AFRODAD

AFRICAN FORUM AND NETWORK
ON DEBT AND DEVELOPMENT

ZAMBIA
DEBT PROFILE

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EXECUTIVE SUMMARY

1. INTRODUCTION AND CONTEXT

This report examines Zambia's rising national debt and proposes actionable strategies to achieve fiscal sustainability. Zambia's recent economic growth coincided with increased government borrowing and while some funds financed social programs, a significant portion went to unproductive sectors, thus hindering economic return and revenue generation. Additionally, a thriving untaxed commercial sector has significantly reduced government revenue.

The report aims to comprehensively analyse Zambia's debt situation and propose concrete solutions for debt reduction and economic growth.

2. KEY FINDINGS AND RESULTS

* Analysis of government spending reveals concerning allocations towards unproductive sectors, limiting economic growth and revenue potential.
* The prevalence of a robust, untaxed commercial sector leads to substantial tax revenue losses, further straining debt reduction efforts.
* Reliance on external borrowing exposes Zambia to fluctuations in global markets, increasing the risk of debt default.

3. METHODOLOGY AND APPROACH

This report employed a multi-pronged approach to analyse Zambia's debt situation:

* **Data Analysis:** Economic data from the World Bank, IMF, and Zambian government sources were analysed to assess trends in government debt, spending, and revenue generation.
* **Literature Review:** Academic research and reports on debt management strategies in developing countries were reviewed.

4. IMPLICATIONS AND RECOMMENDATIONS

* Prioritise investments in high-growth, export-oriented sectors to generate revenue and decrease reliance on external borrowing.
* Implement strategies to integrate the informal sector into the formal economy. This should involve improving access to financial services and simplifying tax regulations to increase tax revenue collection.
* Develop a medium-term fiscal consolidation plan outlining specific spending cuts and revenue-generating measures to achieve a sustainable debt level.
* Diversify borrowing sources to reduce reliance on volatile external markets and explore concessional loans from international development institutions.
* Enhance transparency and accountability in public financial management to ensure efficient resource allocation and minimize corruption risks.

5. CONCLUSION

By implementing the proposed recommendations, Zambia can achieve a more sustainable debt level, promote economic growth, and improve its long-term financial resilience. Addressing inefficient resource allocation and tax evasion is crucial to ensure public funds are used effectively to support economic development and social welfare. This report provides a framework for policymakers to develop and implement comprehensive debt management strategies that contribute to a more prosperous and stable future for Zambia.

KEY DEFINITIONS

* **Gross Domestic Product (GDP):** This is the total monetary value of all final goods and services produced within a country's borders in a specific period (usually a year). It's a broad measure of a country's economic size and output. GDP is a key indicator of a country's economic health. It is used to compare economies, assess growth, and determine living standards.
* **Debt-to-GDP Ratio:** This ratio expresses a country's total debt (domestic and external) as a percentage of its GDP. It shows how much debt a country owes relative to the size of its economy. A high debt-to-GDP ratio raises concerns about a country's ability to repay its debts and finance future needs. It can also limit economic growth.
* **Debt Service on External Debt:** This refers to the annual payments a country makes to service its external debt, including principal repayments and interest payments. High debt service payments strain a country's budget, limiting funds available for other essential areas like healthcare and education.
* **External Debt Stocks:** This represents the total outstanding amount of debt owed by a country to external creditors (foreign governments, international organisations, and private lenders). This shows the total burden of external borrowing a country carries. It helps assess vulnerability to external shocks and the risk of debt crises.
* **Tax Revenue:** This is the total income a government receives from taxes levied on individuals, businesses, and other entities. Tax revenue is the primary source of government income which is used to fund public services, infrastructure, and social programs.
* **Tax-to-GDP Ratio:** This ratio expresses tax revenue as a percentage of GDP. It indicates how much of a country's economic output is collected as taxes. This ratio shows the government's capacity to raise funds domestically and its reliance on borrowing.
* **Debt to Education Expenditure**: This ratio compares a country's total debt to its spending on education. A high ratio suggests that debt may be crowding out investment in education which is crucial for long-term economic growth. It reflects the potential impact of debt on a country's ability to invest in its future through education.
* **Debt to Health Expenditure:** This ratio compares a country's total debt to its spending on healthcare. A high ratio indicates that debt may be hindering investments in vital health services. It reflects the potential impact of debt on a country's ability to provide essential healthcare services for its citizens.
* **Debt to Export Ratio:** This ratio compares a country's total debt to the value of its exports. It shows how much debt a country needs to service with its export earnings. A high ratio suggests a country may be vulnerable to external shocks that affect export revenue, which makes it harder to repay debt.

SECTION 1.0: INTRODUCTION AND CONTEXT

This is the 2024 debt profile annually published by AFRODAD. This year's profile focusses on Zambia. Zambia's debt has ballooned to over $23 billion, exceeding 50% of its GDP in 2022. This high debt servicing cost limits government spending on critical areas like healthcare and education. In November 2020, Zambia defaulted on its Eurobond debt and in February 2021, the country applied for debt relief under the G20 Common Framework for Debt Treatment. In March 2024 Zambia agreed to restructure $3 billion in Eurobonds, clearing a key hurdle that has delayed its three-year effort to escape from debt default with implications for other nations seeking creditor deals.

The profile highlights the journey of Zambia's debt problems and shows its growth over time including the costs of servicing debt. The profile illustrates the debt statistics with charts and diagrams. It also looks at Zambia's political economy and debt landscape, macroeconomic and social components, Domestic Revenue Mobilisation in Zambia, legal provisions on borrowing and lending along with its gaps and climate finance aspects. The objective of the profile is to look at the drivers of debt in Zambia, provide an in-depth analysis of the current debt status, examine taxation, trade, agriculture and mining sectors and how these can be maximised for revenue and recommend policy solutions to the debt crisis faced by Zambia.ation in Zambia, legal provisions on borrowing and lending and its gaps and climate finance aspects. The objective of the profile is to look at the drivers of debt in Zambia, provide a deep analysis on the current debt status, look at taxation, trade, agriculture and mining sectors and how these can be maximised for revenue and recommend policy solutions to the debt crisis faced by Zambia.

The Zambia debt profile is subdivided into five (5) sections. The first section is the executive summary, the second section provides an introductory information on Zambia whilst the third section examines the political economy of Zambia and its debt landscape. The fourth section analyses macroeconomics, legal and social components of Zambia and the fifth section provides a conclusion and alternative policy recommendations to improve Zambia's debt situation.

Zambia is a member of the Southern Africa Customs Union (SACU) and The Southern Africa Development Community (SADC) blocs which promote regional cooperation and development among member states and spearhead development in the region. In 2019, SADC approved the Regional Industry Protocol to support the Industrialisation Strategy and Roadmap launched in 2015 to improve the policy environment for industrial development. The current population of Zambia[1] is estimated at 21 million and is projected to grow rapidly throughout the rest of the century with the current population expected to more than quadruple to 80.78 million people in 2099 reflecting a relatively high fertility rate. The country is experiencing a large demographic shift and is one of the world's youngest countries by median age. As the large youth population attains reproductive age, the population is anticipated to double in the next 25 years. Zambia's rapid population growth poses serious problems for poverty levels and resources. Additionally, public health programs must adapt quickly to the changing population, which is already a challenge. The country is considered a middle-income nation with the biggest industry being copper production, which has led to positive changes in its economic growth over the years. Unfortunately, the distribution of surpluses has been inadequate for low-income people, making Zambia one of the countries with the highest economic inequality in the world, with 58% of the population below the poverty line[2].

Zambia's economy is highly dependent on mining and agriculture, but despite its abundant resources, growth has been insufficient to lift its young and growing population from poverty. In the decade ending in 2021, growth averaged 3.7 percent, with high volatility in mining and the weather-dependent agricultural sector extending to the year 2024[3]. Excessive borrowing to finance inefficient public investment projects did little to boost Zambia's growth potential and exacerbated its macroeconomic imbalances. The COVID-19 pandemic further hindered growth, contributing to the country falling into debt distress and defaulting on its Eurobonds in November 2020 while accumulating arrears with other creditors.

Overall, four sectors: mining, agriculture, trade, and construction contribute to half of the GDP and 56 percent of employment. The participation rate in the labor force is low and only 31 percent of the working age population is employed in Zambia. By the end of 2023, more than 60 percent of Zambia's population was living below the international poverty line compared to 35 percent across Sub-Saharan Africa[4].

Over a long period of time, Zambia has been dealing with large fiscal and external imbalances resulting from years of economic mismanagement, particularly an overly ambitious public investment drive that did not boost growth or fiscal revenues. Zambia possesses considerable wealth of mineral resources, and its economy depends heavily on these minerals. Zambia's primary export, copper and copper-related products, accounts for up to 77% of its exports[5]. Despite high copper exports, however, government revenues are significantly lower than the global averages. While worldwide resource taxes tend to be about 25-40 % of exports for major resource-rich developing countries, they are only 3–5 % in Zambia.

A drought in 2019 and the COVID-19 pandemic exacerbated the acute economic and social challenges facing the country, with poverty, inequality, and malnutrition rates among the highest in the world. The country is currently in debt distress with the debt –to- GDP ratio approximated at 75 percent of the GDP coming just a few years after it defaulted on its Eurobonds in November 2020 and accumulating arrears to other creditors[6].

1 https://www.worldometers.info/world-population/zambia-population/
2 en__zambia_debt_2024.pdf (ituc-csi.org)
3 Zambia: Selected Issues (repec.org)
4 Zambia: Selected Issues in: IMF Staff Country Reports Volume 2023 Issue 257 (2023)
5 Zambia Economic Outlook | African Development Bank Group (afdb.org)
6 African Debt - ONE Data & Analysis

Figure 1: Geographical Information of Zambia

Throughout history, colonialism has impacted development, but today, debt is among the greatest obstacles to economic progress in Zambia[7]. The country is a landlocked, resource-rich country located in Southern Africa and borders Malawi, Mozambique, Zimbabwe, Namibia, DR Congo, Tanzania, and Angola. This debt profile analyses the debt situation in Zambia and covers five (5) sections. The first section is the executive summary, the second section provides an introductory information on Zambia whilst the third section examines the political economy of Zambia and its debt landscape. The fourth section analyses macroeconomics, legal and social components of Zambia and the fifth section provides a conclusion and alternative policy recommendations to improve Zambia's debt situation.

7 How Africa's colonial history affects its development | World Economic Forum (weforum.org)

SECTION 2.0: POLITICAL ECONOMY OF DEBT LANDSACPE IN ZAMBIA

Zambia gained its independence in 1964 under the leadership of its first President Kenneth Kaunda. The nation is considered a stable country with successful democratic elections held every five years. After many years of a one-party state, Zambia became a multi-party state in 1991[8]. Its democracy is evident in the nine Presidential elections and four different political parties that have so far ruled the country. Among them are the United National Independence Party (UNIP from 1964-1991), Movement for Multiparty Democracy (MMD from 1996-2011), Patriotic Front (PF from 2011-2021), and currently the United Party for National Development (UPND).

In August 2021, Zambia's trajectory significantly shifted with the election of a new government led by longtime opposition leader Hakainde Hichilema.

As Zambia's seventh president, Hichilema inherited a nation with unsustainable debt larger than previously known and had to deal with the impact of its debt default. Zambia's current debt crisis is not its first. The country gained independence in 1964 and had one of the strongest economies in Sub-Saharan Africa up until the mid-1970s due to a strong copper mining industry. Beginning in 1975, copper prices began to fall drastically, and Zambia's export revenue declined. The government's balance of payments fell into disequilibrium, and it mainly funded its deficits through external borrowing. Significant amounts of its external debt were owed to multilateral institutions, primarily the IMF and World Bank. The nation's external debt stock rose steadily throughout the 1980s and early 1990s, while its Gross Domestic Product (GDP) remained relatively constant throughout the same period[9].

8 9 Major Achievements of Kenneth Kaunda - World History Edu
9 Charles.Lascu_.AFRODAD-1.pdf (saipar.org)

In 1983, the World Bank and IMF arranged with the government of Zambia for a policy reform programme which entailed controversial economic liberalisation policies that were eventually scrapped by the Zambian government in 1987. However, debt to GDP in Zambia continued to grow in the years immediately following the attempted 1983 reforms. In 1991, the government again sought to improve its economy through multilateral guidance, this time with the adoption of a Structural Adjustment. The Structural Adjustment Programme was again controversial and entailed market liberalisation policies and the removal of subsidies, including in the health and education sectors. Many Zambian citizens became unable to afford government healthcare and education, and food insecurity increased. These austerity measures did not lead to substantial GDP growth and progress was not made on the external debt front.

Due to criticisms of the Structural Adjustment Programs and worldwide movements advocating for debt relief for low-income countries, the World Bank and International Monetary Fund began the Highly Indebted Poor Country Initiative and the Multilateral Debt Relief Initiative in Zambia in 1996 to 2005 respectively. These initiatives would offer debt relief if Zambia implemented various reforms which were a bit subjective and were seen as and neocolonialism in nature. However, Zambia reached the completions points of the initiatives in late 2005, and subsequently received significant debt forgiveness from the multilateral institutions. However, by the year 2020, Zambia had debt to GDP approaching approximately 120% which has continued to have a negative effect on the economy to date, thus putting the country in a financial crisis[10].

Zambia's public debt has risen due to budget deficits - with expenditure exceeding revenue excessive. The largest issue Zambia's government faces regarding revenue is low tax compliance rates. The study by Joshua et al (2019), titled "A Barometer for a Perfect Storm: The Causes of the Zambian Debt Crisis and Indicators for Tracking Public Debt Management Progress," unequivocally indicates, based on interviews with a senior official collaborating with the Ministry of Finance, that tax compliance for numerous taxes hovers around 50%. In 2023, the large informal sector was equivalent to 6% of GDP[11]. Tax evasion due to an increased informal sector is still a challenge in reducing government debt and poses challenges when the government tries to recoup its investment in infrastructure projects. If the economic growth produced by an infrastructure project is mostly in the informal sector, the government's tax base will grow at a lesser rate than the economy, making it difficult to afford the project's interest payments.

The result of this runaway debt was that government budgets were increasingly diverted towards debt service. By 2019, debt service became the largest spending category, accounting for more than 30% of government expenditure. This surpassed economic affair spending and represented more than three times the allocation towards education and health. During the same period, the government's reliance on domestic sources of finance, such as government bonds and treasury bills, increased[12]. In November 2020, Zambia became the first African nation to default on its Eurobonds during the COVID-19 pandemic, bringing the country's debt distress into headlines around the world. The debt crisis resulted from years of economic mismanagement, drought in 2019 and COVID-19 in 2020 which worsened Zambia's economic challenges.

As a result, in February 2021, Zambia formally applied to the G-20 Common Framework which resulted in a long and painful process towards the country's debt restructuring, including a change in political leadership, lengthy discussions with the IMF over a country programme, and even more complex negotiations with public and private creditors, which are still ongoing[13]. On December 6, 2021, the government of Zambia announced it had reached a staff-level agreement on a US$1.4-billion extended credit facility with the IMF from 2022 to 2025. On September 6, 2022, the IMF's Executive Board approved a 38-month credit facility amounting to US$1.3 billion to Zambia. These extended credit facilities are components of the external influences in championing the facilitation of the Common Framework.

10 The Road to Zambia's 2020 Default (findevlab.org)
11 Who Cares For The Future – Finance Gender Responsive Public Services - Zambia National Policy Brief.pdf (actionaid.org)
12 https://www.boz.zm/Monetary_Policy_Report_February_2024.pdf
13 https://afrodad.sabalink.dev/sites/default/files/publications/Afrodad-Debt-Restructuring-270320243.pdf

While the Common Framework for Debt Treatments beyond the DSSI is an agreement of the G20 and Paris Club countries, it still has many similarities with restructuring frameworks agreed to in the past in the context of G7/G8 summits and administered by the Paris Club[14].

With weak revenue to GDP, weak domestic development and depreciation in the local currency associated with shrinking reserves, World Bank, IMF and external creditors have continued to regard Zambia as being in debt distress and thus have kept calling for what they term a need for a deep and comprehensive debt treatment to place public debt on a sustainable path. This has continued to put pressure on the Zambian government thus leading to a call to actively seek a comprehensive debt restructuring. Paradoxically, in December 2023, the US Central Bank, the Federal Reserve announced that it will make three interest rates cuts in 2024, and another four cuts in 2025, after increasing interest rates from 0 to 5.5% since March 2022[15]. The announcement of expected interest rates cuts was to make investors start investing in Zambian Treasury bills and bonds thus increasing the supply of dollars and the strengthening of the Kwacha currency. However, this narrative is purely economic colonization and a continuous dollar-dominated strategy in most of the developing economies including Zambia.

In 2024, a cholera epidemic and severe drought have adversely impacted agriculture and food production, electricity availability, and water supply in Zambia which has also dampened economic growth. However, an expected upturn in mining driven by foreign direct investment inflows into critical green energy transition minerals, if realized, may offset some of the losses. Currently, Zambia is also unpacking and implementing Africa Mining Vision to promote value addition and beneficiation of the vast mineral resources in the region[16]. Despite the huge potential for economic growth the region still faces grave challenges such as high food insecure population, increased informalization of the economy, malnutrition and infrastructure bottlenecks which exacerbate poverty levels in the region.

14 CADTM (2020): Zambia edges towards debt default, but bondholders could make millions. http://cadtm.org/Zambia-edges-towards-debt-default-but-bondholders-could-make-millions 22/11/20. Accessed 22/11/2020

15 Zambia's 2023 Macroeconomic Performance – Zambia Institute for Policy Analysis and Research (zipar.org.zm)

16 https://au.int/en/documents/20100212/africa-mining-vision-amv

SECTION 3.0: ZAMBIA MACROECONOMIC AND SOCIAL COMPONENTS

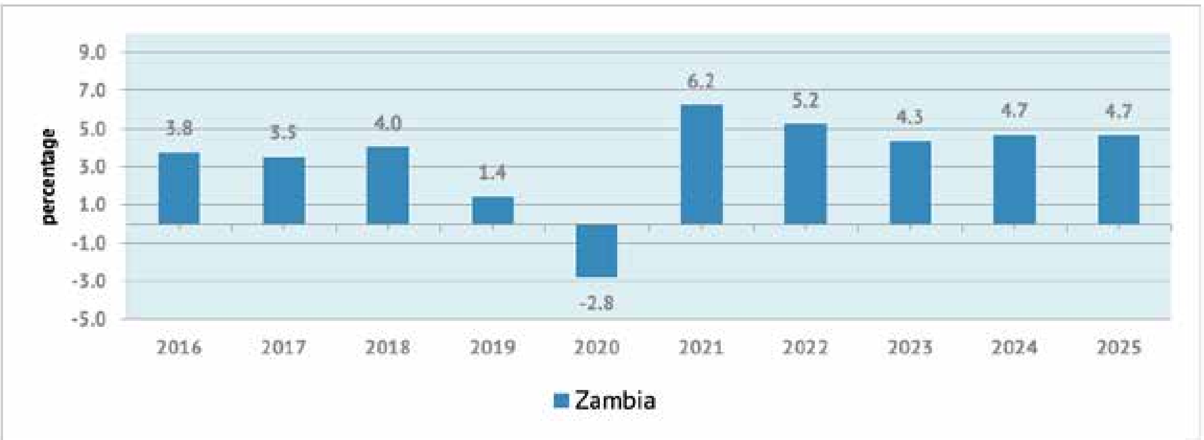
3.1: DEBT AND DEVELOPMENT

3.1.1. Nexus between Debt and GDP Growth of Zambia

The national debt of Zambia rose by $6.4 billion representing 33.42% increase in 2023 compared to the previous year, reaching a peak of $25.5 billion by end of 2023. This debt is measured in gross terms and includes all liabilities that require the payment of interest and/or principal by Zambia to its creditors at a future date or dates. However, the country's GDP decreased to 4.3 percent in the year 2023 compared to 5.2 percent in the year 2022[17]. On a positive note, GDP is projected to rise to at least 4.7 percent in the year 2024 underpinned by the continued recovery in mining, services, and manufacturing; higher global copper prices; and the market confidence associated with ongoing fiscal consolidation measures in Zambia. This projected GDP growth remains below the government 's underpinned projection which is between 6 percent to 8 percent annually as illustrated in the following graph;

17 Zambia Overview: Development news, research, data | World Bank

Figure 2: GDP growth of Zambia



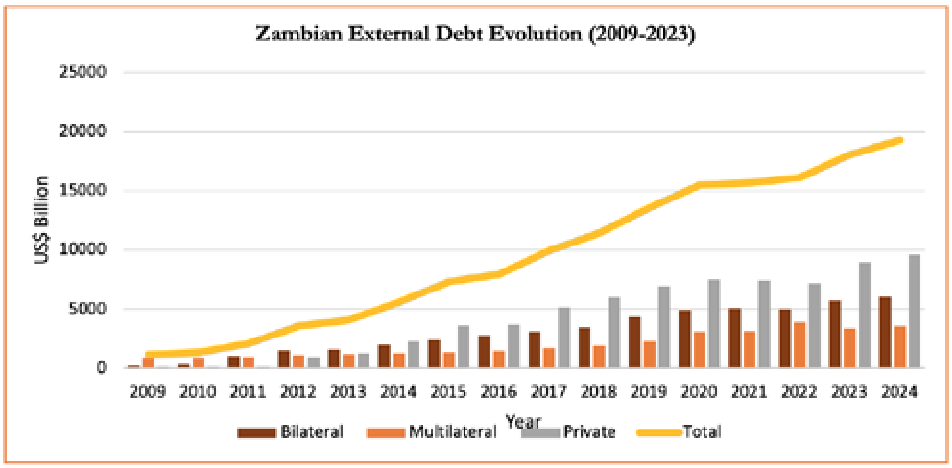
Source: [International Debt Statistics]

Note: The Statistics have the Projection for 2024 and 2025

Zambia's current account narrowed and slipped into a deficit in 2023 due to a contraction in copper production and exports over three consecutive years, significantly reducing foreign currency earnings. Combined with the uncertainty in finalizing Zambia's debt restructuring, this has put pressure on the exchange rate, leading to 41.8% depreciation in 2023[18]. At the same, the depreciation contributed to inflation rising way above the Bank of Zambia's target range of 6–8%, despite monetary restraint and fiscal prudence. At the same time, the fiscal deficit is projected to remain at 7.3% in 2024, owing to increased social spending. Headwinds include perennial drought, fluctuating copper prices, and the impact of Russia's invasion of Ukraine on fertilizer and fuel prices.

Like other African countries that underwent the 2005 debt relief, Zambia main goal was to continue on the path of debt sustainability. However, the country begun accumulating increased debt after 2010, triggered by a rapid economic shift and expansionary fiscal policy through infrastructure development which led to a total change in Zambia's creditor portfolio[19]. This resulted in a shift from traditional multilateral and bilateral creditors who dominated in the early 2000s to a more private-centric creditor dominated as shown in figure 3.0 below;

Figure 3: Evolution of Zambia External Debt (2009-2023)



Note: The Statistics have the Projection for 2024

18 Balance of payments - Zambia - export, power (nationsencyclopedia.com)
19 Zambia's 2023 Macroeconomic Performance – Zambia Institute for Policy Analysis and Research (zipar.org.zm)

As early as 2009, official creditors including multilateral and bilateral creditors accounted for a large portion of Zambia's debt. However, over time, from 2015 onward, the share of private creditors steadily increased, encompassing Non-Paris Club lenders including China, India, Saudi Arabia, Kuwait, and Turkey, among others. Simultaneously, bilateral lenders including Eurobond holders and non-guaranteed private creditors gained prominence in the country's debt landscape as illustrated in figure 3 above. The total debt value more than doubled between 2009 and 2023[20]. At the same time, multilateral debt has grown considerably. In the 2000s, Zambia embarked on ambitious infrastructure projects to boost economic growth. These projects required significant funding, which the government sought through external borrowing, particularly from China. By 2022, China had become the largest creditor to Zambia, and it constituted a large part of the bilateral debt since the traditional lenders like the World Bank and IMF often impose stricter loan conditions. China, however, offered faster access to funds with fewer conditions, making them an attractive option for Zambia.

Furthermore, Zambia's economy relies heavily on copper exports therefore fluctuations in copper prices significantly impact government revenue. When copper prices declined in the early 2000s, Zambia needed additional borrowing to cover budget deficits thus resulted in increased debt overhang[21].

Zambia witnessed a significant sharp rise in external debt in 2015 which increased by 39.6 percent of the total GDP. This surge was mainly due to the third US$1,250 million Eurobond issued by end of December of the same year. In addition, in 2016, a 3.8 percent of the GDP increase in the stock of external debt was recorded and as of December of the same year the debt was sitting at US$6,850.9 million. The continual increases in public debt in Zambia after 2009 has resulted in an exponential increase in public debt servicing costs[22]. These payments have adversely affected poverty alleviation programmes and have also directly negatively affected credit creation, gross national savings, domestic interest rates, gross national investment and the central government's gross revenue performance.

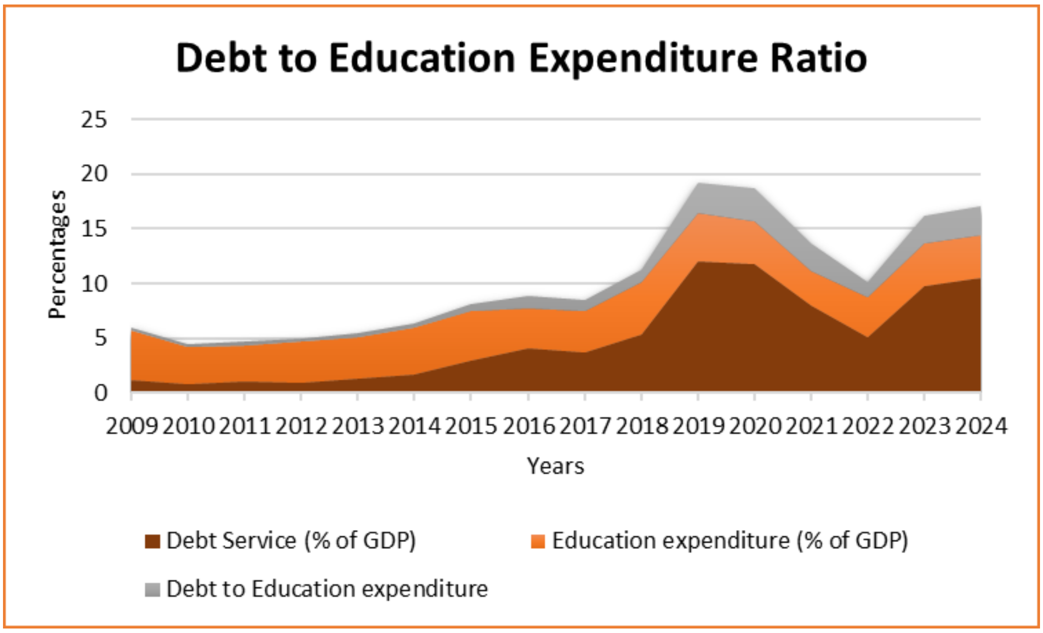
20 https://www.uneca.org/towards-sovereign-debt-restructuring-in-africa-comments-and-recommendations

21 Understanding Zambia's Debt And it's Impact on Social Development (jctr.org.zm)

22 Zambia : Zambia Economic Performance Analysis for 2023:What are the Prospects for 2024? (lusakatimes.com)

The relationship between Zambia's debt stock and its overall performance on economic growth is important in the understanding of that country's debt situation. In relation to the relationship between Zambia economic growth performance and the debt situation, this study has established that in the case of Zambia, the debt -to –GDP ratio has been on the rise over a period of years as shown in figure 3 below;

Figure 4: Debt stock and GDP Growth of Zambia



Source: International Debt Statistics and World Bank

While GDP initially declined from 2009 to 2015, it experienced a resurgence from 2015 to 2018, followed by a dip in 2020. However, a troubling trend emerges when we consider Zambia's debt -to -GDP ratio. The graph reveals a continuous rise in the ratio throughout the entire period. Even during periods of economic growth, the debt burden was accumulating at a faster pace. This concerning trend can be partially attributed to Zambia's historical reliance on copper exports. Prior to 2010, high global copper prices fueled significant GDP growth and likely led to increased government spending. However, since 2010, fluctuating copper prices have impacted Zambia's export earnings and government revenue. This has strained Zambia's ability to repay its debt, potentially explaining the high and rising debt to GDP ratio. Additionally, the volatile GDP growth rate might be linked to the global copper market's influence[23].

The main finding from the above graph is that Zambia's debt is accumulating at a time when the country's economic and financial performance is weakening. This has implications with regards to the country's capacity to repay its debt or meet its debt servicing obligations when they fall due. This point also highlights the chances of Zambia's debt situation to remain at "unsustainable" levels for a considerable period. It is therefore important to acknowledge that other factors beyond copper prices have also played a role in Zambia's unsustainable debt situation, including political instability and government policies that have had significant impact on economic growth and debt management[24]. External forces like global economic slowdowns or regional instability have also affected Zambia's economic well-being. With projections indicating a potential GDP decline in 2024 alongside a continued rise in the debt to GDP ratio, Zambia faces a complex economic challenge that requires addressing multiple factors for sustainable growth.

23 AFRODAD 2019 - Assessment of National Financing and Investment Policies in The East Africa Community (EAC) And Southern Africa Development Community (SADC) Countries Against Regional Protocols: Link: Assessment of National Financing and Investment Policies in the East Africa Community (EAC) and Southern Africa Development Community (SADC) Countries Against Regional Protocols - AFRODAD

24 Zambia: Staff Report for the 2023 Article IV Consultation, First Review Under the Extended Credit Facility Arrangement, and Financing Assurances Review— Debt Sustainability Analysis in: IMF Staff Country Reports Volume 2023 Issue 256 (2023)

The rising debt-to-GDP ratio, coupled with dependence on volatile copper prices and potentially unsustainable spending patterns, creates a situation where servicing external debt becomes increasingly difficult. To achieve sustainable economic growth, Zambia will need to address these issues through a combination of strategies, including diversifying its economy, managing government spending more prudently. Zambia's recent action to seek debt relief and restructuring agreements with its creditors can also be commended as this may improve the economic performance of the country[25]. Figure 4 below reflects that debt servicing in Zambia was becoming difficult which then made the country default its debt in 2020.

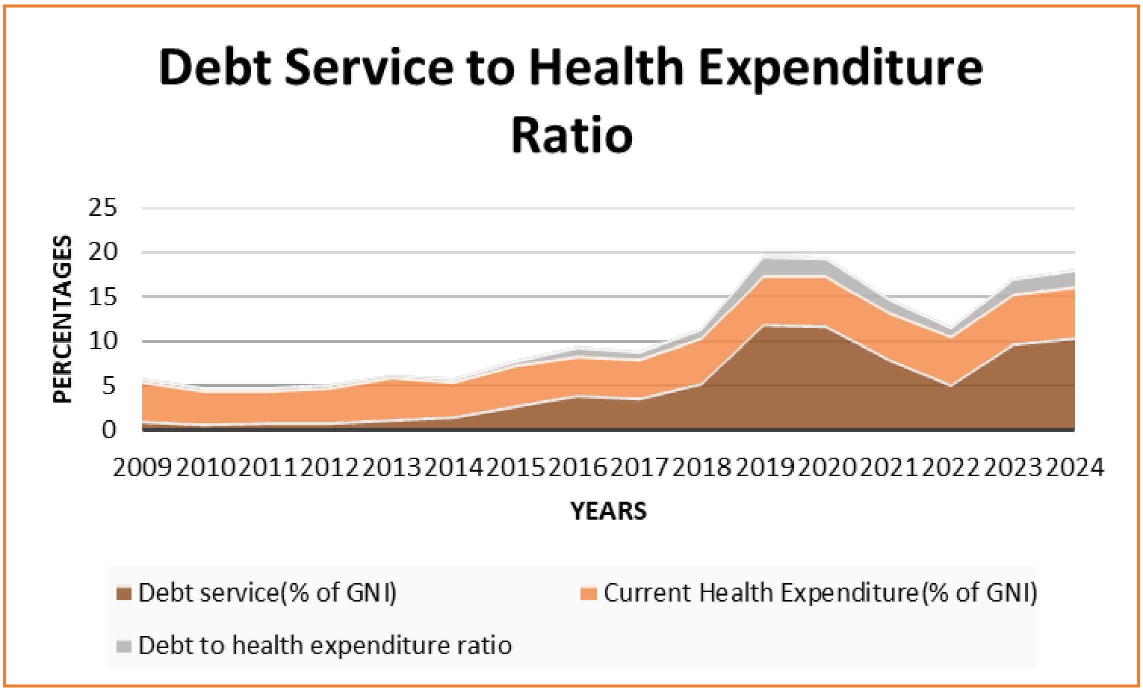
3.1.2. Effect of Increase in Debt on Social Sectors including Education and Health in Zambia

This high debt burden has resulted in limited government spending on social programs that alleviate poverty and inequality. Resources are diverted towards debt servicing, leaving less for crucial investments in education, healthcare, infrastructure and climate. High debt has also led to austerity measures, disproportionately impacting the poorest and most vulnerable people in the rural areas of Zambia. Below is figure 4 showing how debt impacted the education sector which is one of the key sectors stimulating economic growth. As of 2015, 58 percent of Zambians earned less than the international poverty line of $1.90 per day (compared to 41 percent across sub-Saharan Africa) which increased to more than 60 percent in 2023. Inequality remains high, with three quarters of those living in poverty being in rural areas. Income inequality, estimated by the Gini coefficient, remains high with a national average of 0.69 for rural areas and 0.61 for urban areas. Debt servicing has continued to impact expenditures especially in the social sectors, with only 40 percent of the national budget disbursed to social sectors in 2023.

As a share of the total budget in Zambia, funding for education has continued to decline. Despite education consistently being among the top three expenditure allocations by function, the share of the budget allocated to education has steadily declined from 11.5 percent as a share of total budget in 2021 to 8.4 percent as a share of the whole budget in 2023. This is expected to keep declining to at least 5 percent of the total share of the yearly total in the year 2024 because of increased debt service in the country[26]. The allocation to education is still below the recommended global commitments. Under the Education 2030 Incheon Declaration and Framework for Action, a global plan agreed by countries in 2015 for the implementation of SDG 4, countries pledged to spend 4-6 percent of GDP, or 15-20 percent of the total budget, on education.

25 https://www.zamstats.gov.zm/year-on-year-inflation-for-february-2024-at-13-5-percent-2/
26 UNICEF Zambia Budget Brief Education.pdf

Figure 4: Debt Service vs. Education expenditure



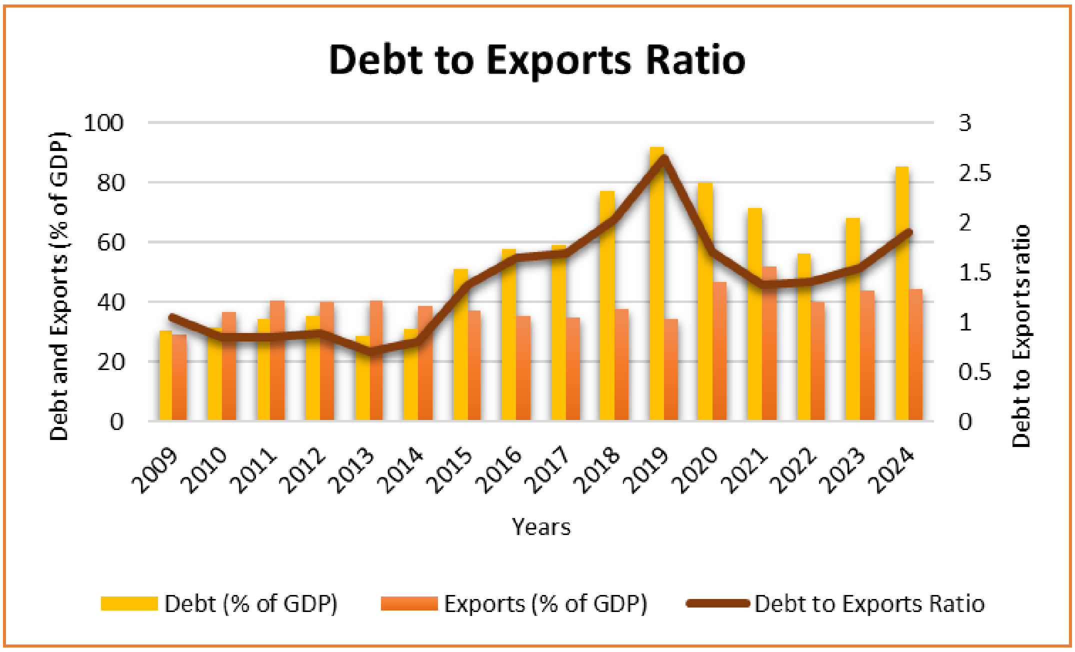
Source: Author's Own Construction using data from Bank of Zambia

With spending at 3.9 percent of GDP and 10.4 percent of the total budget in 2023, Zambia's education budget remains below the lower threshold of the Incheon benchmark as shown in figure 4 above. The Government therefore needs to reverse this trend by, at the very minimum, maintaining the share of the allocation to education and prioritizing education in budget decision-making processes and by extension, spending the maximum available resources towards education instead of increasing its debt service. Figure 4 highlights a critical situation in Zambia's education system where debt service is probably crowding out spending on education. The graph reveals debt service rising significantly while education expenditure stagnates or even declines, suggesting a worrying trend.

When debt service consumes a larger portion of the budget, less money remains available for crucial areas like education. This results in reduced funding for schools, teachers' salaries, and educational materials. Ultimately, there is a decline in the quality of education as purported by UNICEF, (2023). High debt service could be due to factors like large loans taken in the past with high interest rates and economic slowdowns making it harder to generate revenue for debt repayment[27]. The consequences of reduced education spending can be severe leading to a less skilled workforce which then hinders future economic growth. Limited educational opportunities can perpetuate poverty cycles. Zambia's health sector also has not been spared from the effects of debt service, figure 5 below supports this claim.

27 Who Cares For The Future – Finance Gender Responsive Public Services - Zambia National Policy Brief.pdf (actionaid.org)

Figure 5: Debt Service and Health Expenditure



Source: Author's Own Construction using data from Bank of Zambia

Debt Service to Health Expenditure ratio of Zambia can be seen to have started at around 5 percent in 2009, increasing to over 20 percent by 2018, and then fluctuates around 15 percent for the rest of the period shown in the graph. The graph shows that the debt service to health expenditure ratio has increased in Zambia over the period shown. This suggests that a growing portion of Zambia's health budget is being allocated towards servicing debt. This might leave less money available for essential healthcare services, medication, staffing, and infrastructure. Amnesty International also reported that Zambia had an average health budget of 8.8 percent between 2015 and 2022 which is far below the threshold of the Abuja Declaration's target of 15%. A higher debt service to health expenditure ratio can have negative consequences for Zambia's healthcare system, such as limited access to quality healthcare services for Zambians, shortages of medical supplies and equipment, difficulty in attracting and retaining qualified healthcare workers and potential decline in overall health outcomes for the population.

Zambia's debt crisis is squeezing public spending on the health sector, and it is getting worse. According to research done by ActionAid, it shows that those countries which spend more than 12% of their budgets on debt servicing are invariably forced to cut their spending on public services. Zambia is well over this threshold (with one of the world's highest rates, at 51%); a reduction to 12% would have made an additional $1.7 billion available for public services in 2019. Furthermore, over time, the budgetary allocation to debt service has been increasing significantly in Zambia compared to the budget for social sectors such as health. In 2023, debt servicing budgetary share was 32%, while health and education received 9% and 12% respectively which has also continued to decline over the last two years[28]. The figure below shows that the Government has now been allocating more resources towards debt servicing at the expense of the social sectors including the health sector. Overall, the graph suggests a potential challenge for Zambia's healthcare system. A higher debt service to health expenditure ratio will limit resources available for essential services in the year 2024 and beyond.

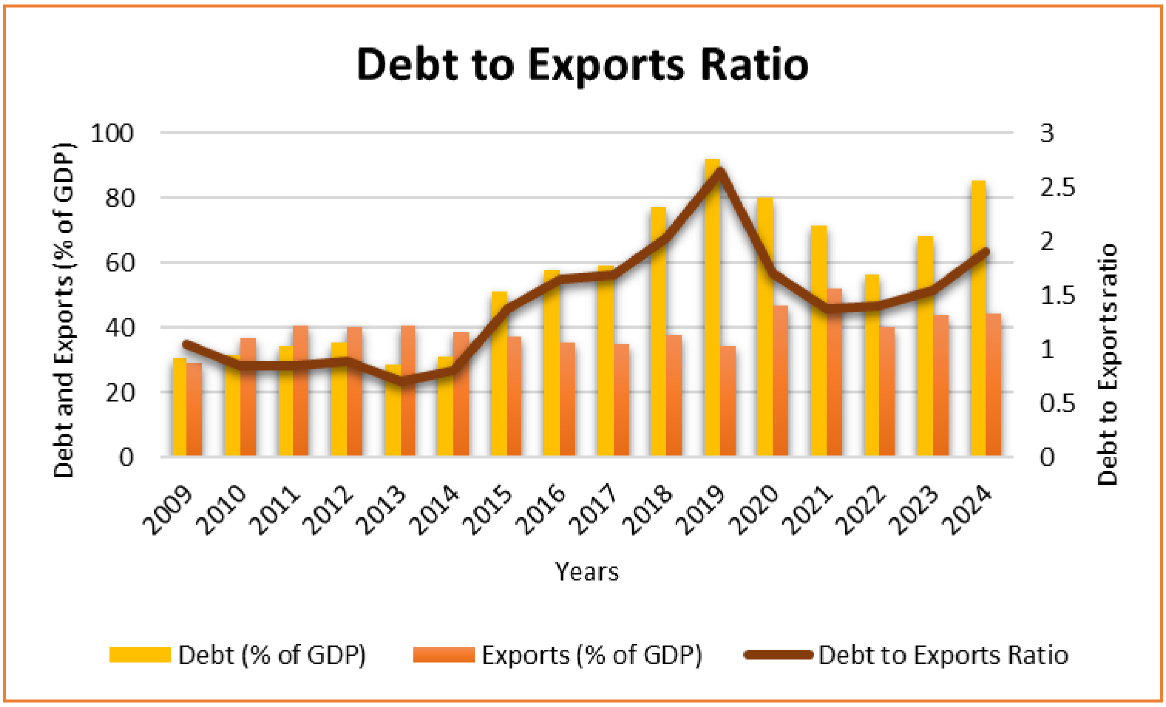
28 On Zambia, health, and public debt: Alternatives to austerity - Amnesty International

3.1.3: Zambia's Balance of Payment and Debt Nexus

The Balance of Payments position of Zambia has continued to deteriorate for the last fifteen years. In comparison, in the year 2022, Zambia had an overall deficit of $1.3 billion which represented approximately 4.8 percent of GDP compared to a surplus it received in the year 2021 which stood at 5.2 percent of the GDP. This was largely due to a sharp decline in the current account surplus and significant widening in the financial account deficit following the recognition of principal repayment due on the Zambian government debt. On the other hand, imports grew by 23.3 percent to US$2.1 billion, driven by a pick-up in economic activity and appreciation of the Kwacha against the US dollar.

Zambia total export earnings fell by at least 3.9 percent in the year 2023 relative to a year ago. This was due to the reduction in copper export earnings, which fell by 20.4 percent to US$2.2 billion, reflecting lower export volumes. A decline in copper output amid low ore grade, operational challenges, and routine closures for maintenance at some mines accounted for the reduction in export volumes. Nonetheless, non-traditional exports (NTEs) grew by 45.9 percent to about US$1 billion. The increase was broad-based, largely driven by sustained strong demand in the Democratic Republic of Congo and Namibia. Key contributors to the growth in NTEs were plastics, salt Sulphur lime and cement, and mineral fuels and oils mainly for electricity. Major sources of Zambia import came from countries such as South Africa, China, United Arab Emirates, India, and Singapore Merchandise whose imports were 33.6 percent higher, at US$2.5 billion, in the first quarter of 2023 than a year ago[29]. The increase was broad-based, reflecting improvements in domestic economic activity. Imports from the top five source countries accounted for 59.0 percent, with South Africa being the largest contributor, at 22.8 percent as show in figure 6 below.

Figure 6: Balance of Payment and External Debt

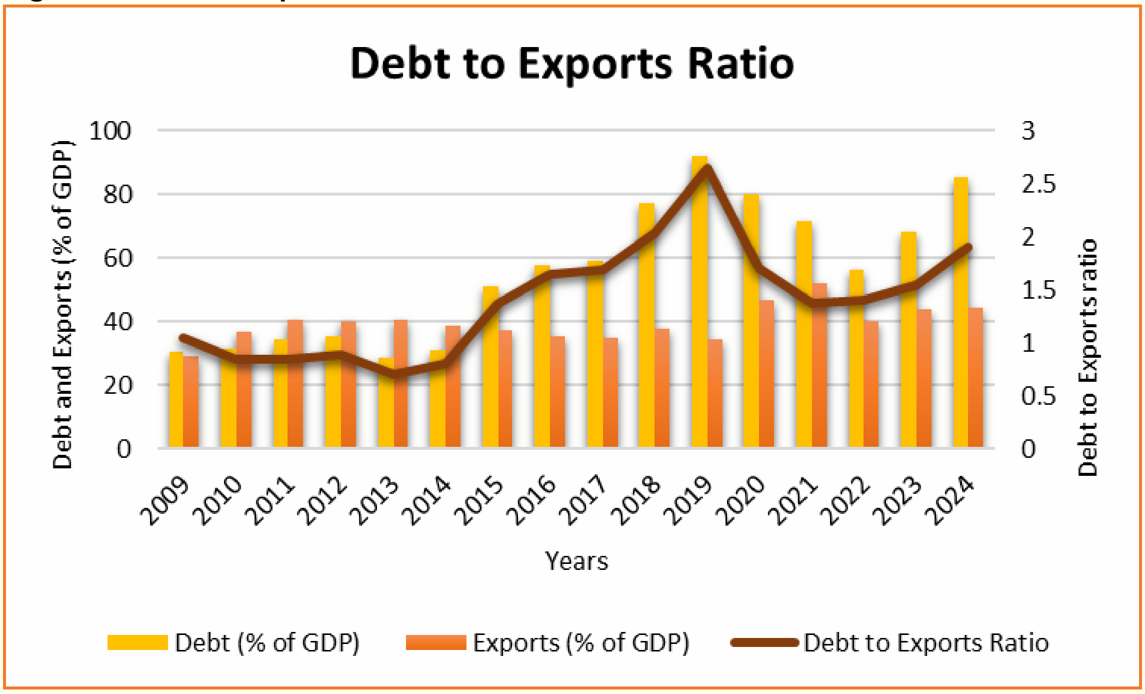


Source: World Bank and International Debt Statistics

29 Balance of payments - Zambia - export, power (nationsencyclopedia.com)

Total debt service (% of exports of goods, services and primary income) in Zambia was 47.24 percent as of 2020. Its highest value over the past 42 years was 52.08 in 1986, while its lowest value was 1.86 in 2010. It is worth noting that a lower ratio of debt to exports of any country shows a healthier debt situation while a higher ratio signals potential challenges in debt servicing. Zambian trade is normally in rough balance. However, a heavy debt burden gives the country a current account deficit, and hard currency is often in short supply. In the year 2023, total debt service as a percentage of exports of goods, services and primary income in Zambia increased to 40 percent as shown in the figure 7 below, thus, leading to a widening fiscal pressure on the balance of payments of the country. The trade deficit has also worsened due to mining related imports needed to reform the privatized copper industry. Nonetheless, an improvement in official and commercial inflows, supported by a resumption of concessional donor support is expected to prompt a recovery by the year 2024.

Figure 7: Debt and Export Ratio



Source: Author's Own Construction using data from Bank of Zambia

The consequences of a high debt-to-export ratio include limited development resources due to taking a larger portion of export earnings towards debt service, leaving less for crucial investments in infrastructure, healthcare, or education. Zambia's debt repayment ability becomes more dependent on maintaining high export earnings. This makes the economy vulnerable to external factors like global recessions or further drops in copper prices. As shown in Figure 7, there is a rise in the debt to export ratio in Zambia for the last fourteen years (2009 to 2023). This suggests that Zambia's external debt is increasing faster than its export earnings. This makes it more difficult for Zambia to repay its debts, as a larger portion of export earnings needs to be allocated towards debt service. Zambia's economy relies heavily on exports, particularly copper. Fluctuations in global copper prices can significantly impact export earnings. Zambia has accumulated significant external debt over the years[30]. However, for the last five years, Zambian government launched the National Trade Policy and Export Strategy with the main objective of turning Zambia into a net exporter and improving its competitiveness. The Policy covers trade in goods and services and has various interventions, it is aligned with the Seventh National Development Plan and aims to achieve sustainable development.

30 Trade Policy and Export Strategy for Zambia launched – Common Market for Eastern and Southern Africa (COMESA)

Furthermore, while looking at the ratio of Zambia's debt to exports in present value, the total amount decreased from 160 percent in 2020 to at least 152 percent in the year 2022. However, when compared to the recommended threshold of 140 percent, the percentage is way above the policy requirement thus leading to a more vulnerable situation in Zambia. Additionally, the ratio of external debt to exports experienced a sharp increase from around 16 percent in 2019 to 26.9 percent in 2020, persisting above its 10 percent sustainability threshold in 2023 amplifying the fact that Zambia's debt sustainability indicators are facing debt distress and going against the Country Policy and Institutional Assessment (CPIA) thresholds[31].

3.1.4: Zambia G-20 Common Framework and Debt Restructuring Processes

Zambia's total debt increased from $19.8 billion in the year 2020 to at least $25 billion by the end of the year 2023 according to the statistics from the Zambia Ministry of Finance and National Planning. However, by the end of 2023, the country's external debt was about $15 billion while domestic debt stood at $9 billion. These were exclusive of the guaranteed state-owned enterprises (SOEs) external debt, which was at $1.4 billion, commercial debt at $ 8 billion, and total arrears at $10.1 billion. This showed that the country's external debt stock increased by at least 11.5 percent while domestic debt increased by at least 37.7 percent by the end of the year 2023. Over the years, Zambia has tried and made tremendous economic progress with its Gross Domestic Product (GDP) growth rate averaging between 5 percent to 6 percent in the last ten years32. Unfortunately, as of 2023, Zambia per capita debt is estimated to have increased by at least 21 percent compared to the year 2021 meaning that each Zambian is expected to pay a large share of the debt including the future generations.

Zambia's composition of public debt has shifted from concessional borrowing to non-concessional borrowing in the recent times, from zero percent of commercial loans in 2010 to more than 50 percent in 2023. Zambia debt conundrum however started between the year 2012 and 2015 when it issued three Eurobonds: $750 million, $1.25 billion, and $1 billion, with coupon rates at 5.375 percent, 8.5 percent, and 8.97 percent respectively. Their respective due dates were stipulated as follows: 2022 which it already defaulted, 2024, and 2027[33]. Additionally, Zambia took advantage of borrowing opportunities to fund infrastructure while state-owned enterprises also borrowed directly from lenders with explicit guarantees. In addition, a good percentage of for Zambia's debt came from lenders including China through the Road and Built initiative thus making it the largest single creditor of Zambia. The shift in the country's creditor scenery complicated its debt structure leading to increased risks in the market conditions and increased interest rates. In the long run, by end of the year 2019, the International Monetary Fund (IMF) labeled Zambia as being risky and on debt distress[34].

31 https://www.boz.zm/StatisticsFortnightly2024Vol31IssueNo02.pdf 26
32 2022_Bank_of_Zambia_ANNUAL_REPORT.cdr (boz.zm)
33 2022_Bank_of_Zambia_ANNUAL_REPORT.cdr (boz.zm)
34 https://www.imf.org/en/Publications/Policy-Papers/Issues/2020/09/30/The-International-Architecture-for-Resolving-Sovereign-Debt Involving-Private-Sector-49796

It is unfortunate that in the same year, 2019 when the country was being regarded as to be in risk of debt distress, it was also experiencing a prolonged drought especially in the Southern and Western provinces leading to a decreased agricultural production. Over 2.3 million people were estimated to be starving due to food insecurity, leading to financial and food crises. The domestic debt market continues to be the main source of financing for Zambia, but funding pressures appear to be on the rise. The outstanding stock of government securities stood at 213 billion kwachas at end of February 2023 (or 44 percent of GDP), up from 194 billion a year ago and 130 billion at end of 2020. The share of non-resident holders of domestic debt stood at 23 percent as at the end of 2022, down from a peak of around 29 percent earlier in the year. Tighter global financial conditions and uncertainty around the debt restructuring process have reportedly led to this pull-back of non-resident investors from the domestic debt market in early 2023[35]. Consequently, demand at bond auctions appears to be declining and domestic yields are trending upwards, after a period of rapid decline following the Staff- Level Agreement of a Fund-supported program in December 2021. This contrasts with the second half of 2021, when non-resident holdings rose rapidly, combined with oversubscribed bond auctions.

As the debt stock continued to mount, Zambia fiscal deficit also began to widen from 1.8 percent in 2011 to at least 7.8 percent of the GDP in the year 2019 which was also exacerbated by the onset of COVID-19 pandemic. This pushed the pushed fiscal deficit further to 11.7 percent of GDP in 2020 leading to escalated debt servicing, diminished debt carrying capacity and crowding out of the social sector. In the long run, it created a severe balance of payment challenges. Consequently, in November 2020, Zambia defaulted on its $42.5 million coupon payment on its Eurobond debt making it the first African country to default on its debt in the COVID-19 pandemic era. By the year 2021, Zambia asked to join the Debt Service Suspension Initiative (DSSI) with the aim of suspending its debt for six months initially. The initiative came with extreme limitations including temporal solutions which Zambia regarded as short-term goals. As a result, the country requested to join the G20 Common Framework for debt restructuring which was granted in June 2023[36].

By August 2022, the IMF Executive Board officially approved a 38-month Extended Credit Facility (ECF) worth $1.3 billion for Zambia. Even though the country is struggling to restructure and repay its debt, it is ironic that IMF has continued to provide short- term debt solutions to Zambia with regard that the country is in liquidity problem which is in fact a fallacy.

35 The Road to Zambia's 2020 Default (findevlab.org)

36 https://www.worldbank.org/en/news/statement/2024/03/26/world-bank-group-statement-on-debt-restructuring-agreement-for-afezambia

For instance, since 2022, the IMF through its regular assessments, has on several occasions highlighted that Zambia has prudently implemented the several program reforms consequently meeting the quantitative and continuous performance criteria, indicative targets, and structural benchmarks of the program as they fall due which has resulted in IMF providing at least three disbursements of $188 million in program funds to the country[37].

Even though Zambia signed a memorandum of understanding (MoU) covering US$6.3 billion with the Official Creditor Committee (OCC) in October 2023, the disparity and non-uniform individual agreements between Zambia and its creditors have made the G-20 common framework uncommon to the Zambia people and by extension a failure relative to the global financial architecture[38]. It was proven when the involvement of the private creditors' negation strategy was delayed which included at least $3 billion Eurobond holders until March 2024. However, even though there was an agreement reached between the government of Zambia and the ad hoc creditor committee representing Eurobond holders, there remain unresolved segments including other private creditor agreements amounting to at least $3.2 billion[39].

With uncertainty in the G-20 Common framework, the inefficiencies and the narrow scope which exclude all creditors including the private and commercial lenders, make the G-20 Common framework problematic to the Zambia debt resolutions. Finally, the uncoordinated approach with negotiators which comes in an un-simultaneously makes the G-20 common framework unfit for use in debt restructuring process in Zambia and other countries[40].

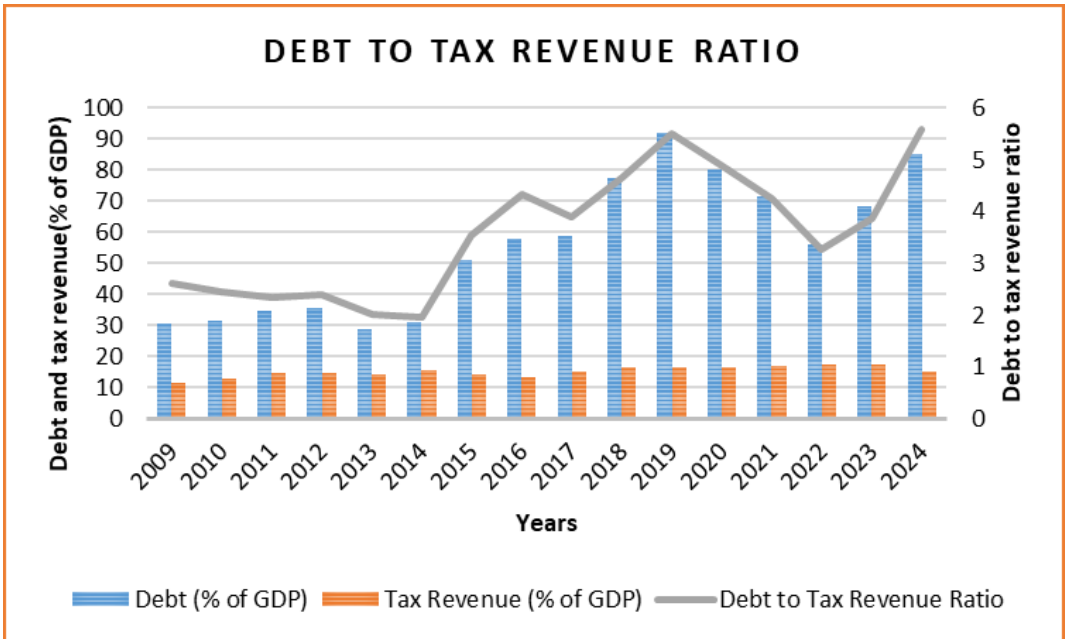
3.2: DOMESTIC RESOURCE MOBILIZATION OF ZAMBIA

Generally, revenue mobilization is directly affected by debt constraint i.e., low economic growth means less tax collection. In the year 2023, Zambia's tax revenue as a percentage of GDP reached 16.4 percent representing a 1.41 percent decrease compared to the year 2022. Historically, the highest tax to revenue share of GDP was in 1990 when it reached 19.5 percent while the lowest was in the year 2009. However, the government has always aimed to increase its domestic resource mobilization revenue to at least 22 percent of the GDP by the end of the year 2024. While looking at the effect of debt to tax collection, generally, domestic government debt crowds out the private sector by limiting the funds available to borrow which constrains the private sector's ability to grow the economy, create jobs, and generate revenues that can be taxed.

Over its medium term, the Government of Zambia has always aimed to enhance domestic resource mobilization strategies to increase the contribution of domestic revenue. Zambia is projected to spend at least 30 percent of its revenue on debt payments between 2022-2024. Debt is ultimately repaid from tax revenues, but it is quicker to contract debt than to expand the tax base. This means debt tends increase at a faster pace than revenue mobilization leading to a downward spiral as shown in figure 8 below.

37 World Bank– and IMF-Supported Programs: A Zambian Perspective in: Deepening Structural Reform in Africa
38 AFRODAD. (2018). The African Borrowing Charter. Retrieved from The African Borrowing Charter - AFRODAD
39 IMF Executive Board Approves New Extended Credit Facility (ECF) Arrangement for Zambia
40 AFRODAD: https://afrodad.sabalink.dev/sites/default/files/publications/Afrodad-Debt-Restructuring-270320243.pdf

Fig 8: Debt to tax revenue ratio



Source: International debt statistics

From the above graph 8, debt as a percentage of GDP is increasing faster than the tax revenue as a percentage of GDP of Zambia leading to a downward spiral in economic growth. It therefore shows that Zambia must prioritize domestic revenue mobilization, increase tax compliance, enhance enforcement, and widen the tax base given a significant of informal sector it has. Zambia struggles with low tax collection, for example, it only collected 19.7% of GDP in 2021[41]. This is far less tax than is needed to finance the development of a country with a population estimated to be about 19.6 million (2021) with a rapid growth rate of 2.7 per year. This insufficient revenue limits the government's ability to provide public goods and services. Zambia's debt contraction has not increased growth and growing debt servicing costs have weakened the economy and in turn stifled tax revenue collection[42]. This has left the country in a vicious cycle where it needs to borrow to finance economic development. The Zambian budget has over the years been running in deficit, having closed the year 2021 with a deficit of 10.4 percent of GDP. This shows the need for enhanced domestic resource mobilization to reduce the budget deficit and ensure public service delivery. Low tax collection limits the government's ability to provide citizens with public goods and services. These needs range from recurrent expenditure to fund the healthcare and education systems to larger capital outlays for infrastructure such as roads. Debt financing is seen as a means of bridging this gap, especially for large infrastructure projects, and this was what Zambia resorted to.

3.2.1: Tax evasion in Zambia

Tax evasion is a significant problem in Zambia, with a substantial amount of revenue lost each year due to individuals and companies failing to pay their fair share of taxes. This loss of revenue has a direct impact on the country's ability to service its debt and fund essential public services. The new research in this report calculates that a staggering sum – up to $3 billion a year – is lost by the people of Zambia to tax avoidance and tax evasion by multinationals[43]. According to the Zambia Revenue Authority, tax evasion is estimated to cost the country around 5% of its GDP annually. This translates to a significant amount of revenue that could be used to fund development projects, pay off debt, and provide essential public services. One of the main reasons for tax evasion in Zambia is the lack of effective tax administration.

41 https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS?locations=ZM
42 Zambia's debt crisis is affecting its ability to collect tax | International Growth Centre (theigc.org)

The tax authority faces challenges in tracking and prosecuting tax evaders, due to inadequate resources and corruption. Additionally, the tax laws and regulations are often complex and unclear, making it difficult for individuals and companies to understand their tax obligations. Another reason for tax evasion is the high tax rates in Zambia. The country has some of the highest tax rates in the region, which can encourage individuals and companies to evade taxes. The high tax rates, combined with the lack of effective tax administration, create an environment where tax evasion is seen as a viable option. The impact of tax evasion on Zambia's debt is significant. The country has a high debt-to-GDP ratio, and the loss of revenue due to tax evasion makes it difficult for the government to service its debt. This can lead to a vicious cycle of debt, where the government is forced to borrow more money to pay off existing debts, further increasing the debt burden.

3.2.2: Trade leakages

Trade leakages have affected the fiscal policy in Zambia, and they have significant implications for the country`s economic development. Trade leakages refer to the loss of revenue due to the export of raw materials and the import of finished goods, while fiscal policy space refers to the government's ability to implement policies that promote economic growth and development. Zambia, like many other African countries, faces significant trade leakages due to its over-reliance on the export of raw materials such as copper, cobalt, and nickel[44]. The country has limited industrial capacity, leading to the importation of finished goods, which results in a significant loss of revenue. According to the Zambia Revenue Authority, the country loses approximately 30% of its revenue due to trade leakages. Fiscal policy space, on the other hand, is critical for Zambia's economic development. The loss of revenue due to trade leakages has limited the government's ability to invest in essential public services such as healthcare, education, and infrastructure development. The debt servicing burden has further exacerbated the situation, leaving limited resources for development projects.

The government needs sufficient fiscal space to implement policies that promote economic growth, reduce poverty, and address inequality. However, the country's high debt levels and dependence on foreign aid limit its fiscal policy space. The combination of trade leakages and limited fiscal policy space has severe consequences for Zambia's economy. The loss of revenue due to trade leakages limits the government's ability to invest in essential public services such as healthcare, education, and infrastructure development. The limited fiscal policy space further exacerbates the situation, making it difficult for the government to implement policies that promote economic growth and development.

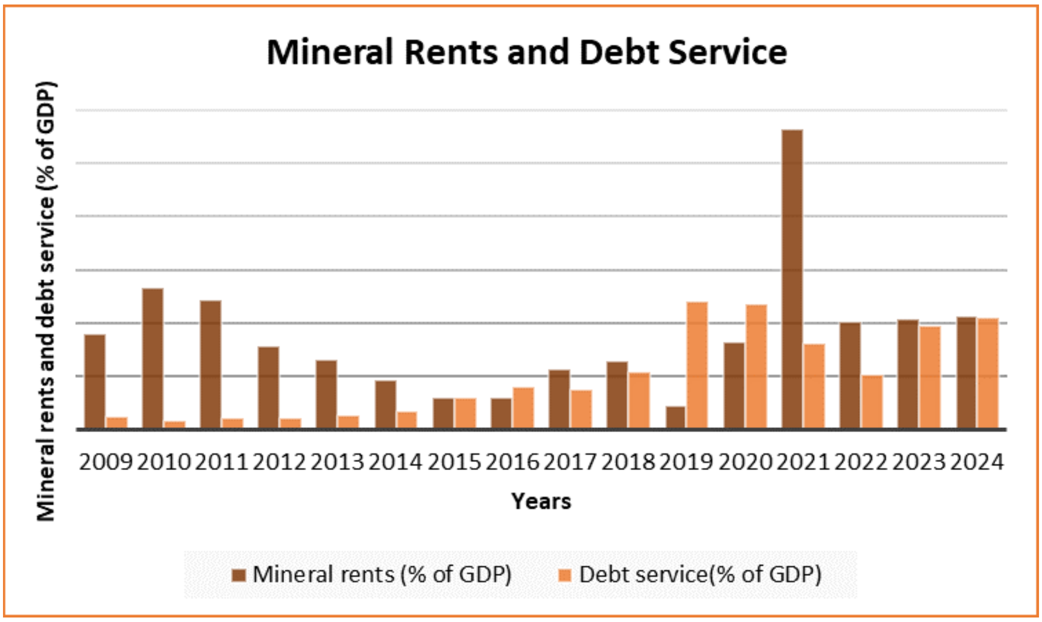
3.2.3: Mineral rents as a percentage of GDP in Zambia

The mineral rents refer to the revenues generated from the extraction and sale of minerals, including oil, gas, coal, and metals. In technical terms, mineral rents are the difference between the value of production for a stock of minerals at world prices and their total costs of production. Minerals included in the calculation are tin, gold, lead, zinc, iron, copper, nickel, silver, bauxite, and phosphate. The results confirm that mineral rents are related to GDP growth. Zambia's mining revenues have been low compared to other mineral producers, despite a relatively high share of mining exports in GDP. This is attributed to various challenges and opportunities, such as fluctuating commodity prices, policy uncertainty, and environmental impact.

Zambia's mineral rents as a proportion of GDP declined significantly in a span of 10 years from 2009 to 2019 as shown in the figure 9 below. While mining remained a significant contributor to the economy, its cost base rose rapidly. This truth must be communicated in a way that helps citizens and critics alike to understand that Zambia's copper mines are among the costliest in the world to operate, with increasingly lower ore grades. The econometric analysis reveals that copper prices and inflation significantly affect mineral rent revenue

44 World Bank Document

Fig 9: Mineral Rents and Debt Service in Zambia



Source: World Bank

From 2019 to 2021, mining revenues have sharply increased and were reported at 28.25 % in 2021 as indicated on the graph. The sharp increase in mining revenues in Zambia was driven by both exogenous (copper market boom) and endogenous factors (fiscal reform). While some of the decline in these revenues was associated with the contraction in the copper price after 2012, the revenues continued to have a financial weight in the national budget. Mineral revenues have not been proportionately used for debt servicing, probably because the companies involved in the extraction are evading taxes as some of these mining activities are tied up with resource-backed loan schemes which facilitate massive resource pillage.

High levels of debt can hinder economic growth and increase debt servicing costs, leading to a situation where debt services exceed mineral rents. Inefficient management of mineral resources and revenue can result in reduced mineral rents, making debt services a larger burden. Over-reliance on debt financing for development projects and government spending can lead to high debt servicing costs, surpassing mineral rents. Inadequate tax collection and a narrow tax base can limit government revenue, making debt services a larger portion of the budget. High interest rates or large debt principal can increase debt servicing costs, exceeding mineral rents.

In addition, the mining industry, is a significant contributor to Zambia's economy, but it has also been plagued by tax evasion, which has severe consequences on debt servicing. Tax evasion in the mining industry refers to the illegal non-payment of taxes by mining companies, depriving the government of much-needed revenue. The mining industry is notorious for tax evasion, with companies using various methods to avoid paying taxes, including transfer pricing in which they manipulate prices to reduce taxable profits, misrepresentation in which they hide income and assets to avoid taxation and false reporting in which they submit false tax returns to understate tax liability. Almost $9 billion was illicitly siphoned out of Zambia, Africa's top copper producer over the last decade, according to a report by a U.S. anti-graft watchdog, which highlights how resource wealth is often squandered in the developing world[45]. The consequences of tax evasion in the mining industry are severe, particularly on debt servicing. Zambia has a significant debt burden, and the loss of revenue due to tax evasion makes it challenging to service this debt. This leads to increased debt burden, reduced government revenue and increased debt servicing costs.

45 wider.unu.edu/sites/default/files/Publications/Policy-brief/PDF/PB2022-1-boosting-mining-revenues-zambia.pdf

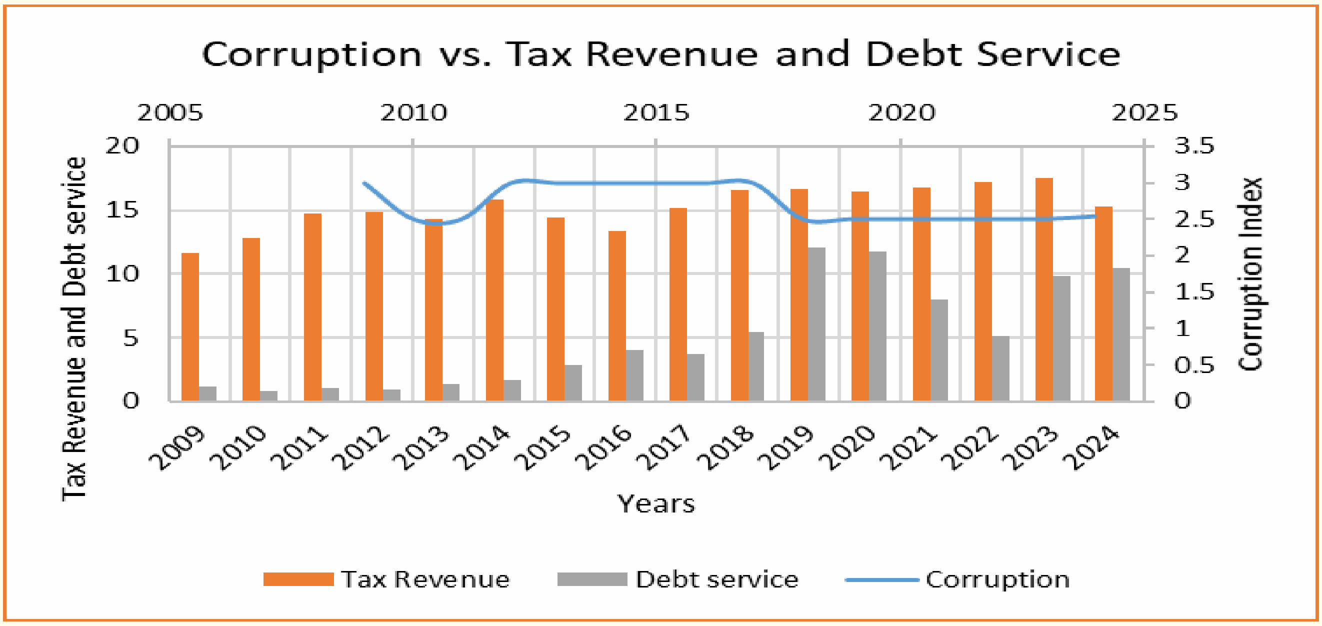
3.2.4: Transparency, Accountability, and Corruption in Zambia

Corruption in Zambia has a significant impact on tax revenue and debt servicing in several ways including reduced tax revenue, increased debt servicing, misallocation of resources, reduced foreign investment, undermining economic development, debt distress, undermining economic, inefficient tax administration, reduced government revenue and reduced economic growth Corruption can lead to tax evasion, fraud, and embezzlement, reducing the amount of tax revenue collected by the government.

Corruption is generally associated with weak economic growth, lower investment and fiscal revenue, higher inequality, and worse inclusive growth performance. Reducing corruption vulnerabilities in Zambia can have a significant impact on macroeconomic performance in the medium- and long-term and on the ability of the government to pursue policies to achieve external viability and sustainable growth. The effectiveness of anti-corruption strategies is largely determined by their responsiveness to the political, social and economic context in which these weaknesses and vulnerabilities emerge[46].

Zambia's macroeconomic governance challenges and corruption vulnerabilities are deeply rooted in decades-long policies and practices that weakened institutions, transparency and accountability mechanisms. Over the past decades, an overlap of public positions and private business interests slowly became a common feature in Zambia with the dominance of informal political processes of patronage and corruption and concentration of power and resources in the hands of politico-economic entrepreneurs. The impunity for officials who engaged in corrupt practices created an expectation and perception of tolerance towards extensive corruption. This can result in wasteful spending, leading to increased borrowing and debt servicing costs[47].

Fig 10: Zambia Transparency, Accountability, and Corruption Rating



Source: World Bank

46 Corruption Perceptions Index 2023 Report - Transparency International Zambia (tizambia.org.zm)
47 BTI 2024 Zambia Country Report: BTI 2024 (bti-project.org)

From the above figure 10, corruption in Zambia inflated debt distress between the 2016 and 2021 period, making it difficult for the government to service its debt obligations. The International Monetary Fund said that corruption had inflated the cost of numerous high-profile tenders and infrastructure projects in Zambia. An IMF interdepartmental Governance Diagnostic Assessment mission conducted a study at the request of local authorities, focusing on governance weaknesses and corruption vulnerabilities[48].

The assessment revealed serious weaknesses across all state functions. However, those with macroeconomic impact were found in areas including public financial management and granting and managing contracts in the mining sector. For instance, enormous financial resources invested in infrastructure projects, such as road construction, provided avenues for corruption, especially in the award of tenders, where political connections allowed members of the elite to bend the rules and access lucrative contracts", the 96-page report read. It is worth noting that in November 2023, the draft Access Information Bill was submitted to Parliament, signifying a step towards greater transparency. Moreover, a comprehensive reform strategy is being devised to fortify the independence of the judiciary and the national prosecution authority by December 2025, alongside measures mandating the use of the IFMIS system and regular external publication of tax expenditure reports.

3.2.5: Illicit financial flows in Zambia

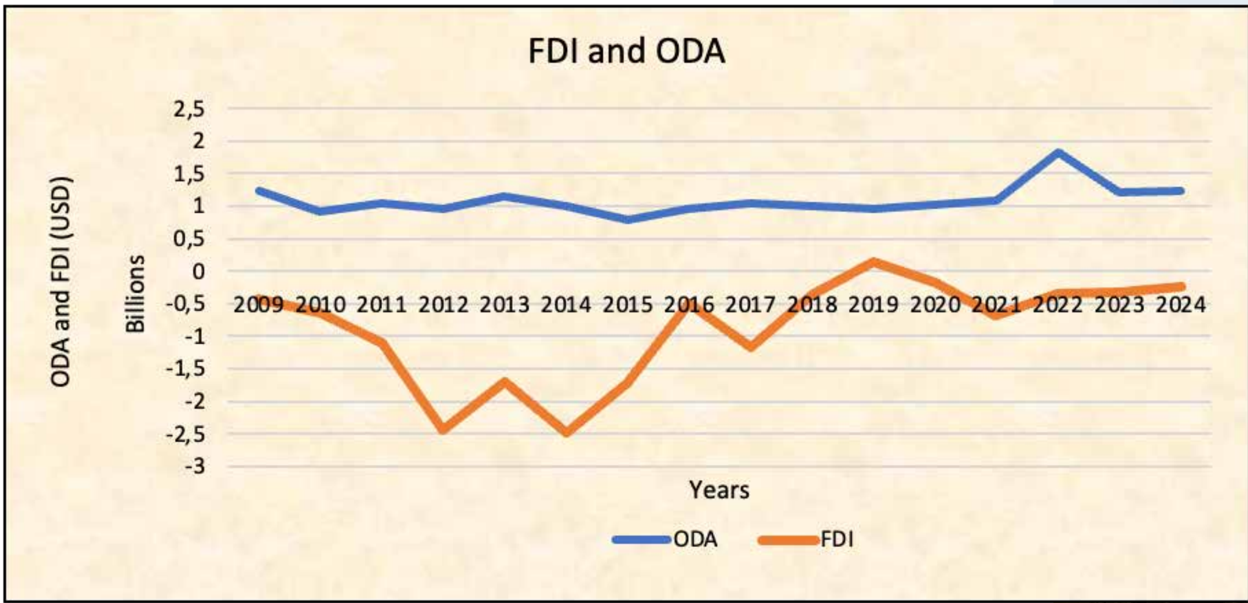
Illicit financial flows (IFFs) pose a significant threat to Zambia's revenue mobilization efforts, undermining the country's ability to fund development projects and provide essential public services. Zambia loses a substantial amount of revenue due to IFFs, estimated to be around 5% of its GDP annually. Between 1980 and 2018, the country lost an annual average of $705 million through IFFS. Zambia lost approximately US$ 14.5 billion between 1995-2014 through export mis-invoicing of copper which could potentially have tripled the budget for FSP between 2015 to 2022. Revenues worth US$ 2 billion lost through corporate tax avoidance annually add up to US$ 16 billion over the past 8 years, almost double the budget for Social Cash Transfer over the same period. This loss of revenue has a direct impact on the country's ability to fund development projects, pay off debt, and provide essential public services such as healthcare, education, and infrastructure development. The main drivers of IFFs in Zambia include tax evasion and corruption. Public officials embezzle funds and launder them through offshore accounts and criminal activities[49].

Corruption, lack of accountability, and transparency in Zambia's public sector have contributed significantly to the increase in IFFs in the country. Corruption in the public sector enables IFFs in several ways including embezzlement, bribery, procurement fraud and tax evasion in which public officials collude with companies to evade taxes, which are then laundered through offshore accounts. Lack of accountability and transparency in the public sector enables corruption and IFFs to persist as institutions responsible for combating corruption and IFFs lack resources and political will. Political pressure and interference hinder investigations and prosecutions and lack whistleblower protection. Whistleblowers face retaliation and intimidation. The consequences of corruption, lack of accountability, and transparency in Zambia's public sector on IFFs are severe, such as increased IFFs, reduced government revenue, increased poverty and undermined economic development

48 Zambia: Technical Assistance Report-Diagnostic Report on Governance and Corruption (imf.org)
49 https://financialtransparency.org/wp-content/uploads/2020/07/HLP-Report-A6-Final-Spreads-1.pdf

3.3: ZAMBIA'S FOREIGN DIRECT INVESTMENT AND OFFICIAL DEVELOPMENT ASSISTANCE

Official development aid to Africa has almost flatlined over the past decade. According to World Bank[50] data, Zambia's net official development assistance and official aid received has increased over the past decade from 919, 320 million in 2010 to 1.83 billion in 2020. The major sources of aid emanate from various OECD countries and international organisations, with the primary purpose being development projects in the health and infrastructure sectors. Increased dependence on aid has led to deepened issues of dependency and debt distress, as it ties Zambia into economic dependence threatening its economic and political sovereignty[51]. Civil society organizations amongst others favor domestic resource mobilization over ODA to bolster African countries decision-making autonomy at the national, regional and global levels[52].



Source: World Bank (2024)

As indicated in figure 11 there was a consistently negative growth in Zambia's FDI, suggesting that FDI in Zambia wasn't increasing year after year, or it was increasing at a very slow pace. This could indicate a lack of significant new foreign investment projects in Zambia over the time. Possible reasons for negative FDI growth were global recession or financial crisis which discouraged foreign companies from investing abroad. Furthermore, unfavorable government policies, political instability, or lack of infrastructure could make Zambia a less attractive destination for foreign investment. If there was a surge in FDI in a previous year, the following year might show a negative growth rate simply because it didn't reach the same high level, even if there was still some positive FDI. However, the positive and potentially steady growth in ODA probably was compensating for the lack of significant growth in FDI.

50 World Bank Data. Net official development assistance and official aid received (current US$). https://data.worldbank.org/indicator/DT.ODA.ALLD.CD
51 Rakner, L. 2012. Foreign Aid and Democratic Consolidation in Zambia. Working Paper No. 2012/16. UNU-WIDER
52 Atitianti, P.A & Asiamah, S.K. 2023. Foreign aid has disintegrated the relationship between the state and citizens. London School of Economics blogs. Available at: https://blogs.lse.ac.uk/africaatlse/2023/05/15/foreign-aid-has-disintegrated-the-relationship-between-the-state-and-its-citizens/

3.3.1: Zambia External Debt and Climate Financing

Zambia's fight against climate change is crucial for its future, but it faces a complex obstacle: its external debt. Zambia's debt landscape is therefore intricately intertwined with its climate needs. Zambia requires an estimated US$50 billion through to 2030 annually for both mitigation and adaptation to climate change effects according to Zambia's Climate Change Secretariat[53]. As sixty percent of Zambia's population's main source of income is agriculture[54], climate change financing is critical to the social protection of the majority of the population's livelihood. These funds are likely to be accessed through a mix of new climate finance mechanisms such as the Global Climate Fund[55] and other climate-related bilateral, multilateral and domestic financing according to the African Development Bank.

The Green Climate Fund currently provides US$138.7 million to Zambia under 9 recognized projects. Private financing also plays a key role in raising funds for the operationalization of the National Climate Policy. The Zambia Green Outcomes Fund[56], currently funded at $53 million, was established by the Zambia National Commercial Bank, Kukula Capital and the Worldwide Fund for Nature- Zambia. The primary objective of this fund[57] is to "create scalable green outcomes; create jobs and improve livelihoods and support project development processes and create a +10% risk adjusted financial returns to fund investors. These have been criticized by false profit-based solutions by climate and debt justice activists alike. Furthermore, some climate finance, particularly from the GCF, requires strong domestic institutions for managing funds effectively. However, Zambia's debt burden may limit its ability to invest in building this institutional capacity. Recommendations are therefore to seek non-debt accruing financing, Zambia has been exploring multiple avenues such as the 1000 mini-grid initiative which is spearheaded by the Rockefeller Foundation with the primary aim of increasing energy accessibility.

3.4: LEGAL ANALYSIS OF ZAMBIAN DEBT

3.4.1: Legal Framework

Although Zambia's legislation addresses aspects of PDM, it was enacted during periods when the nation lacked exposure to external commercial debt markets. Presently, the legislation is fragmented across various pieces of legislation. **The Constitution (Amendment) Act No. 2 of 2016[58]** outlines political structures, allocates powers, and assigns fiscal responsibilities, encompassing taxation prerogatives. Moreover, it establishes fundamental institutional protocols, encompassing the mandate to borrow, disburse debt-related expenditures, and uphold auditing standards.

It provides for the functions of the Parliament which entail ensuring equitable distribution of national resources among Zambian citizens, appropriating funds for various state entities, scrutinising public expenditure, approving public debt before it is contracted[59], and endorsing international agreements and treaties prior to accession or ratification. Such oversight underscores Parliament's role in fostering transparency, accountability, and responsible governance within Zambia's constitutional framework. Article 114(1)(e) delineates the functions of Cabinet including its mandate to recommend to the National Assembly the approval of loans contracted by the State and guarantees on loans by State or other institutions.[60] Article 208 (1) and (2) define public debt to encompass not only the principal sum owed but also ancillary expenses such as interest, sinking fund obligations, and associated administrative costs.[61]They also affirm that public debt constitutes a claim on the Consolidated Fund or other public coffers.

53 Policy Monitoring and Research Centre. 2017. The National Policy on Climate Change. Available at: https://pmrczambia.com/the-national-policy-on-climate-change/#:~:text=The%20Climate%20Change%20Secretariat%20in,long%2Dterm%20interventions%20are%20required.
54 International Labour Organization. 2015. Practical options for the extension of social protection coverage in Zambia: Small Scale Farmers.
55 Green Climate Fund. Republic of Zambia. Available at https://www.greenclimate.fund/countries/zambia
56 Zambia Green Outcomes Fund. Available at: https://kukulacapital.com/our-services/zambia-green-outcomes-fund/
57 Ibid
58 https://www.constituteproject.org/constitution/Zambia_2016
59 Ibid.
60 https://www.constituteproject.org/constitution/Zambia_2016#s1791
61 https://www.constituteproject.org/constitution/Zambia_2016#s3065

In addition to the Constitution, the **Public Debt Management Act, 2022**[62], provides specific rules for unaddressed areas of debt management including the raising of loans and grants, issuance of guarantees, National Assembly approval of loans, governmental loan issuance, establishment of sinking funds, and the Debt Management Office with its designated functions. It also defines public debt as a financial obligation stemming from borrowing by governmental entities, local authorities, parastatals, SOEs, or other entities designated by the government or established under written law, while excluding professional associations or bodies. This provision builds upon the definition outlined in the **Public Finance Management (PFM) Act of 2018**[63], which characterizes public debt as encompassing financial, material, and other resources, along with guarantees, acquired or borrowed by a public body in the nation's best interests. The PDM Act also restricts Zambia's public debt to sixty-five percent of the GDP and sets a ten percent GDP limit on contingent liabilities. These regulations, effective in 2027, grant the government a five-year grace period to align debt levels.

The National Planning and Budgeting Act of 2020[64]outlines the scope of public debt, aligning with definitions in the PFM Act. However, it lacks specific provisions regarding SOEs and contingent liabilities, which are addressed in the PFM Act. Additionally, it mandates the preparation of a Medium-Term Debt Strategy, overseen by the Minister of Finance, detailing economic and fiscal performance and policies for the next three years.

The **Bank of Zambia Act, 2022**[65] delimits the Bank's roles, including its role to aid in the management of both domestic and external debt and collaborating with international financial bodies. Under Section 41, the Bank assumes the role of the Government's agent in disbursing interest and principal debt pertaining to PDM. Such actions require explicit authorization from the Minister or statutory mandate, with terms mutually agreed upon.

At a regional level, Zambia as a member of the **SADC** recognizes the critical role of macroeconomic stability in fostering economic growth within the region. **Annex 2 of the Protocol on Finance and Investment**[66] underscores this by urging member states to adopt policies that promote such stability, emphasizing the importance of avoiding increases in public debt-to-GDP ratios. This annex also highlights the necessity of monitoring and measuring this ratio as a key indicator of Macroeconomic Convergence, with a focus on debt sustainability. To achieve these convergence targets, member states, including Zambia, are advised to maintain their public debt-to-GDP ratio below 60%. Additionally, Zambia's commitment to financial management is evident through its endorsement of the **SADC Model Law on PFM.**[67]

3.4.2: Parliamentary Oversight

Zambia has made notable progress in parliamentary oversight of public debt, addressing challenges such as individual loan approvals and debt ceilings are crucial for ensuring sustainable debt management and fiscal responsibility in the years ahead. The National Assembly is required to approve public debt before its contraction under the Constitution. The PDM Act stipulates the necessity for parliamentary approval of loans, grants, or guarantees. It provides a structured framework defining the categories, nature, and terms of such financial agreements, ensuring they undergo scrutiny and approval by the National Assembly prior to execution. Under this Act, the Executive is compelled to present the Annual Borrowing Plan to the National Assembly for scrutiny and approval, as well as the Annual Public Debt, Guarantees, and Grants Execution Report, accompanied by an update on the Annual Borrowing Plan's implementation. Since the enactment of the PDM Act in 2022, strides have been made in enhancing oversight of public debt by Zambia's National Assembly.

62 https://www.parliament.gov.zm/node/10341
63 https://www.parliament.gov.zm/sites/default/files/documents/acts/The%20Public%20Finance%20Management%20ACT%202018.pdf
64 https://www.parliament.gov.zm/node/8573
65 https://www.parliament.gov.zm/sites/default/files/documents/acts/Act%20No.%205%20of%202022%2C%20The%20Bank%20of%20Zambia.pdf
66 https://www.sadc.int/document/protocol-finance-and-investment-2006
67 https://www.sadcpf.org/index.php/en/documents/model-laws/1-documents/11-model-laws/sadc-pf-model-law-on-public-financial-management

Notably, a significant milestone was the approval of the 2023 Annual Borrowing Plan, a document that outlined all proposed borrowings for the fiscal year. To ensure transparency, the Act stipulates the Executive to publish crucial documents such as the Debt Sustainability Analysis, Medium-Term Debt Strategy, and the Debt Statistical Bulletin for public access. However, it is noteworthy that while the Act mandates Cabinet approval of the Medium-Term Debt Strategy, it does not explicitly require its presentation before the National Assembly. A summary of the documents on PDM that are required to be published under the PDM Act is set out under Annex 1.

Despite the above, there is an ongoing struggle in the country to balance executive authority with legislative oversight on debt. In the case of ***Dipak Patel v. The Attorney General [2020] CCZ 005***[68], a significant dispute arose regarding the management of public debt in Zambia. Following a constitutional amendment in 2016, which mandated National Assembly approval for all debt contracts, the government continued to procure loans without such consent. The Petitioner alleged this violated the Constitution, but the Constitutional Court, in a majority decision, dismissed the petition, asserting that National Assembly approval was not obligatory. However, Lady Justice Munalula dissented, emphasizing the importance of National Assembly oversight in debt management, rooted in principles of separation of powers and checks and balances. This dissent highlights the critical role of the judiciary in upholding constitutional principles and ensuring government accountability and underscores the significance of legislative functions in public finance oversight.

3.4.3: Auditing the Stock of Public Debt

Currently, Zambia's laws do not expressly mandate the Auditor-General to audit the total public debt stock. Presently, the Auditor-General's purview is limited to auditing interest and principal payments made by the government. However, international best practices advocate for a comprehensive audit by the Auditor-General to provide an informed opinion on the total public debt stock. This aligns with guidelines from the International Organization of Supreme Audit Institutions (INTOSAI)[69], emphasizing the need for financial audits of debt reporting to ensure completeness, accuracy, and compliance with accounting standards.

3.4.3.1: Legal Loopholes Surrounding Public Debt Oversight

1. Approving individual loans within the Annual Borrowing Plan: The PDM Act mandates the National Assembly to approve the Annual Borrowing Plan, encompassing loans for the upcoming fiscal year. However, according to Section 8(7) of the Act, approval of the annual borrowing plan encompasses approval of all loans contained therein. This limits the National Assembly's ability to reject individual loans that may not align with prudent risk management or value assessment. Should specific loans be deemed unsuitable, the Minister of Finance would need to present an entirely new borrowing plan. This underscores the importance not only of approving debt but also of the way it is approved. Previous legislation, such as the Loans and Guarantees (Authorization) Act of 1969, allowed the National Assembly to play a pivotal role in approving borrowing amounts, yet Zambia still accumulated unsustainable debt.

2. The debt ceiling: Section 11(2) of the Public Debt Management Act of 2022 establishes a limit on the total public debt stock, set at sixty-five percent of GDP. Additionally, debt service costs for outstanding loans raised outside Zambia are capped at twenty percent of the average annual recurrent revenue. However, these ceilings are slated to take effect in 2027, affording the government time to bring the current debt stock within prescribed thresholds. During this interim period, legislative oversight may be constrained, as the Executive cannot be held immediately accountable for increasing debt levels. Despite these limitations, considerations such as compliance with debt management provisions, project appraisal alignment with national development plans, and lessons from ongoing debt relief negotiations remain pertinent for parliamentary scrutiny.

68 https://zambialii.org/akn/zm/judgment/zmcc/2021/12
69 International Organization of Supreme Audit Institutions (INTOSAI)

4.0: CONCLUSION AND POLICY RECOMMENDATIONS

4.1: CONCLUSION

The current National debt of Zambia amounting to $25.5 billion is too huge and by extension, unstainable for the country. The current economic and financial challenges that the country is facing are reducing the chances for Zambia to overcome this crisis in a sustainable manner. Given the economic decline, low revenue generation, dwindling national reserves and worsened by the COVID-19 crisis, Zambia will not be in position to repay its debt or even be able to meet its debt service obligations on time. Regarding debt servicing, this is being undertaken at the expense of critical national development needs, especially those related to social development. In addition, Zambia's chances of receiving cancellation or accessing relief have been thwarted given the composition of its debt dominance of private debt. Private commercial lenders, so far, have are unwilling to engage in debt relief or cancellation processes with their debtors.

Even though, over the years Zambia has made efforts to reduce the country's infrastructure gaps, poverty and developmental inequalities, this has however, resulted in a large spending overrun in the face of low and flat domestic revenues. With low DRM as a ratio to GDP, Zambia has experienced massive external borrowing to finance its projects, including issuing three Eurobonds worth US$3 billion. Commercial debt now accounts for the largest share of the external debt portfolio. Unlike the traditional concessional borrowing, Eurobonds came with significant rollover, refinancing and exchange rate risks due to their structure and repayment terms. With less than three years before the maturity of the debut Eurobond, the possibility of a default looms ominously on the horizon. Being among four countries in Africa under the G-20 Common Framework which promised to provide speedy and efficient debt restructuring to its debt crisis, the initiative infancy and other inefficiencies has resulted to a protracted negotiation thus negatively resulting in a socio-economic implication for Zambia. For instance, Zambia has seen its sovereign credit ratings being downgraded of recent accompanied by dampened financial marks and economic growth, limited foreign direct investments, exchange rate depreciation, high inflation and hampered social economic benefits. It is therefore clear that exclusive focus on the Bretton Woods institutions has resulted also to a narrow the array of options available to Zambia.

4.2: POLICY RECOMMENDATIONS

* **Debt Management:**

    i. Zambia should focus on sustainable borrowing. The country should only borrow for essential projects with clear economic returns and ensure debt levels remain sustainable, guided by the principles outlined in the African Borrowing Charter. The Charter emphasizes transparency, accountability, and responsible borrowing practices.

    ii. The government should also prioritize debt servicing through allocating sufficient resources in the budget to service existing debt obligations. This will in the long last promotes country's common position on Sovereign Debt including reform of the global debt architecture and G-20 Common Framework as advocated in the Harare Declaration 2021: A New Debt Movement to make Africa a Rule Maker not a Rule Taker

    iii. Zambia needs to adopt sustainable debt management practices by setting clear and enforceable debt ceilings, prioritising debt financing for projects that contribute to long-term economic growth and development, such as infrastructure investments and human capital development initiatives, and conduct comprehensive debt sustainability analyses regularly to assess the impact of new borrowing on debt dynamics, fiscal sustainability, and macroeconomic stability.

* **Strengthening Parliamentary Oversight**

    i. Zambia should implement responsible borrowing and lending as stipulated in the AFRODAD's African Borrowing Charter and the need to strengthened oversight role for Parliaments and MPs. This will provide an avenue for enhanced citizen participation in loan contraction processes, thus increasing transparency, accountability, and governance on borrowing, utilization, and repayment of loans within the Africa economies.

    ii. To enhance parliamentary oversight of debt, Zambian government should:

        a) Introduce amendments to the PDM Act to allow for a more granular review of individual loans within the Annual Borrowing Plan by the National Assembly. This could involve establishing thresholds for loan approval, beyond which specific parliamentary scrutiny is required.

        b) Implement measures to enhance transparency and accountability in debt management, including regular reporting to parliament on debt levels, terms, and utilization, as well as the outcomes of debt-funded projects.

        c) Facilitate capacity-building initiatives for parliamentarians and relevant committee members to improve their understanding of debt management principles and practices, enabling more informed decision-making.

* **Strengthening Institutional Capacity**

    i. Zambia should consider strengthening the capacity of the institutions involved in PDM by:

        a) Allocating adequate resources to debt management units within relevant government agencies, including the Ministry of Finance and the Debt Management Office, to enhance their capacity to oversee and manage public debt effectively;

        b) Fostering collaboration and knowledge-sharing initiatives with international organizations, development partners, and peer countries to leverage best practices and expertise in debt management and fiscal governance.

* **Natural Resource Governance and Agricultural Productivity as a strategy to enhance Domestic Resource Mobilization:**

    i. Zambia needs to explore ways to improve tax collection and explore innovative financing mechanisms like introduction of a wealth tax to reduce dependence on external borrowing. This can be achieved through improving tax compliance. This entails the need to enforce existing tax laws more effectively to reduce tax evasion and avoidance. The government should also invest in technology and training for tax collection agencies to improve efficiency and effectiveness.

ii. The Zambian government should also consider renegotiating mining contracts to ensure Zambia receives a fairer share of the profits. There is a need to implement stricter measures to prevent tax evasion by mining companies. Allocate mineral revenues transparently towards debt servicing and development projects.

iii. Zambia should hastily implement the Africa Mining Vision to increase domestic revenue and benefits coming from mineral resources. This will also help build resilience against fluctuations in the commodity prices as well as reducing illicit financial flows from the sector.

iv. Agriculture continues to be one of the primary sources of income for most residents in Zambia. Nevertheless, because of climate change, rain-fed agriculture is no longer dependable. Zambia government should invest in water harvesting and irrigation infrastructure to lessen the impact of weather-related disruptions on debt and guaranteeing food security.

* **Transparency and Anti-Corruption:**

i. There is a need to invest in strengthening institutions responsible for oversight and accountability to combat corruption. Increase transparency in government spending and public contracts to reduce opportunities for corruption. Enforce existing anti-corruption legislation effectively and hold corrupt officials accountable.

ii. To enhance transparency around debt reporting, Zambia should enforce provisions within the PDM Act to mandate the Auditor-General to conduct comprehensive audits of the total public debt stock, ensuring accuracy and completeness in debt reporting. Additionally, Zambia can develop standardized reporting frameworks for debt-related information, aligning with international best practices, and establish mechanisms for public access to debt-related information, such as online portals or regular publications.

iii. Corruption can also be addressed by implementing strengthening anti-corruption laws and enforcement mechanisms, enhancing transparency in public procurement processes, and promoting integrity and accountability in public institutions. Zambia should opt for regular audits and investigations into allegations of corruption related to PDM, ensuring that perpetrators are held accountable and appropriate corrective actions are taken.

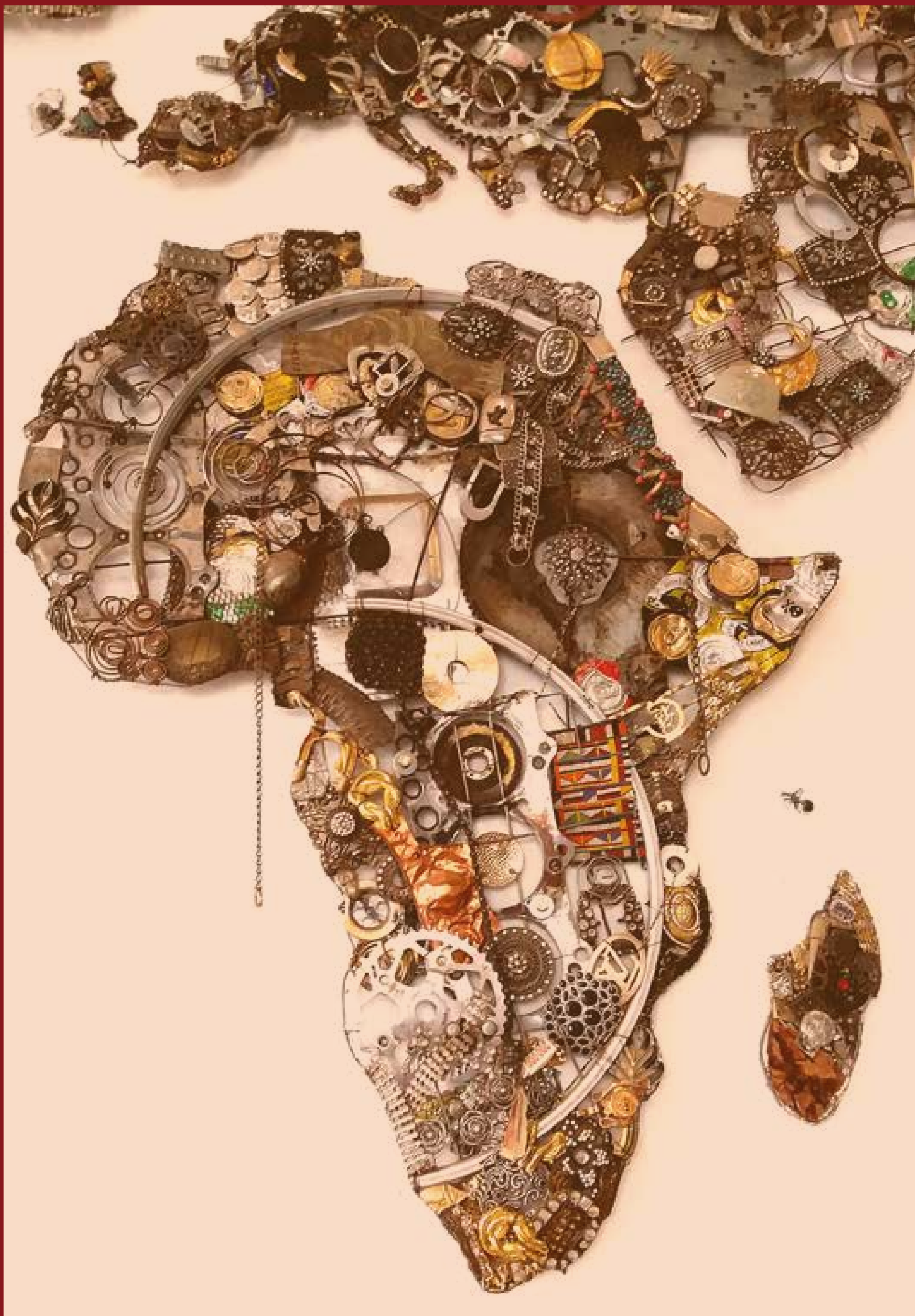
iv. In addition to the above, public participation and civic engagement in governance processes are key, to empower citizens to demand transparency, accountability, and ethical conduct from government officials and institutions.

* **Overhauled and Restructuring of the G-20 Common Framework in Zambia**

i. The G20 Common Framework need to be revamped and made debtor/Zambia friendly so that the country can speedily reach agreements with creditors including private creditors. However, there is a broader need to adopt debt restructuring resolutions promulgated and voted by the ***United Nations in 2015 which contains nine core principles which took into consideration*** measures to increase the stability and fairness of the international financial system which has always been blocked by developed economies

Annex 1: Publications on PDM provided for in the PDM Act of Zambia

Publication	Purpose	Date
Annual Borrowing Plan **Section 8(4)**	* A schedule of anticipated borrowings for the Government and public bodies for a financial year * Tabled for approval by the National Assembly	Not later than ninety days before the commencement of the next financial year
Annual Public Debt, Guarantees and Grants Execution Report **Section 42(1)**	* A report assessing the effectiveness of the Debt Management Strategy in achieving debt management objectives, the outstanding lending, and the borrowing operations of the government along with the debt service paid during the financial year * Submitted to the National Assembly for information purposes only	Within three months after the end of each financial year
Annual Public Debt, Guarantees and Grants Execution Report **Section 42(2)**	* Published to the public for information purposes only	Within thirty days of submission of the report to the National Assembly
Debt Statistical Bulletin **Section 41(1)**	* A summary of the country's contracted debt with a creditor- by-creditor breakdown and a summary of the country's debt position on a quarterly basis * Published to the public for information purposes only	Once every quarter
Debt Sustainability Analysis **Section 40(2)**	* An assessment of the way the Republic's current level of public debt and prospective borrowing affects the * Republic's present and future ability to meet debt service obligations * Published to the public for information purposes only	By the end of the first quarter of the following year
Medium Term Debt Strategy **Section 4(4)**	* A strategic plan designed to operationalize high level objectives for debt management, considering the cost and risk associated with the public debt portfolio and the * financing of the Government's borrowing requirements over the medium term * Published to the public for information purposes only	By the second Friday of July in each year
Update on the implementation of the Annual Borrowing Plan **Section 10**	* Submitted to the National Assembly for information purposes only	Bi-annual basis



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