary to provide an economic stimulus through the issuance of the COVID-19 bond in order to improve the liquidity levels in the economy that have reduced due to the coronavirus pandemic.

Further, Zambia's allocation of the COVID-19 Bond is as follows;

- 1) Presidential COVID-19 Economic Recovery Fund, K3.185 Billion.
- 2) Payment to Third-Parties (Micro Finance Institutions), K1.315 Billion.
- 3) Drugs Debts and Equipment Procurement, K1 Billion.

- 4) Grain Purchases, K1.7 Billion.
- 5) Other Applications, K800 Million.

The COVID-19 Bond is mainly aimed at ***stimulating economic activity*** and is different from COVID-19 Funds and Resources whose aim is on ***Health Interventions*** to fight COVID-19 and mitigate the impact the pandemic has on HIV, TB and malaria programs. In sharp contrast to the COVID-19 Bond, activities from COVID-19 Funds include, but are not limited to, management of patients, epidemic preparedness assessment, laboratory testing, sample transportation, use of surveillance infrastructure, infection control in health facilities, and information campaigns.

More prominently under **COVID-19 Funding towards Health Interventions** is the Zambia COVID-19 Emergency Response and Health Preparedness Project which aims to prevent, detect and respond to the threat posed by COVID-19 in Zambia and strengthen national systems for public health preparedness. This funding has the following components

- 1) Emergency public health response to COVID-19 through surveillance, case finding, contact tracing, building laboratory capacity, risk communication and community engagement, coordination of emergency preparedness and response while focusing on disease surveillance, case investigation and rapid response capacity, laboratory capacity and specimen transport, screening at points of entry.
- 2) Resilient Health Service Delivery through support of COVID-19 case management, infection prevention and control and interventions to maintain health services.
- 3) Project management, monitoring and evaluation and research related to COVID-19 to inform decision making.

With this focus and unity of purpose to ameliorate the impact of COVID-19 on the economy and health of citizens, Zambia is poised to recover from the impact of the pandemic over the medium-term. It is therefore imperative for all citizens to support these Government initiatives by communicating and disseminating correct information on measures being implemented to mitigate the impact of the COVID-19 pandemic.

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