



ZAMBIA'S PATH TO DEBT RECOVERY: A CRUCIAL MILESTONE

PRESS STATEMENT

FOR IMMEDIATE RELEASE

Tuesday 17th October 2023

In the last few years, Zambia has faced a crisis of crippling debt. During the last quarter of 2020, the country became the first nation in Africa to default on its debt during the COVID-19 pandemic when it failed to make a US \$42.5 million Eurobond repayment. Zambia made the request through the G20 common framework for sustainable debt treatment in 2020. Consequently, a creditors committee for the country was formed by countries with eligible claims on Zambia. The committee was co-chaired by China and France with South Africa being the vice-chair.

Subsequent to that period, the nation has achieved noteworthy progress in matters pertaining to its debt. This includes the enactment into law of the Public Debt Management Act, No. 15 of 2022, to repeal and replace the Loans and Guarantees (Authorization) Act. The Act was introduced to stem excessive public debt and to formalize decision-making responsibilities relating to the contraction of public debt. It has introduced debt ceilings, strengthened parliamentary oversight of debt management by requiring the Minister to present an annual borrowing plan to the National Assembly 90 days before the start of the next house business year, and improved debt reporting transparency.

The central Government's external debt stock, excluding publicly guaranteed external debt, as at the end of June 2023 increased marginally by 0.8% to US \$14.07 billion from US \$13.96 billion at the end of December 2022. Total publicly guaranteed external debt, declined by 1.9% to US \$1.43 billion at the end of June 2023 from US \$1.45 billion at the end of December 2022.

It is against this background that the Policy Monitoring and Research Centre (PMRC) welcomes the recent announcement by the Ministry of Finance and National Planning of the Republic of Zambia regarding the

Memorandum of Understanding (MoU) reached with the Official Creditor Committee (OCC). This development is a significant step towards achieving long-term debt sustainability for Zambia and PMRC commends all stakeholders involved for their dedication to resolving the Country's debt overhang.

The implications of this MoU are far-reaching, not only for Zambia's debt situation but for the wider economy as well. PMRC would like to highlight several key points:

- **Debt Sustainability:** The formalization of this agreement is a positive step towards relieving Zambia from the burden of unsustainable debt. The terms laid out in the MoU, once implemented, will create a more manageable debt structure, providing breathing room for Zambia's fiscal policies and budgetary allocation.
- **International Collaboration:** The cooperation of official creditors, notably China, France, and South Africa, underscores the importance of international partnerships in resolving debt crises. PMRC acknowledges the vital role played by these co-chairs and vice-chair in supporting Zambia's efforts.
- **Private Creditors Engagement:** Zambia's commitment to engaging with private creditors is a critical next step. A comparable agreement with private creditors is essential to ensure that debt relief measures are comprehensive and balanced.
- **Economic Revitalization:** Upon the successful completion of the debt restructuring process, valuable resources will be freed up, enabling the Zambian Government to allocate them towards the pursuit of its development objectives. This will be pivotal for reviving the economy and creating opportunities for the people of Zambia.
- **Enhanced Economic Outlook:** The debt restructuring agreement has the potential to enhance the Country's economic outlook in multiple ways. Firstly, it can attract increased foreign direct investment (FDI) as the country becomes more financially stable and less risky for investors. It will also contribute to a more stable macroeconomic environment, fostering growth and job creation. Improved fiscal sustainability through debt restructuring can lead to better credit ratings, allowing Zambia to access international capital markets on more favourable terms. Ultimately, it signals a commitment to fiscal responsibility, consequently instilling confidence in the economy and leading to a generally positive outlook with prospects for sustainable growth and development.

PMRC recognises the diligent efforts of the Ministry of Finance and National Planning, spearheaded by Dr. Situmbeko Musokotwane, and the support from multilateral partners, including the International Monetary Fund, the World Bank, and the African Development Bank. PMRC strongly advocates for the Government to uphold a policy of transparency and open communication with the public in relation to the ongoing debt restructuring process, as demonstrated. This has the ability to enhance public confidence and trust in the Government's actions. The Government is further encouraged to maintain strict fiscal discipline and adhere to prudent financial management practices to ensure that debt sustainability is upheld in the long run.



SYDNEY MWAMBA
PMRC Executive Director

For more details, interviews or queries about this PMRC Media Statement, please contact:

POLICY MONITORING AND RESEARCH CENTRE

Corner of Nationalist & John Mbita Roads, opposite Ridgeway Campus gate
10101 Lusaka, Zambia
Tel: +260 211 269 717 | +260 979 015 660
<https://pmrczambia.com>