STUDY REPORT

UNDERSTANDING ZAMBIA'S DEBT AND ITS IMPACT ON SOCIAL DEVELOPMENT

COMMISSIONED BY THE JESUIT CENTRE FOR THEOLOGICAL REFLECTION

Promoting Faith and Justice

WITH SUPPORT FROM THE CATHOLIC AGENCY FOR OVERSEES DEVELOPMENT (CAFOD)

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CAFOD
Catholic Agency for Overseas Development

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ACROYNMS

7NDP	Seventh National Development Plan
ADB	Africa Development Bank
AFRODAD	Africa Network on Debt and Development
CAFOD	Catholic Agency for Oversees Development
CDF	Constituency Development Fund
COVID-19	Coronavirus Disease
CSPR	Civil Society for Poverty Reduction
CUTS	Consumer Unity & Trust Society
DEBS	District Education Boards Secretaries
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
EAZ	Economic Association of Zambia
EURODAD	European Network on Debt and Development
EXIM	Export Import Bank
GDP	Gross Domestic Product
GRZ	Government of Republic of Zambia
HIPC	Highly Indebted Poor Countries
HRA	Human Rights Approach
IDA	International Development Association
IMF	International Monetary Fund
INESOR	Institute of Economic and Social Research
JCTR	Jesuit Centre for Theological Reflection

KI	Key Informants
MDR I	Multilateral Debt Relief Initiative
NGO	Non-Governmental Organisation
NGOCC	Non-Governmental Gender Organisations' Coordinating Council
PFM	Public Finance Management
SDGs	Sustainable Development Goals
SOE	State Owned Enterprise
TIZ	Transparency International Zambia
UNZA	University of Zambia
US$	United States Dollars
VAT	Value Added Tax
WB	World Bank

SUMMARY OF THE REPORT

This report presents the findings, discussions and recommendations of the study in entitled, "*Understanding Zambia's Debt and Its (Social) Impac*t," commissioned by the Jesuit Center for Theological Reflection (JCTR) with support from the Catholic Agency for Oversees Development (CAFOD) in August 2020. The study is divided into five (5) main parts. Part One provides basic information on the Research. Part Two (2) focuses on the Methodology used to conduct the study. Part Three (3) presents the findings and interoperation of the findings of the study while Part Four (4) presents the "Moral Case" for Debt Cancellation for Zambia" and Part five (5) presents the conclusion and recommendation.

With regard to the overall findings of this study, there are two major points worthy of note. First and foremost, is Zambia's current overall debt stock is high and unsustainable. The current debt of US$18.5b is inhibiting Zambia from overcoming the current economic downturn which are running around 2% to 3% and expected to run into negative growth by 2021. The "unattainability" of this debt are well exemplified by unpacking the relation of debt to the following - declining national revenues and high exchange rate coupled with rising debt servicing obligations and domestic expenditures. Second, it is also clear that Zambia is not in a position to borrow as evident in the move by Government to "halt" loans in the pipeline, only spend on projects that are in the completion phase.

Third, it is also clear from this study that Zambia has reached a point of incapability to repay or service its debt when repayment fall due. The various calls to the creditors by the national leadership consider Zambia for debt cancellation or relief as well as inability to service the Eurobond payment of US$22.5billon in October this year are points in case. For these reasons, the study contends that it will not be possible for the Government of Zambia to adequately plan and finance national development needs, especially those related to human development and poverty reduction given its incapability to develop the economy, inability to generate adequate services but expected, at the same time, to meet its debt and debt service obligations.

It is important to mention that poverty in Zambia is still high. At present, poverty stands at 54%. This means that over half of the total number of eighteen million Zambians are living in poverty. The Country is also one of the most unequal societies in Africa. Currently, inequality stands at 0.56 (Gini coefficient) in the Southern region of Africa.

With regard to specific findings, this study was guided by three specific objectives. The first specific objective focused on identifying the key drivers that have contributed to quick rise in the levels of debt in Zambia. According to the findings of this study, there are four (4) drivers that have contributed to this outcome. These are low economic growth, increase in public expenditure, declining national reserves and the "nature/composition" of national debt – dominance of private commercial debt. The second specific objective aimed at establishing the effect of Zambia's current debt on the Country's social development prospects.

The study has shown that Zambia was already spending much more on debt servicing (both domestic and external) compared to key social sectors, especially water and sanitation since 2015 to date. The Country is already spending two times more on debt servicing than on social development needs such as health care, education, water and sanitation. The study provides evidence primarily as a result of heavy indebtedness, the Government in Zambia is failing to embark upon, complete and rehabilitate vital social development projects. In addition, long standing problems such as inadequacy and poor quality of education, health, water and sanitation services as a result of huge national debt have been highlighted.

Evidence from the Case studies of Luapula and Mongu Provinces, has illustrated that heavy national indebtedness has already begun to reverse the Zambia's few but meaningful social development and poverty reduction gains made in the past decade. At present, Government is evidently unable to effectively and efficiently respond to the people's social needs in these provinces. As shown in this report, unmet social and local community development needs, sluggish implementation and unfinished of public projects and poor quality and standards of services and goods provided significantly characterize public works commissioned by the Government. These conditions are particularly stark in the areas of education, health, water and sanitation. Communication and transport. These conditions are worsened Government's failure to foster livelihoods alternatives for local communities. This incapability is entrenching poverty and economic deprivation in these areas.

The third specific objective focused on analyzing the relationship between the COVID -19 crisis and national debt. For this study, the advent of COVID-19 has placed additional pressure on public spending especially in terms of economic restoration and stabilization measures as a result of reduced economic activities. The crisis has also prompted Government to increase its expenditures in addressing the health consequences of the crisis. For instance, the Government had to recruit an additional three thousand (3,000) health workers to provide the necessary services. Furthermore, Government has been providing support to the most vulnerable groups of people – "COVID-19 relief funds," to prevent these groups from falling into deeper poverty situations given the necessity of curbing on economic and social activities in public spaces. This development was sanctioned by the advent of the COVID-19 crisis. The Government of Zambia has accrued additional finance, in the form of loans, in order to undertake these interventions.

Given this precarious position, the Study concludes with a call for a) the international community to consider providing Zambia with helpful 'relief' incentives from indebtedness. This is because this heavy debt is already eroding the social development base of the Country especially with regards to the lives of the majority poor and vulnerable. The Study also calls upon the national leadership, both the policy and political elites, to put in place tangible transformative robust and interpectoral strategies that would assist in salvaging the country from the current debt crisis and its resultant socio-economic consequences. Briefly, an effective national debt management based on the core principles of accountability, transparency and participation is no longer avoidable.

Long lasting solutions to sustaining effective debt management must closely be tight to the Country's pursuit of sustainable human and inclusive economic development. For this reason, the study also presents a case of debt cancellation and relief for Zambia. The main rational for this case is that such 'relief: will provide the Country with the required space to implement "effective" debt management interventions aimed at securing national development on one hand and restoring development-based relations with the creditors and the international development community in general, on the other hand

1. BASIC INFORMATION ABOUT THE RESEARCH

This Part of the Report provides the basic information on the research matter. Therefore, it contains the background information, objectives, research questions and rational of the study.

1.1. INTRODUCTION

This report provides an update on the progress made regarding the research entitled "Understanding Zambia's Debt and Its Impact," commissioned by the Jesuit Centre for Theological Reflection with the support of the Catholic Agency for Overseas Development (CAFOD) in September 2020. The Report has been prepared as part of the Terms of Reference guiding this assignment.

1.2. BRIEF BACKGROUND

Zambia was already ranked as a "high risk case" in 2015, 2017 and 2019 (IMF 2016, 2018, 2020). The crisis of debt can be traced as far back as 2011 (World Bank, 2017). Initially, the Country's debts were massively reduced by the 2008 because the country had benefited from debt relief initiatives such as the Heavily Indebted Poor Countries (HIPC) and the Multilateral Debt Relief Initiative (MDRI). The country's debt stock reduced from US$7.2billion to US$2.5billion as result of the application of these two debt relief initiatives.

However, by 2019, the official external debt of Zambia had already shot up to US$ 10.23 billion in 2019 (GRZ 2020). Presently, it is estimated that overall public debt (external and internal) about seventy one (71) percent of Zambia's annual GDP up from ten (10) percent in 2011. For example, domestic debt grew by an annual average of 2.3% of GDP while foreign public debt as a proportion of GDP increased from 22.9% in2011 to 47.3% by the end of 2017 (World Bank, 2018). The total public and publicly-guaranteed debt including domestic arrears at end-2018 was at 73.1 percent of GDP (IMF Staff, 2019). A large proportion of Zambia's current debt stock is non-concessional (commercial).

The continual increases in public debt in Zambia after 2006 has resulted in an exponential increase in public debt servicing costs (Ndhlovu and Chishimba, 2019). These payments have adversely affected poverty alleviation programmes and have also directly impacted negatively on credit creation, gross national savings, domestic interest rates, gross national investment and gross revenue performances of the central government (World Bank, 2017

1.3. STATEMENT OF THE PROBLEM

There has been growing interest among different development stakeholders on the importance of establishing a clear and deep understanding of Zambia's current situation. Central to this interest is the call to provide information on why and how the country has fallen quickly in another debt crisis within this period. More importantly, there is a growing concern on the lack of information on this matter. Therefore, the main interest of this research is to provide a clear understanding of Zambia's debt portfolio and its impact, especially as regards social development.

1.4. OBJECTIVES

1.4.1. Main

 To provide a detailed description of Zambia's current debt portfolio

1.4.2. Specific

- To describe the composition of Zambia's debt stock
- To identify the main factors that contributed to the return to high debt levels in Zambia? To analyze the relationship between national debt and COVID-19
- To examine impact of debt situation on national development especially in terms of the social sector

1.5. KEY RESEARCH QUESTIONS

1.5.1. Main

 What is the composition of Zambia's current debt stock?

1.5.2. Specific

- Who the major current creditors of Zambia?
- What factors have contributed to the return to high debt levels in Zambia?
- What is the relationship between the national debt situation and COVID-19?
- What are the major implications of the current debt crisis on development in Zambia, especially with regard to the social sector?

1.6. AIM

The purpose of this study is to provide analytical and comprehensive information on the situation of national debt crisis in Zambia aimed at demonstrating its implications for the Country's development prospects.

1.7. RATIONALE

There are two major reasons for undertaking research on this topic. First given its anchoring on RBA, this study will highlight the implications of the national debt crisis on the conditions of human rights and human development in Zambia. Secondly, the findings of this research will contribute to filling up the gaps on statistical information on the current debt stock of Zambia. Thirdly, the analysis in this research will reveal the nature of the nexus between the national debt, the COVID-19 and prospects for sustainable development in Zambia.

2. LITERATURE REVIEW ON DEBT

This Part of the Report presents related information that is being used to conduct this study. It therefore focuses on review of literature and the findings and conceptual framework.

2.1. Preliminary Findings: Review of Literature

Analytical focus on Zambia's current national debt crisis is slowly increasing. The literature reviewed so far on this subject has revealed the following significant observations. First, and foremost – research has concentrated on the statistical and financial aspects of the debt crisis.

Second, the concentration of analyses on debt in this way has made the discourse too "technical and, in turn, weakened public engagement on this matter.

Put differently, there has been little attention given to non-financial and economic aspects of the national debt crisis, especially as it relates to the day to day of the majority ordinary citizens of Zambia. Third, most analyses have acknowledged a common limitation, namely inadequate availability of relevant information, particularly detailed statistics, on this subject. This problem has contributed to the hesitancy in providing conclusive positions on this matter.

A study conducted by the World Bank in 2017 entitled, "How Zambia Can Borrow without Sorrow," observed that the environment for public debt management in Zambia had changed. Access to grants and funding on concessional terms had reduced on one hand while debt issued on market terms had increased, on the other. According to the Bank, the bad news was that costs will increase further and that tragedy was not the recent rapid build-up of debt but the lack of productive assets Zambia can show from the borrowing. The Bank observed that the first two Eurobonds were accompanied by a detailed plan on how they would be spent. The third Eurobond had no such plan. Where resources have not been linked to specific investment, it was most likely that they have been used to finance government's consumption. Most of the resources were earmarked for the transport sector and mainly the road sector (Roads). In the view of the Bank, there was need to put in place a well-crafted debt strategy would help lower the cost of borrowing, extend the terms, and diversify the sources of debt funding.

An Opinion Poll conducted by Kamwanga and Koyi in 2018 focused on assessing the following; relationship between current and past national debt; the sustainability of the current debt, the relationship between the external and internal debt and the effectiveness of current institutional arrangements for debt management (Kamwanga and Koyi, 2018). This Poll revealed that stakeholder perceptions on the rising national debt are largely unfavorable and not optimistic in relation to questions of debt sustainability. It established that this could be attributed to the postHIPC government high propensity to borrow costly from international financial markets and other private sources that are altogether acting to push the national economy towards another debt trap. The stakeholder perceptions also suggested that the debt contraction process lacks transparency and accountability and information on the size and structure of national debt was limited.

The following were the main outcomes of this study cited above. First, it identified three (3) distinct episodes of public debt servicing in Zambia and these are (1) 1980 to 2005; (2) 2006 to 2015; and (3) 2016 and beyond. In the first episode, the country was facing high debt servicing costs emanating from both huge non-concessionary debts and high interest rates. In the second episode, the debt service costs of Zambia decreased radically following the HIPC and MDR debt relief initiatives and also owing to high economic growth rates. The third phase provided an overview of Zambia's future debt service sustainability. In this third phase, the paper revealed that, if the government failed to expand its revenue base by diversifying the economy, the country is likely to face liquidity and solvency challenges.

Further, the analysis revealed that the country's major debt service challenges emanated from, among other things, a narrow government revenue base, high and volatile interest rates, and exceptionally high government debt stocks. This analysis made the following three (3) proposals. First, it called on the Government to embark on stringent austerity measures that limit both domestic and foreign public borrowing, so as to curb the accumulation of high interest payments on public debt. Second, it called for the improvement of the Country's fiscal position, by aligning public sector infrastructural spending with revenues to ensure budgetary sustainability. Third, it recommended for with the diversification of the economy so as to minimize the impact of external shocks, particularly in terms of rampant fluctuations in world commodity prices. These analysts recommend that it was important to ensure clarity of roles, responsibilities and objectives of institutions responsible for debt contraction, utilization and management.

Another study undertaken by the same analysts in 2019 focusing on the economic growth nexus in Zambia concluded that hat the pace of economic growth matters in defining the level of public sector indebtedness. Based on this, the study recommended that the Zambian government should channel borrowed funds towards the expansion and diversification of the country's economy. In the view of these analysts, diversification of the economy would promote its long-term economic growth, broaden its revenue base, and enhance its ability to repay its financial obligations when they fell due. (Saungweme and Odhiambo, 2019).

Transparency International Zambia conducted a study in 2019 focused on examining how Zambia's debt had affected the economy (TIZ 2019). According to this study, Zambia had been making huge payments towards its current debt. This study revealed that Zambia's external debt service payments have increased from US34.14 million in 2011 to US$484million in 2016. In 2017, furthermore, the study showed that Zambia made a total external debt service payment of $706 million and in 2018 the amount increased to US759.9 million. The study concluded that this had resulted in the depletion of foreign reserves and that this depletion compromised Zambia's internal and external macroeconomic stability and ultimately in poor economic performance.

On this basis, the study recommended that there was need to simplify the technicalities surrounding the debt debate in Zambia tithe ordinary Zambian. This is the only way citizen participation will be increased in advocating for prudent debt management in Zambia. If the majority of Zambians remain ignorant of the implications of increased borrowing, the few experts will continue to be ignored since they constitute a minority of Zambians. In this quest, Parliamentarians, media practitioners, and students should be prioritized since they have the ability to influence the debt debate. The study also called for better coordination of the legal provisions that govern the debt contraction process.

A study focused on analyzing the Zambia's debt crisis and indicators for Tracking Public Debt Management Process conducted in 2019 revealed that that poor legal framework and poor governance along with access to credit results in poor debt management outcomes. This is evident in Zambia's case. Zambia has a challenging path to improve debt management policies. Stakeholders can take positive steps to encourage the government to adopt better laws and policies and to consistently follow and enforce them. The creation of a debt barometer with legal framework and governance components will help inform both advocates and government officials regarding ways to improve (Joshua and Lascu 2019).

A review undertaken by Ofstad in 2019 on the sources of the Zambian debts, examines how the loans acquired from the Government of China have been used and misused, including whether there had been cases of defaulting on repayments observed that Zambia is one of the countries where China is the biggest single creditor and a major provider of finance for development. This review revealed that the Country had borrowed heavily in recent years and is now in high risk of debt distress. However, the Chinese are not the main culprits for the looming debt crisis but that domestic political and policy actors had a role to play in this crisis (Ofstad 2019). .

CUTS International undertook conducted an analysis on understanding the impact of growing debt on different stakeholders in Zambia in 2019 (CUTS 2019). According to this analysis, Zambia's growing debt was increasing the Government needs to increase its revenue in order to provide public services and also pay back its debt. It was observed that in this case, the Government of Zambia was mainly relying on taxation and charging fees. On this basis, it was argued that taxes needed to be raised fairly as there is a risk of stagnating private sector-led growth and squeezing ordinary Zambians into poverty by leaving them with little money to meet their basic needs. Examples in this regard pointed to the numerous taxes and fees have been imposed, such as the borehole tax and increased toll gates introduced in the 2019 National Budget. This was addition to other pending taxes such as the internet calling tax, excise duty on non-alcoholic drinks, increase the rate of carbon emission surtax on vehicles and increase the charge on scheme.

According to CUTS, some of these taxes would led to deleterious outcomes for consumers, especially income consumers as it would be adding to the pressure that ordinary Zambians. Here, the main argument was that higher taxes threaten to increase the cost of living on individuals, push low-income earners into poverty, and also slow down economic growth if individuals have less money for consumption of goods and services. While government needs to improve revenue to pay off its debt, poorly executed taxation policies threaten to derail the government's ability to raise money, as well as leave ordinary Zambians suffering. We are calling for the objective of the tax system to be progressive and for taxes to be designed in a way that ordinary people are not made worse off but wealth is redistributed from those more capable of paying taxes to the poor in society. In this regard, it was recommended that Government should abolish VAT and replace with sales tax.

2.2. DEFINITION OF TERMS

The following concepts were understood as follows in this research;
Debt:

- National Debt:
- Public Debt:
- Debt Sustainability:

2.3. CONCEPTUAL FRAMEWORK

The conceptual framework of this research is informed by the Human Rights Approach (HRA). In this research, this approach has been operationalized as an instrument of transformation and justice anchored on the following the principles of accountability and the rule of law, participation and inclusion, and equality and non-discrimination (Morten and Hans-Otto, 2017). In addition, this research, is intentionally, paying attention to the relationship between Zambia national debt situation and the COVID-19 crisis using the same principles contained in the HRA.

3. METHODOLOGY OF THE STUDY

This part of the report presents the research type, design, type of data, data collection tools, sources of data and the data analysis techniques.

3.1. Research Type

This was a qualitative study but also integrates statistical data particularly as it related to financial and economic aspects of debt and COVID-19.

3.2. Research Design

The research employed a mixed method approach – integration of qualitative (normative) and quantitative (statistical) methods of study. The quantitative methods produced non-numerical results and generally investigated the “why” and “how” of the research matter (Taylor et al 2016). The quantitative methods assisted in the production of numerical (figurative) data and deployed mathematical frameworks and theories to interpret the data collected for the subject under study (Woodley 2004).

3.3. Scope of the Study

The study was carried out in three areas of Zambia, namely Lusaka, Mongu and Mansa. Most of the desk review work and part of the primary data (interviews) was carried out in Lusaka. The rest of the primary data was collected from the Districts of Mongu and Mansa located in Western and Luapula Provinces of Zambia respectively. These two (2) Districts are among the poorest regions in Zambia (GRZ 2019). Thus, they provided the most appropriate sites for obtaining the situation of social development in the rural parts of Zambia while the Lusaka region accommodated the analysis from an urban setting regarding the same area of concern.

3.4. Types of Data

This study was based on both secondary and primary data. Secondary data was obtained through desk review of already existing data on the subject matter while primary data was collected primarily through conducting in-depth interviews (See Appendix II - Interview Guide). The main target respondents for the interviews consisted of political and policy elites, civil society representatives and academic experts. A total of 31 Key Informants (KIs) had been drawn from Government and political institutions, academia and civil society groupings (See Appendix I – Targeted Key Respondents).

3.5. Composition (Size) of the Sample

The study had targeted a total of thirty-one (31) respondents drawn from Government Ministries and Agencies, Bilateral and Multilateral donor institutions, national and international civil society organizations, academic institutions, think tanks and political parties (See Appendix I)

3.6. Data Collection Method

The data required for this research was collected using the following two methods:

Desk Review: A thorough review of existing literature on the subject matter was undertaken. The sources of this data included research reports, books, articles, newspapers, and programme and policy documents. This exercise was important as it served three (3) major purposes. First, it enabled the researchers to obtain a deep understanding of the research area. Second, it provided an opportunity for gaining clarity on the major knowledge gaps on the subject matter. Third, it provided the basis for developing the tool (Interview Guide) for collecting primary data.

In-depth Interviews: Two (2) versions of interview Guides (IGs) were developed. One targeted civil society, academic, international community and political representatives while the other one focused on Government representatives from selected Ministries and institutions.

3.7. Data Collection Tools

The Interview Guide (IG) was the main tool that was employed to collect primary data. The Guide composed of all the relevant questions for soliciting on information as guided by the objectives and questions underpinning this research exercise. The questions were tailored in accordance with the category of the informants hence the two main version of the IG as mentioned earlier in the report.

3.8. Data Analysis Techniques

The data collected in this research search was analyzed using both manual (Content Analysis) and electronic, namely the NVivo software, especially in terms of thematic organisation of data.

4. PRESENTATIONS OF RESEARCH FINDINGS

This part of the report contains two main sections, namely the Main Findings and the Specific Findings as guided by the objectives of the study.

SECTION A: MAIN FINDINGS

4.1. Understanding Zambia's Debt

The overall objective of this study was to provide a clear understanding of Zambia's current debt and debt situation. This was guided by the following first objective: To provide a detailed description of Zambia's current debt portfolio. In order to address this concern, the study focused on three core aspects; Overall debt Stock, External and Domestic Debt as well as the type, form, nature of creditors.

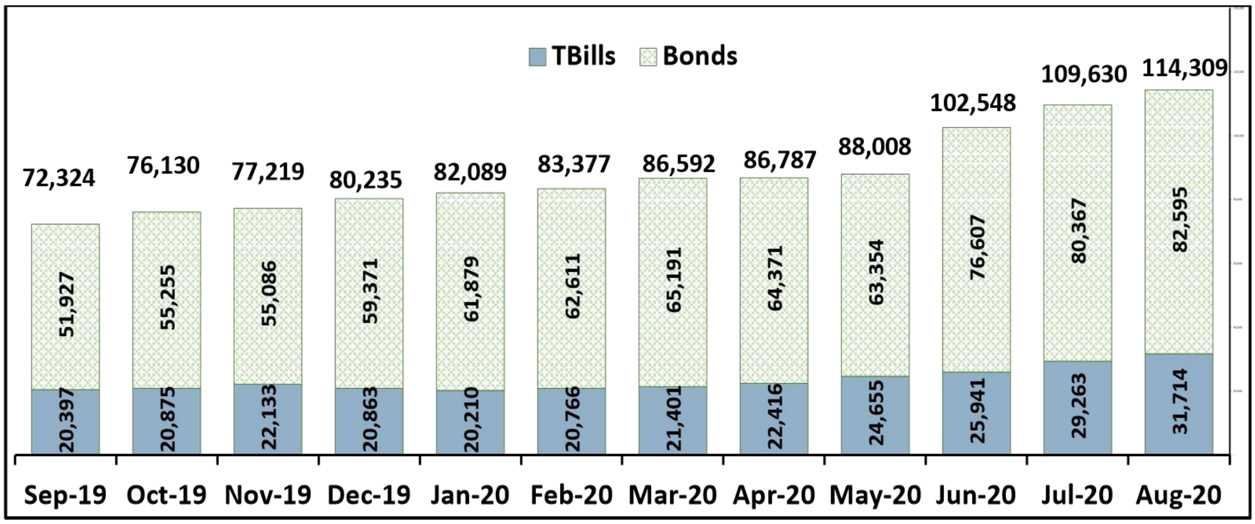
4.1.1. The Debt Stock – Domestic and External

The type of debt is a critical aspect in unpacking the understanding of "national" debt. In this regard, the study focused on two aspects, namely the domestic and external components of Zambia's current debt stock. According to the findings of this study, Zambia's total indebtedness inclusive of contingent liabilities and debt owed by State-Owned Entities (SOEs) now stood at US $18.5billion with an average interest of 4.5 per cent by September 2020. Of this total, external debt owed by government directly accounted for US $11.97 billion, while the remainder reflected obligations by SOEs and is also in contingent liabilities. This means that domestic debt accounted for about US$5.6billion.

Domestic debt is estimated to be about US$6billion. A large proportion of this debt is in the form of bonds. According to reports by the IMF, domestic public debt increased from 12 percent of GDP in 2011 to 17 percent of GDP in 2014. In 2011, treasury bills (T-bills) and treasury bonds (T-bonds) accounted for about 93 percent of the total domestic debt (IMF 2017). In 2014, the share of government securities (T-bills and T-bonds) dropped to 72 percent of total domestic debt while arrears increased to about 15 percent of the total and the remaining 14 percent reflected debt to the Bank of Zambia and domestic commercial banks.

The Government's total domestic debt, excluding arrears increased by 37.7 percent to K80.2 billion at end-December 2019 from K58.3 billion at end December 2018. This was mainly attributed to the issuance of government securities to meet the financing needs. The stock of verified domestic arrears at end-December 2019, including VAT xi refunds and awards and compensations was K27.7 billion. The table below illustrates the trends in treasury bills and bond between September 2019 and August 2020. The table below shows the trends in domestic debt between September 2019 and August 2020 –

Figure 1 Domestic Debt – Treasury Bills and Bonds:



Source: Ministry of Finance

The data from this table shows that with regard to domestic debt, the levels of bonds are rising at a higher rate compared to the Treasury Bills. Thus, presently, bonds constitute a large proportion of Zambia's domestic debt. This is because bonds tend to attract more investors largely because of their attractive incentives, predictability and certainty in financing.

In the case of Zambia, domestic debt is now seen as a considerable problem in two main ways. First, it has contributed to high interest rates in terms of accessing credit facilitates. Second, it has been seen to be-crowding out the local entrepreneurs from accessing credit. The report further shows that as at end 2018, the domestic debt stock excluding arrears increased by 20.5 percent to K58.26 billion from K48.36 billion in 2017. The demand by both local institutional and nonresident investors for longer dated Government securities (Bonds) contributed to a 41.3 percent rise in stock compared to shorter dated instruments which declined by 8.5 percent. The stock of domestic arrears excluding VAT refunds as at end 2018 was K15.6 billion. In an effort to dismantle arrears and support private sector growth, a total of K4.5 billion was paid out to clear arrears against a budget target of K1.3 billion. The external debt stock at end of December 2018 was US $10,047.75 million from US $8,738.95 million in 2017. The rise in external debt was mainly due to an increase in commercial debt and export and suppliers credit. The resources were utilized mainly to finance infrastructure projects. In terms of debt service, a total of US$759 million was paid out during the year.

Regarding external debt, about US$9billion is for commercial and other lenders while bondholders account for US$3billion. The table below provides a detailed breakdown of Zambia's external debt – showing the different types of lenders and the amounts owed coving the period 2017 to 2019[1]

Table 1: List of Creditors

Creditors	2017	2018	2019	Percentage Change (2018/2019)
Multilateral	**1,739.96**	**1,870.96**	**2,078.33**	**11.1**
World Bank (IDA)	892.42	1,011.69	1,107.91	9.51
ADB/ADF	433.20	501.08	578.28	15.41
IMF	125.29	62.32	17.81	(71.43)
Others	289.05	295.88	374.33	26.52
Bilateral	**373.82**	**332.63**	**340.09**	**2.24**
Paris Club	127.61	101.28	116.06	14.59
Non-Paris Club	246.21	231.34	224.03	(3.16)
Export & Suppliers' Credit	**2,254.33**	**2,537.21**	**3,149.76**	**24.14**
Export Import Bank of China	2,010.66	2,267.97	2,624.16	15.70
CATIC	130.83	111.21	91.58	(17.65)
Others	112.84	158.03	525.59	232.59
Commercial Debt	**4,343.61**	**5,306.96**	**5,634.66**	**6.17**
China Development Bank	255.26	324.81	391.03	20.38
Eurobond	3,000.00	3,000.00	3,000.00	0
Others	1,088.35	1,982.15	2,759.89	39.23
Total (excl. publicly Guaranteed Debt)	**8,711.73**	**10,047.76**	**11,202.84**	**11.49**

[1] Total external debt is debt owed to nonresidents repayable in currency, goods, or services. Total external debt is the sum of public, publicly guaranteed, and private nonguaranteed long-term debt, use of IMF credit, and short-term debt. Short-term debt includes all debt having an original maturity of one year or less and interest in arrears on long-term debt. Data are in current U.S. dollars.

Total External Govt. Debt as a Percentage of GDP	34.00	38.11	48.00	-
GDP Estimate	25,711.10	26,364.10	23,326.50	-
Average Exchange	9.55	10.50	12.90	-

Source: ttps://www.cadtm.org/Zambia-edges-towards-debt-default-but-bondholders-could-make-millions ACCESSED 5 November 2020

The study also revealed that Zambia witnessed a significant sharp rise in external debt in 2015. The debt increased by 39.6%. This increase was mainly as a result of the third US$1,250 million Eurobond issued by end of December of the same year. In addition, in 2016, a 3.8% increase in the stock of external debt in 2016 was recorded and as at December of the same year the debt was sitting at US$6,850.9 million. To provide a deeper understanding of the dominance and significance of private debt in the current overall debt situation of Zambia, this study highlighted two main commercial loans, namely the loans from China and the Eurobonds. As can be seen in the table below (External Loan to Zambian Government from 2012 to 2019), loans from China and the Eurobonds constitute a large proportion of Zambia's commercial debt. More importantly, the volume of this type of debt have grown significantly between the period 2012 and 2019

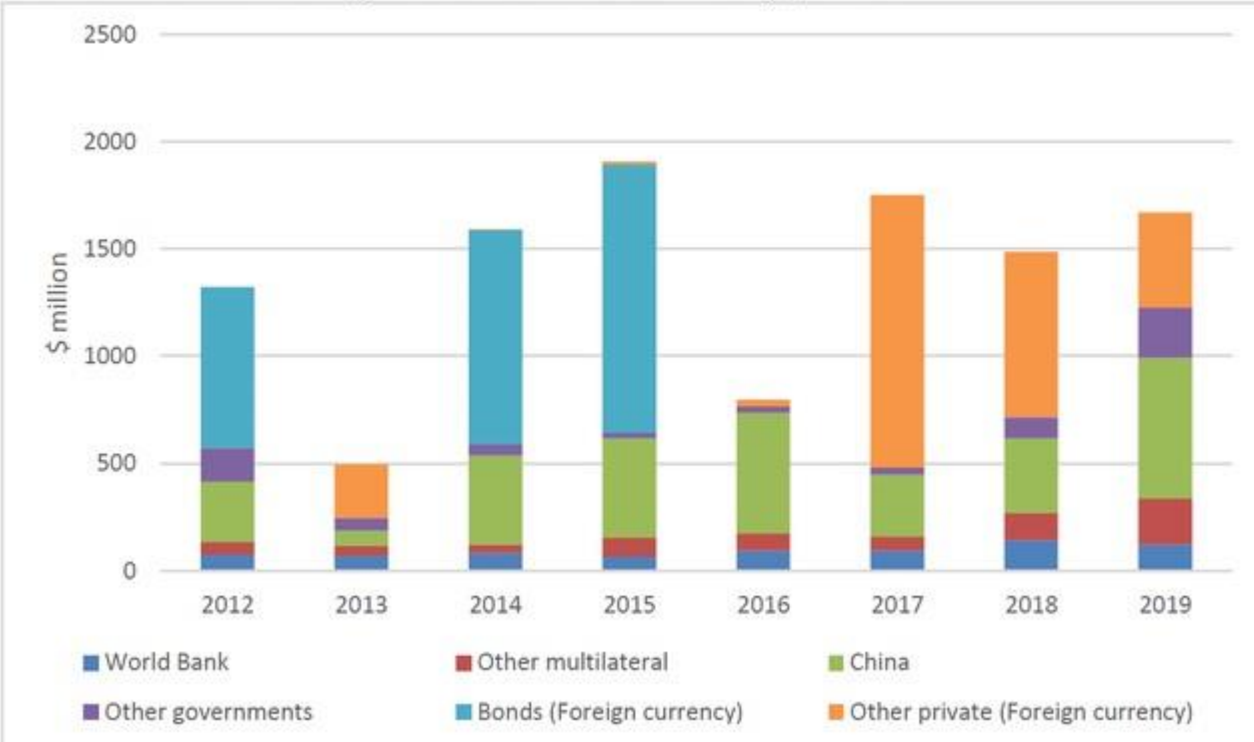
4.1.2. Type (form of debt) Lenders

The type or form of sources of borrowing that a particular country engages in accumulating national debt is an important point of consideration in analyzing national debt situation. This is because national borrowing attracts different lenders who set different conditions for their loan packages. These conditions range from amounts to be accessed, repayment plans, risks and incentives packages as well as penalties. According to the findings of this study, here are two main points worth noting in terms of Zambia's current external debt.

First and foremost, non-concessional (commercial) debt constitute the largest proportion of this debt. At present, this debt stands at US$4,343.61. The smallest proportion is owed to bilateral lenders and stands at US$ 373.82. In terms of the external debt composition by creditor, the largest portion was owed to commercial creditors accounting for 53 percent of the total debt stock. This was mainly from the international bond market. Export and suppliers credit facilities, multilateral and bilateral creditors accounted for 25 percent, 19 percent and 3 percent, respectively. This implies that most of these loans contain commercial market conditions. Second, Zambia has been borrowing from diverse set of lenders.

Figure 2: External Loans to Zambia from 2012 to 2019

External loans to Zambian government from 2012 to 2019, $ million



Source: Passing the buck on debt relief (https://www.oxfam.org/en/research/passing-buck-debt-relief)

In addition, this study was informed that the $2.4 billion Zambia owed at end-2019 in private (nonbond) debt, 56% is owed to UK banks, 20% to banks based in China or Hong Kong, 14% to banks based in Israel and the remainder to banks in Italy, the US, Denmark and South Africa (EURODAD 2020).

Case I: Debt owed to China

A significant proportion of the privately-owned loan for Zambia have been obtained from China. The loans and grants obtained from China have been used to finance projects in the following areas; infrastructure, energy, housing, communication and transport. It reached at least 2.3 billion USD at the end of 2017 (Ministry of Finance 2018). In this regard the major Chinese credit sources are China's EXIM Bank, China Development Bank and China National Aero-Technology Import & Export Corporation (CATEC). The loans and grants from EXIM Bank and the Development Bank are partially concessional terms, and therefore, less costly than commercial terms. Some examples of the projects financed using loans and grants obtained from Chinese sources include the two big football stadiums in Ndola and Lusaka, the New Government Complex Conference Centre and major housing complexes for Zambia Police Services and the Zambian Air Force. In addition, loans and grants from China have been used to finance projects in the energy sector. These include the additional turbines and the major 750 MW hydropower station at Lower Kafue Gorge

Case II: The Eurobonds

Presently, the Eurobonds constitute the largest source of Zambia's external debt. Similar to actions taken by several other countries on the continent, Zambia decided in 2012 to raise money in the Eurobond market at commercial rates.[i] The table below shows the principle and interest for each of the three Eurobonds obtained by Zambia between 2012 and 2014

Table 2: Eurobond – Amounts Issued, Interest Rate and Maturity Date

	2012	2014	2015
Amount issued (million U.S. dollar)	750	1,000	1,250
Amount issued (million kwacha)[1]	3,770	6,127	9,591
Nominal interest rate (coupon, %)	5.375	8.5	8.97
Yield at Issuance (%)	5.625	8.625	9.375
Yield as at July 5, 2017 (%)	6.971	7.868	8.21
Issue Price (%)	98.108	99.174	97.257
Maturity	22-Sep 22	24-Apr 24	Jul - 25, 26, 27
Interest payments			
U.S. dollar, million	40	85	112
In kwacha, million, estimated at issuance[1]	203	521	860
In kwacha, million, effective payment in 2016 [1]	431	812	1,206
Effective Interest payments in 2016	11.4	13.3	12.6
Exchange rate depreciation effect (%)[8]	112.8	55.9	40.1
Average annual rate of depreciation (%)[111]	17.1	19.4	19.4
Effective borrowing cost in Kwacha (%)[1]	22.5	27.9	28.4

Source: ZIPAR 2018

Table 3: Euro bond – Principle, Interest and Total Repayment

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	TOTAL
EURO BOND I	Principal	-	-	-	-	-	750.0	-	-	-	-	-	750.0

	Interest	40.3	40.3	40.3	40.3	40.3	40.3	-	-	-	-	-	241.8
	Sub-total	40.3	40.3	40.3	40.3	40.3	790.3	-	-	-	-	-	991.8
EURO BOND II	Principal	-	-	-	-	-	-	-	1,000.0	-	-	-	1,000.0
	Interest	85.0	85.0	85.0	85.0	85.0	85.0	85.0	42.5	-	-	-	637.5
	Sub-total	85.0	85.0	85.0	85.0	85.0	85.0	85.0	1,042.5	-	-	-	1,637.5
EURO BOND III	Principal	-	-	-	-	-	-	-	-	416.7	416.7	416.7	1,250.1
	Interest	112.1	112.1	112.1	112.1	112.1	112.1	112.1	112.1	112.1	74.7	37.4	1,121.0
	Sub-total	112.1	112.1	112.1	112.1	112.1	112.1	112.1	112.1	528.8	491.4	454.0	2,371.0
Grand total		237.4	237.4	237.4	237.4	237.4	987.4	197.1	1,154.6	528.8	491.4	454.0	5,000.3

Source: IMF 2020

As shown, the first loan was USU$750million at an interest rate of 5.6% (Is this interest rate annually?). Zambia borrowed a second Eurobond loan in 2014 worth one (1) billion USD at an interest rate of 8.6%. Furthermore, the country secured a third Eurobond loan in 2015, and borrowed 1.25 billion USD at a 9.4% interest rate (Is this interest rate annually?). These transactions translate into a total of US$3billion. It is important that these loans are characterized by high commercial interest rates and heavy repayments. The repayment period starts in 2020 up to 2027

In 2022, the Government of Zambia announced the establishment of a "sinking fund" in 2018 whose savings were to enable the country repay the Eurobond when the servicing fell due. By 2019, it was reported that the Government of Zambia had accumulated a total of US$10million in the sinking fund to use towards redeeming the Eurobond.

4.2. Summary of the Main Findings

In summary, there are three major points worthy of consideration regarding the main finding of this research on unpacking the "understanding of Zambia's current debt." First and foremost Zambia's current overall debt stock is high and unsustainable. The "unattainability" of this debt are well exemplified by unpacking the relation of debt to the following - declining growth, declining national revenues and high exchange rate coupled with rising debt servicing obligations and domestic expenditures. Second, the composition of Zambia's debt has implications on the Country's prospects for accessing debt cancellation or relief. Given that the largest proportion is commercial debt, Zambia prospects for presenting a convincing case to access cancelation or relief becomes slim given the “business” and “profit” interests of such lenders in comparison to bilateral or multilateral lenders. Third, the study contends that it will not be possible for the Government of Zambia to adequately plan and finance national development needs, especially those related to human development and poverty reduction given its incapability to develop the economy, inability to generate adequate services but expected to meet its debt and debt service obligations simultaneously.

SECION B: SPECIFIC FINDINGS OF THE STUDY

4.3. The main factors contributing to Zambia’s Quick Return to High Debt Levels

The second specific objective focused on identifying the main factors that contributed to the return to high debt levels in Zambia. In order to address this concern, the study focused on the trends of the overall debt stock, the ratio of debt to GDP, debt servicing levels, national reserves, and public expenditures

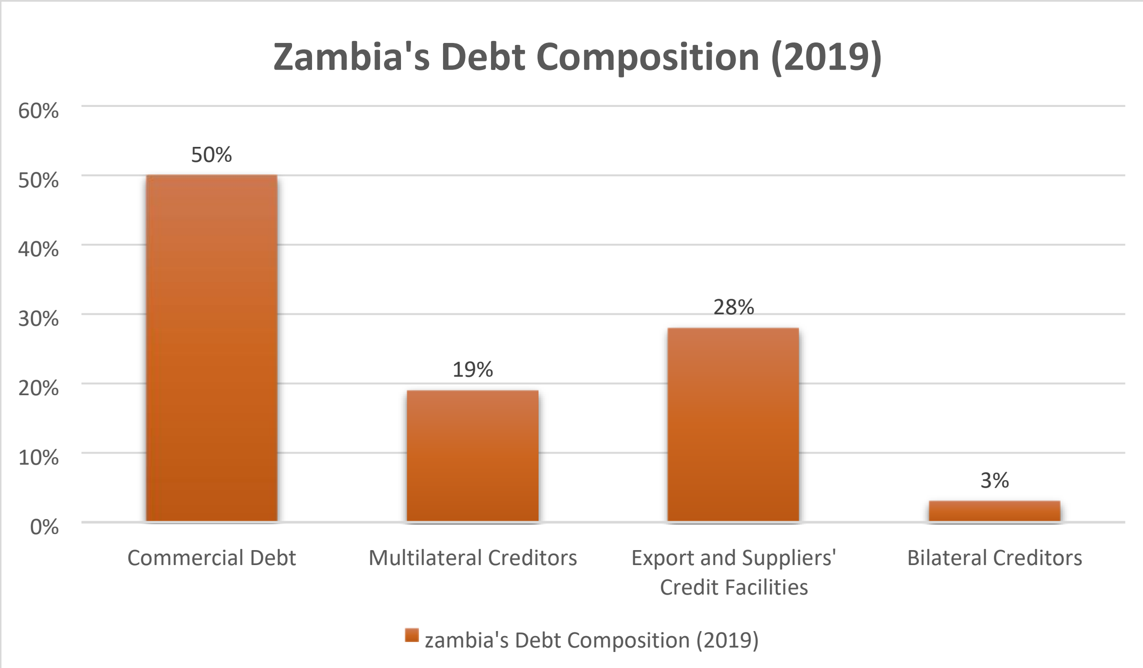
4.3.1. Trends of the Debt Stock

The trends in the size of a country’s overall debt situation are important in ascertaining the “sustainability” or “unsustainability” of the debt. According to the findings of this study, the surge in Zambia’s debt started to emerge by 2012. In 2018, in terms of composition of growth by creditors, the largest percentage increase was recorded under Export and Suppliers Credit at 24.1 percent. Multilateral and Commercial loans recorded increases of 11.0 percent and 6.2 percent, respectively, while bilateral loans increased at 2.2 percent.

In the same year, Government contracted loans amounting to US $2.6 billion compared to US $1.75 billion contracted in 2017. The loans contracted under the review period are being used to support the completion of projects in key sectors such as health, transport, infrastructure, education, security and information, and communication technology. The loans contracted will also be used to support green field investments in the agriculture sector.

The chart below shows the distribution of Zambia’s debt as of 2019:

Figure 3: Distribution of Zambia's Debt as of 2019



Source: Field Notes 2020

In 2019, Commercial debt accounted for the largest proportion of the total debt stock at 50.0 percent, while bilateral creditors accounted for the lowest at 3.0 percent. Multilateral Creditors and Export and Suppliers' Credit facilities accounted for 19.0 percent and 28.0 percent, respectively.

According to the findings of this study the total (excl. publicly Guaranteed Debt) of Zambia stands at US$18.5b. The trends depict significant periodical sharp increases mainly accounted by the country's contraction of the Eurobonds and from the Government of China**.** The debt for the country rose by 35.3% to US$4,751.9 million at end-December 2014 from the US$3,548.0 million recorded at end-December 2013. The increase was predominantly as a consequence of the US $1.0 billion Euro bond issued on the international capital market during the year. The 2019 Zambia Economic Report shows that Total Government external debt stock at end-December 2019 increased by 11.5 percent to US$11.2 billion from US$10.0 billion at end December 2018. This was on account of new disbursements on existing loans mostly earmarked for infrastructure development.

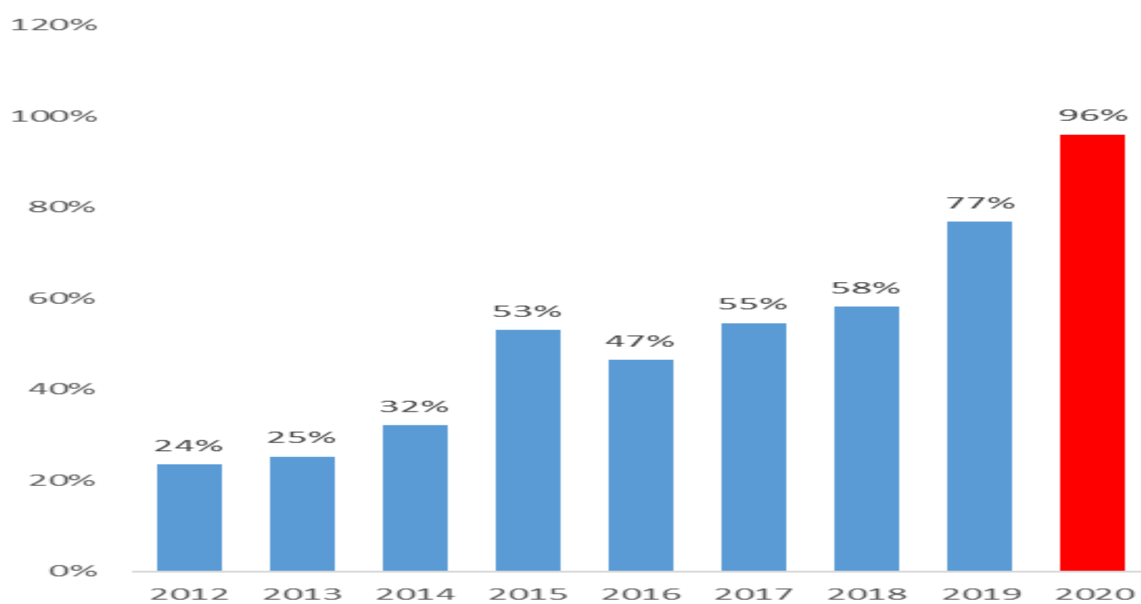
The growth in external debt stock was, however, less than the growth of 15 percent recorded in 2018, reflecting a declining trend. The slowdown in debt accumulation was on account of strategies and policies, put in place in 2019 to reduce the pace of debt accumulation. In 2019, the Zambia Economic Report shows that Total Government external debt stock increased to US$11.2 billion as at end-December 2019 from US$10.0 billion at end December 2018, representing an 11.5 percent increase. This was on account of new disbursements on existing loans, primarily, to ongoing infrastructure projects. The growth in external debt stock was, however, less than the growth of 15 percent recorded in 2018, reflecting a declining trend. The slowdown in debt accumulation was on account of strategies and policies, put in place in 2019 to reduce the pace of debt accumulation.

External debt stock increased by 11.5 percent and domestic debt stock, excluding arrears increased by 37.7 percent. Similarly, the stock of verified domestic arrears increased by 45.2 percent in 2019. Zambia had over the years made tremendous economic progress with a Gross Domestic Product (GDP) growth rate averaging 5-6% in the last ten years. This growth in the economy has led to the reclassification of Zambia as a lower middle income country, which has redefined the financing landscape for Government.

4.3.2. Debt Ratio to GDP

The relationship between a country'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 the country's economic growth performance and the debt situation, this study has established that in the case of Zambia, the ratio of the debt to GDP has been on the rise over a period of years. As shown in the table below, the current debt ratio to GDP is at ninety six (96%) percent.

Figure 4: Debt Ratio to GDP



Sources: Felix Nkulukusa 2020

The main finding of his research in this regard 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 of time. The Table below demonstrates the state of revenue generation and the resultant fiscal deficits from 2011 to 2021:

Table 4: Dwindling Revenues, Rising Expenditures and Increasing Fiscal Deficits

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Govt Revenues	17.7	18.7	17.6	18.9	18.8	18.2	17.5	18.9	19.4	17.2	16.5
Govt Exp.	19.5	21.5	23.8	24.7	28.3	24.3	25.2	27.2	27.0	22.9	23.4
Fiscal Deficit	-1.8	-2.8	-6.2	-5.8	-9.5	-6.1	-7.7	-8.3	-7.6	-5.7	-6.9

Sources: Felix Nkulukusa 2020

4.3.3. Debt Servicing

According to the findings of this study, debt servicing, particularly with regards to the external debt servicing has been increasing, alongside the increase in the country's debt, exponentially. For example, in 2016, external debt service was at US$ 585.0 million which represents a 53.3% increase from 2015 which also increased by 53.6% from 2014 figure (BOZ, 2016).

To gain a better picture of the increase in the volume of debt servicing resources, the study analyzed the budget allocations from 2012 to 2021. From this table, it is clear that debt servicing has remained one of the major national expenditures in Zambia.

Table 5: Budget Allocations to External and Domestic Debt out of the Total National Budget for the Years 2012-2021

Yr.	Total Budget (Kb)	Allocations to Servicing(Kb)	
2012	27,698.2	External:	1,416.8
		Domestic:	1,6501
2013	32,212.2	External:	1,026.3
		Domestic:	1,521.3
2014	42,682.0	External:	1,822.4
		Domestic:	2,850.5
2015	46,666.56	External:	2,391.68
		Domestic:	2,896.16
2016	53,135,825	Domestic:	3,615,559,302.00
		Dom.	3,549,266,545.50
2017	64,510.30	External:	6,497.23
		Domestic:	4,969.31
2018	71,662.385,364	External:	7,268,795,020
		Domestic:	6,972,268,260

2019	86,807,894,727	External:	14,947,077,126
		Domestic:	6.626.278.083
2020	106,007,612,236	External:	21,090,794,856
		Domestic:	12,634,848,146
2021	119,616,011,615	External:	27,745,178,
		Domestic:	18,338,481, 54

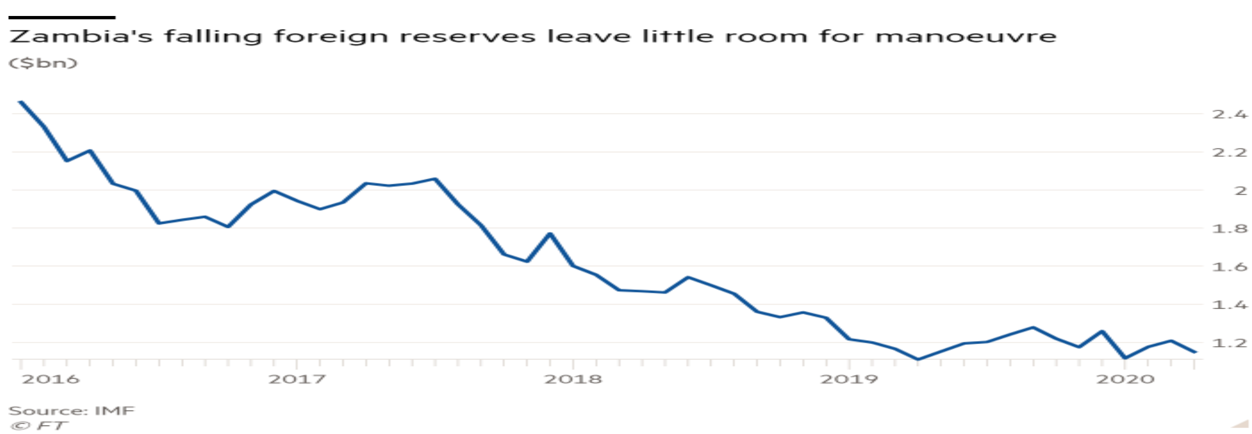
Source: fieldwork notes- National Budget Speeches 2012, 2013, 2014, 2015, 2016, 2017,2018,2020,2021

The table above illustrates the amount of resources allocated to debt serving out of the total national budget for the stated period. There are two important points worthy of note in this regard. Frist, the amount of national resources allocated to the servicing of debt has been increasingly alongside the increase in the amounts of the total national budget. Second, Zambia has been allocating a significant amount of resources to debt servicing from its total national budget basket.

4.3.4. Debt Accumulation, Dwindling National Reserves and Debt Sustainability

Another aspect that highlights the nature of Zambia current situation relates to the relationship between accumulation, currency volatility and efforts of restoring debt sustainability. According to this study, Zambia is largely an import dependent country and thus requires substantial amounts of foreign exchange to finance its development needs – including externally mobilized financial resources. However, the country's currency has witnessed steep plunges for the last five (5) years as shown in the table below;

Figure 5: Zambia's National Revenue 2016-2020



It is also important to note that international reserves declined due to higher external debt service obligations amidst a weak external sector position.

4.4. Impact of debt situation on national development especially in terms of the social sector

The third specific objective of this study focused on examining the impact of debt situation on national development especially in terms of the social sector. In order to address this concern analysis focused on unpacking the relation between debt servicing allocation in comparison to national budget allocations to selected social sectors – Education, Health, Water and Sanitation.

4.4.1. Servicing What? People or Debt?

The implications of a particular country's debt situation can also be well understood by canalizing the relationship of that debt to other important national development areas. In this case, this study focused on a number of selected social sectors, namely education, health and water and sanitation. According to this study, debt servicing allocation have been increasingly, particularly with reference to external debt, sharply between 2015 and 2019. In addition, case studies providing evidence of effects of debt on the social living conditions of the people in Zambia, based on the cases of Luapula and Western Provinces, are used to provide deeper insights in people's daily experiences in this regard.

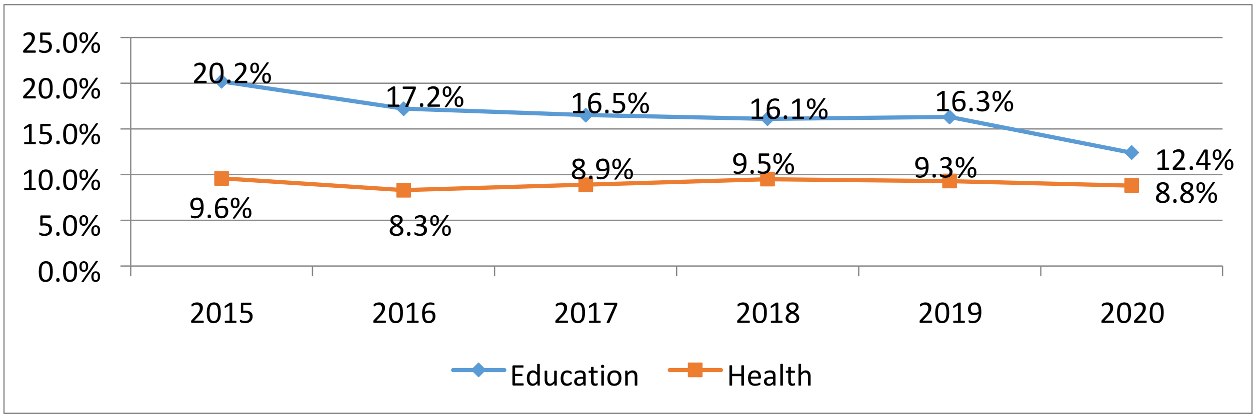
Table 6: National Budget Allocations: Debt Servicing Vs Selected Social Sectors 2012-2021

Yr.	Allocations to Servicing(Kb)	Health	Education	SS-W&S
2012	Ex. 1,416.8 Dom. 1,650.1	2,579	4,850.5	150.3
2013	Ext. 1,026.3 Domestic 1,521.3	3,638.1	5,626.8	783.8
2014	Ext. 1,822.4 DoM.2,850.5	4,228.4	8,607,020	417.8
2015	Ext. 2,391.68 Dom. 2,896.16	4,464.099	9,433.33	540.99
2016	Ext. 3,615,559,302.00 Dom.3,549,266,545.50	4,431,850,156	9,143,215,926.0	283,647,640
2017	Ext. 6,497.23 Dom. t4,969.31	5,762.03	10,641.93	391.70
2018	Ext. 7,268,795,020 Dom. 6,972,268,260	6,781,558,820	11,561,643,204	564,508,860
2019	Ex. 14,947,077,126 Dom. 6.626.278.083	8,069,128,277	13,274,546	1,984,759,408
2020	Ex. 21,090,794,856 Dom. 12,634,848,146	8,366,581.584	13,121,648,456	2,620,137,261
2021	Ext. 27,745,178, Dom. 18,338,481, 54	9,653,313,513	13,772,752,981	2,172,274,286

Source: fieldwork notes 2020

As can be deduced from the table below, Zambia has been allocating, since 2012, a lot more resources to debt servicing than to social sectors. In this case, debt servicing has been receiving more resources than health, education and the water and sanitation sectors. More interesting, debt servicing allocations have been higher than combined allocation of any of the two out of three selected social sectors during most parts of the period reviewed.

Figure 6: Expenditure on Health and Education 2015-2020



Sources: Felix Nkulukusa 2020

In addition, as shown in the chart above, this study revealed that Government spending to health and education has been on the decline trend since 2015 to date. For instance, the health sector was only allocated 8.8% in 2020. This amount was only sufficient for servicing salary and wage obligations. In the same vein, it was observed that the share of the education budget reduced from 20.2% in 2015 to 12.4% for 2020, representing a 39% reduction in the last (4) years. Other aspects of life, closely associated with promoting sustainable livelihoods in Zambia, have also been affected as a result of the Country's heavy debt and inadequate financial resources for national development.

For example, it has been observed that economic disempowerment has worsened under this context. Majority of the people in Zambia, including women, derive their livelihoods from agriculture (rural areas) and in the informal sector (urban). For instance, women are responsible for about seventy percent (70%) of the unpaid labor on small-scale farms. Women than men provide the source of labor throughout the agricultural sector. Notably, women have been estimated to comprise about 65% of the rural population in Zambia. Yet, they have little or few productive assets such as land, cattle and finance.

Similarly, allocations to the water sector averaged 0.04% between 2012 and 2018. As a result, the sector is mainly characterized by the following challenges
Low percentage of people with access the basic drinking water sources especially in the rural areas

- Low percentage of people with access basic sanitation facilities both in the urban and rural areas
- Low percentage of people with access to safely managed sanitation services
- Poor service provision by sanitation and water public service providers
- High levels of water and sanitation related diseases

It is important to note that the burden of lack or poor service provision in this sector disproportionately falls on women and children, especially the girl child whose daily chores and responsibilities at both home and societal level include cleaning, provision of water and taking care of the family hygiene and health needs.

4.4.2. Inequality and the High Cost of Living

The state of inequality, particularly in terms of income, in Zambia has been on a notable rise in the last two (2) decades. Inequality is mainly characterized by the following conditions; limited and narrow access to gainful employment opportunities by the majority citizens, low agricultural productivity and inappropriate policies aimed at reducing poverty and inequality. In the case of Zambia, two (2) major factors that have been contributing to the increase in inequality, namely wage income and non-agricultural self-employment. The following three (3) points are worthy of consideration with reference to growing inequality in Zambia;

- The gap between middle and high income households has increased
- Increase in income inequality slowed the reduction in poverty derived from economic growth.
- Consistent low spending on public services and goods
- Self-employment which is low and inconsistent is the most common source of income

The cost of living has continued rising and majority of the households in Zambia in the past two (2) decades. Majority of households are failing to meet their basic needs on a monthly basis (JCTR 2020). The basic needs include food, health, housing energy, education, water and sanitation services. The gap between monthly household incomes and expenditures on basic necessities has been widening in the past two decades. It has also been noted that little has been done to cushion the poorest and marginalized in the country through enhanced social protection.

For instance, it was observed that by May 2020, many Zambians could not afford foods, such as eggs and milk that are nutritious sources of protein. These are some of the foods recommended for the health of groupings such as women, particularly mothers and children. To make matters worse, consumption of other food groups is already limited with many households largely depending on monotonous diets consisting of carbohydrates (mostly maize) and, thus, being nutritionally imbalanced. Both the case of inequality and the cost of living, it is important to note that income and financial resources are at the Centre of these problems.

For this study, the advent of COVID-19 has placed additional pressure on public spending especially in terms of economic restoration and stabilization measures as a result of reduced economic activities. The crisis has also prompted Government to increase its expenditures in addressing the health consequences of the crisis. For instance, the Government had to recruit an additional three thousand (3,000) health workers to provide the necessary services. Furthermore, Government has been providing support to the most vulnerable groups of people – "COVID-19 relief funds," to prevent these groups from falling into deeper poverty situations given the necessity of curbing on economic and social activities in public spaces. This development was sanctioned by the advent of the COVID-19 crisis. The Government of Zambia has accrued additional in order to undertake these interventions.

4.5. LOCAL EXPERIENCES: DEBT IS HURTING THE DIGNITY OF THE PEOPLE

Research was undertaken in two of Zambia's poorest Provinces in order to gain a deeper understanding of the impact of debt of the day to day living of the ordinary Zambians. These two Provinces were Luapula and Western Province. The following were the main considerations in these Case Studies; State of socio-economic living, level and quality of public services provision, and Government capacities to address local development needs.

4.5.1. Case Study I: Luapula Province

Socio-Economic Profile

This Province is considered as one of the poorest out of the ten (10) found in Zambia. According reports prepared by CSPR, the Province has a population of 979,663 out which 457,653 are women while 455,576 are male. The population density is approximately 19.4% while the population growth rate stands at 3.2%. Luapula has the highest percentage of population living in poverty which is 81%. Fishing and farming are the main economic activities of the population in Luapula Province.

An estimated 60% of the people in the province are directly or indirectly involved in the fishing industry. Cassava is the main food crop grown. The other crops grown are maize, tea, millet, groundnuts, sweet potatoes, rice and bananas. Kawambwa Tea Company is the only major company currently operating in the province after the closure of Mansa Batteries and Mununshi Banana Scheme. The Province has a lot of potential for tourism development and mining.

Social Service Provision

<u>Education</u>

- <u>A</u> good number of schools, infrastructure has run down an example in this regard involves a primary school in Mwense Valley prompting an activist to make the following comment;
  The floor of the schools would make one wonder how the children learn. There are no desks in many other schools and they lacked the necessary infrastructure and facilities…. Education wise, the infrastructure is suffering, the materials and equipment like desks are a problem in the schools. There seems to be no reversal

of the situation in the near future most because of things like debt. The country spent more money to pay debt than looking at developing such social services as education." Mansa Based NGO Programme Officer.

- Schools received very minimal funding on the same programs, education and that most of the funding has been coming from cooperative partners, these have got interest maybe to help the district achieve its strategic objectives.

Health

- Lack essential's medicines. One resident shared the following experience,

"I took my daughter to get treated for a bad condition but we were on given pain killers no any other context specific medicine. Even antibiotics had to be prescribed for us to buy from a drug store. (Respondent," local resident, Mansa, August 202)

- Still struggling with essential staff in the rural health centers.
- There is usually no power, electricity. There are all these issues.

Water and Sanitation

Water accessibility in the problem. 100% of the respondents stated that the province was faced with major water and sanitation challenges. What was frustrating to some of the respondents was that the province was endowed with water bodies and yet the challenge of accessibility of clean and safe drinking water was severe. Toilets in most public places such as schools and hospitals are dilapidated and can't be used. Instead this kind of public service roles have been taken over by Non-state Actors. For example, in Mansa, Caritas had a project recently in partnership with Water Aid. The representative explained that

> "We were doing provision of water and sanitation facilities in some of the selected schools. If you look at the water situation in the province as well the infrastructure, the water reticulation was built way long back. Some of it in the 60s and others in the 70s.If you look at the Mansa one, it was built, and the water reticulation plant was built, I think in the early 70s and if you can see. The population is growing but there hasn't been any expansion to the facility..." (Caritas Zambia, Mansa, August, 2020)

Implementation capacity of Government with regards to the social development-oriented projects

Government's implementation capacity was reportedly very minimal in Mansa District. In this regard, one respondent even explained that

> "I don't even know if they have the capacity. I think the projects that they have really focused on are the physical projects. The infrastructural projects, the schools, the hospitals but then these are not the ones needed. So for instance under CDF, we have a number of schools, health centres constructed together with what we feel is a basic structure that can make that facility functional. Now when we hand over that facility to the ministry of health for example, they will tell us that they are not ready to have it used yet because there are issues to do with the software, equipment, the beddings, the beds, the medication and the staff to manage that particular facility. So these are the challenges that we have. We can have a physical infrastructure but the social part, it doesn't move hand-in-hand. So I don't know who is planning the social part because we are supposed to be moving together. I don't know if government is doing a good job in that area but there are projects that have been completed, they need to be opened and made useful." (Respondent, Local resident, Mansa, August 2020)

It was established that there were lack of funds to implement projects or lack of funds to run the completed projects due to lack of needed facilities and services on particular projects. The failure to provide these required resources meant that project would be brought to a halt or not embarked upon. It was such a common problem such that the relevant authorities reached a point of failing to "report on these projects" because nothing would have taken place in a particular quarter. The irony was that local authorities would still be required to plan even when it was obvious that nothing would take place since this activity of planning had to be reported to the Central Government.

Failed or Incomplete Community Development Projects due to lack of Funds

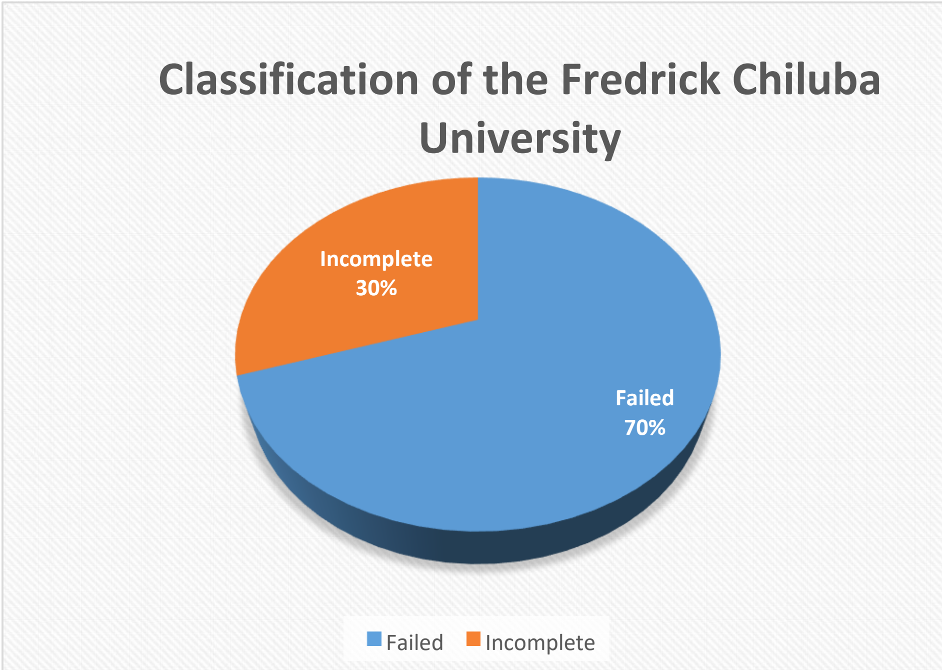
It was reported that indeed there were a number of projects that failed to take place or remained incomplete. Other government authorities insisted that these were still in the pipeline for implementation or completion upon the receiving of funds. This challenge is well exemplified in the following response

> "I think they will be implemented. For example, I was talking about some projects that were funded by CDF, we are asking for some time, so meaning they will write to the mother ministry in Lusaka saying there is this projects that need to be funded. So at the moment I would say yes but we're still looking forward to funding coming because we're heading towards the end of the year," (Local Government Respondent, Mansa, August 2020)

It was stated that additionally to the failed projects in Mansa is the project to sink boreholes, this project failed to take off. "We told our MP that we need boreholes because we have challenges of water in our community and he assured us that no problem we start sinking boreholes, I can even attest that at Shamalawa they even started sinking boreholes and pumps are not even installed, even in this village there is nothing even at the market which is overcrowded there is no water meanwhile water is life for every human being," (Traditional Leader Respondent, (Mansa, August 2020)

Other failed projects like fish farming which have not seen to date. What was promised has not been done. When asked how far the fishing farming project reached, it was established that there was nothing the grassroots had seen because officials never went back even to register the grassroots who were never asked how many would like to join the fish farming project. Interestingly, all respondents mentioned the Fredrick Chiluba University as one project that hasn't taken off. However, the classification of the project was different.

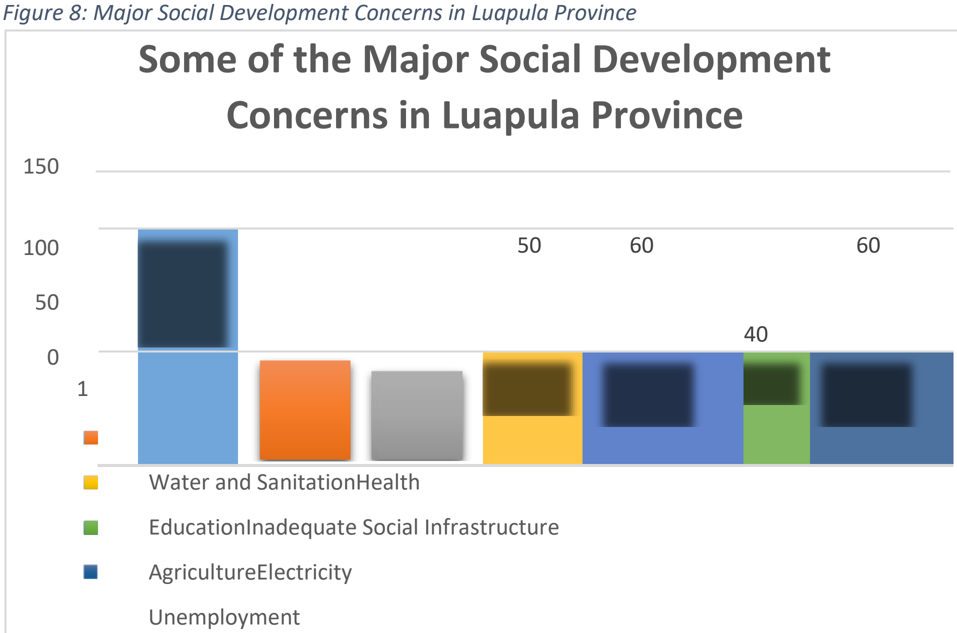
Figure 7: Classification of the Fredrick Chiluba University



Source: Field Findings 2020

The study also sought to find out the development concerns of the people, the following were the responses from the respondents engaged:

Figure 8: Major Social Development Concerns in Luapula Province



Source: Field Findings 2020

As can be deduced from the graph, there is need for more water and sanitation, health education services as well as support for agriculture activities in this region of Zambia.

Government's Ability to address these Development Needs

Although there have been some few cases of success, the Province has continued to face huge development challenges largely because;

- Government does not have adequate resources to finance these development need.
- The demands are huge compared to the resources made available. Thus there was need to increase financial allocation to the Province especially that it is endowed with diverse and vast natural resources that have remained untapped. A representative from the Local Authority narrated some of the efforts employed to mobilize resources for local development;

  > "The local authority in Mansa stated that they have tried alternative ways of resource mobilization to supplement the finances from government but that too is not enough. "Among the ways of resource mobilization, our markets are charged minimal fees. For example, I am looking at the district level because I work at the district office not at the province. So we charge our markets fees but those fees are not adequate. They have to look at the payment of the workers that are collecting those moneys as salaries and wages, we have got the minimum wage now. You have to look at provision of water in the market, provision of electricity and cleaning up the market>" (Local Authority, Representative, Mansa, and August 2020)

- Local authorities rely mainly on the equalization fund but this is not adequate. This fund is sent to the local authority and 20% of that goes into provision of social services. Services that benefit the community. Secondly, most of the local councils lack the necessary capacities and skills to ensure that these Funds are utilized prudently. In addition, the provision of this Fund is inconsistent.

People of Luapula's General Concerns

The people of Luapula, specifically Mansa raised some concerns with reference to the development situation in the country.

45% of the respondents made reference in their own individual capacity to the debt situation in the Mwanawasa era. The general view was that late president Mwanawasa had put up austerity measures in the country but these cut across all the stakeholders in the country with no exceptions. The concern was that the current austerity measures only affect the poor and not all stakeholders as some are seen to actually be doing better for themselves amidst the hard conditions.

In line with this, one respondent stated that "*During the debt situation under President Mwanawasa, there were issues of wage freezes and no salary increments it was really painful because I was working already by then. Within that period when he made that drastic step, the country went back to normal. We got some debt relief because the donors could really see the efforts that the president was making with his cabinet at the time to punish the people found wanting of misappropriating the debt funds. The belt was tightened on the people but I feel this* *time the belt is tightened already for the people so things need to be done at national level not at the local level. For me at the local level, I think it's enough I'm not saying this because of me but I'm looking at people who are not working. But even the working person for example, who is in the low and median income gap, it's hard enough so they can't receive any more tightening because the tax is already high. You cannot get any more tax to get higher than what it is now but we can try to do something. Stop buying unnecessary things, let's look at what is really necessary at the country level. There are certain things that need to be done away with, they cannot remain the same. So it must cut across for me all levels, that's what I would say*."

Below are some pictures from Luapula Province, Zambia showing the water and sanitation conditions of most and the province's main economic activity:

A girl and children washing from the river, Mansa-Zambia 2020

A pit-Latrine toilet outside the house in Mansa Peri-Urban, Mansa, Zambia 2020

A woman drawing water from a well in Mansa Peri-Urban, Mansa- Zambia, 2020

Both photos are showing works under way by a private actor in Mansa working on a Water Supply Project to the Peri-Urban areas in Mansa-Zambia, 2020.

4.5.2. Case Study II: Western Province

Socio-Economic Profile

Western is classified as one of the poorest Provinces in Zambia. The Province is characterized by difficult geographical and climatic conditions. It has limited arable land resources that can sustain crop production. Since independence the province has experienced a period of economic relative isolation compared to other provinces. The province is also characterized by high population densities in certain areas especially the river valleys and the plains.

Western province is the second province with the highest poverty levels in Zambia. About eighty (80) percent of the population in the province is regarded as being poor and at least seventy (70) percent of those in the poor category are women. The main stay of the people in western province is low subsistence oriented agriculture with low productivity in crop and livestock production supplemented by fishing. Crop production is the main contributor to daily subsistence. In reasonably good rainfall years, most areas are, at aggregate level, self-sufficient in staple food. However, food security varies across agro-economic zones and within these areas there is a large variation among households

Social Service Provision

The Province has continued to experience challenges and hardships in accessing quality social services. But, there has also been some positive developments in the sector. These include the transport and communication networks such as Mongu Kalabo road, Mongu Sesheke and parts of Kaoma-Lusaka roads. These developments have mostly centered on the "urban" parts of the Province. Thus, the remote areas still experience hardships in terms of communication and travel. There has also notable progress in terms of the construction and rehabilitation of health centres. An example in this regard include Mongu Central Hospital. The construction of this District Hospital at the centre of the Province has reduced pressure on the only other general Hospital – Lewanika.

However, the challenge is that most health centers, including the new ones, are severely under staffed, lack essential drugs and provide very poor services. It is in this regard that one respondent lamented as follows; "no matter what illness you report – the answer is Panadol" and "you will be lucky if you are given at the hospital because you are expected to buy for yourself." **(**Media Activist, Mongu, August 2020)**.** Similar to the case of communication and transport, most of the health services are mainly accessed around the provincial center and a few other districts. This means that people located in the outlying areas still travel long distances to access these services. Another notable challenge regarding health is that most service providers shun working in the health center, especially those located in the outlying areas, because of poor working and living conditions. These include lack of decent accommodation, late salaries, and lack of working materials, communication, transport and commercial services. As a result, most of the health centers and posts in the Province are managed by unqualified staff such as cleaners and office orderlies

With regard to education, the Province has witnessed some progress in terms of infrastructure development – rehabilitation, upgrading of schools and rehabilitation. However, similar to the health sector, most of these developments have been "urban centered" while the situation in outlying areas has remained the same. Beyond Mongu which is the provincial center, most of the schools are in a bad shape, severely understaffed, lack working equipment and materials. Most of the service providers shun working in these areas because of the following problems – late delivery of salaries, poor living and working conditions and lack of access to social and economic services. So it is very common, as explained by one respondent to "find schools categorized as primary managed by one teacher. This one person is expected to teach all the classes in that school but might have gone unpaid for over half a year. As a result, their attention is always divided between teaching and meeting their survival needs such as growing and selling rice… children are always reporting that their teacher has gone to Mongu to get his or her salary a journey that takes a whole week in a month (Media Activist, Mongu, August 2020).

It was also observed that the province still need more education services, especially in the outlying areas. As explained by the JCTR Contact person; "there are no functional schools in most of the rural parts of Mongu. When you find one, it might not have a roof, or doors or board or teaching staff. Most of the improvements are focusing on the urban part of the Province so when people come they think that the Province has developed! Government has failed to work on Lewanika University and we still have to come to Lusaka to seek higher education." (Namakau Mulife, JCTR Contact person, Mongu, August 2020)

According to the CSPR Provincial Coordinator, the improvements in infrastructure has not been matched with other necessary requirements pointing to the erratic and late disbursement of funds to the DEBS. He explained that most of the DEBS only received funding for either one or two quarters of the year in 2019. He added that education becomes costly and discourages poor and vulnerable parents from sending their children to school because the DEBS transfer the requirements that emerge as a result of deficits in funding from Central Government to the parents thus undermining the principle of making education free for all.

With regards to water and sanitation services, it was reported that this was the most unavailable service in the Province at large – including Mongu District. The Company mandated to provide water and sanitation services had been battling with underfunding. Households only had access to public water services for only a few hours in two (2) days in a week. In addition, most of the households do not have functional toilets. To make matters worse, the Municipality in-charge was not providing any service apart from collecting levies mainly because it lacked funding and was under staffed. For this reason, the few who could afford have constructed boreholes but majority of the residents cannot afford. Other households have resorted to use the nearby bush and public areas such as the markets and bus stations. Thus, diseases and unhygienic conditions have remained prevalent.

A visitation to Kwa li Mango Community located by the Mongu Harbor revealed the extent of these challenges. This Community has a population of over five (5) hundred people is located about seven (7) km away from Mongu Central. During this visitation, the Community Chairperson informed the Researcher that the whole community depended on two taps for water and that majority of the residents did not have sanitation facilities. For instance, they used any space within their houses to bath and used the nearby bush as "toilets." This Researcher was informed that a project had been implemented to set up a total of ten (10) community taps and that only two out of those ten were functional. He also explained that the community did not have a school and that children travelled for over seven (7) km to access the nearest school. He explained that school attendance, retention and completion was very low as a result of such long distances and poverty.

The respondent also explained that housing conditions for the community were very poor largely because members of the community could not afford to build strong and permanent houses. When asked whether all these challenges had been brought to the attention of the Government, this respondent explained that several Government representatives had visited the community and promised to address their challenges but never come back. Those who have gone back to the community explain that they "are waiting for feedback from the Provincial offices."

Below are some of the pictures from Kwali Mango Community

This is a house in making – Young man aged 23 years old was building "his house" on the day of the visitation. This picture (sticks) shows the structure – wall and roof

This picture shows a household of six (6). It is made of pool and mud

This picture shows bathing and toilet facilities (covered by grass) used by the family above. That is a typical – 'bath place" in this community

Most of the respondents engaged complained that the Province remained poor largely because of lack of Government response to the Province's development needs. They pointed to the vast resources – water, wood and forestry, agriculture, fisheries and livestock and tourism that could be exploited to develop the Province. Some respondents observed that the Province's high poverty levels could be addressed by tapping on the huge industrial potential – wood, fisheries, rice, sand and cannery. It is in this regard that an advisor the Paramount Chief lamented as follows;

> "All of a sudden, people came from Lusaka and went all over telling people to stop what they are going because Government was going to bring good business of cashew growing. So people dumped their rice growing, cattle rearing and cassava growing and even began planting cashew nuts trees. They did this because they were told that cashew nut had the same value with copper and that it will be sold in foreign currently. But this five year afterwards, people have plated the tress but have no money for tending to these tress – it is a very expensive venture – and Government is nowhere to be seen. People have been thrown into deeper economic and financial problems….And you look at the youth – they are always drinking because they have nothing to do! Government has let us down over here." (Induna, Mongu, August 2020)

4.6. Summary of the Findings: Effect of Debt Situation on Social Development – Service Provision

The findings show that there are four (4) drivers that have contributed to this outcome. These are low economic growth, increase in public expenditure, declining national reserves and the "nature/composition" of national debt – dominance of private commercial debt. the study has also revealed that Zambia was already spending much more on debt servicing (both domestic and external) compared to key social sectors, especially water and sanitation since 2015 to date. The study provides evidence indicating Government's failure to embark upon, complete and rehabilitate vital social development projects. In addition, long standing problems such as inadequacy and poor quality of education, health, water and sanitation services have been highlighted.

As a result of this outcome, the country's human development programmes, especially poverty related interventions (based on cases of Luapula and Mongu) provinces have yielded minimal positive outcomes. Significant gaps in Government's ability to effectively and efficiently respond to the people's social needs in these provinces, as shown in this report, are still wide – unmet needs, sluggish implementation of public projects, incapability to complete projects and poor quality and standards of services and goods provided. These conditions are particularly stark in the areas of education, health, water and sanitation. Communication, transport and the lack of livelihoods alternatives also emerged as key development concerns in these Provinces. The third specific objective focused on analyzing the relationship between the COVID-19 crisis and national debt.

5. THE DISCUSSION: NEED FOR DEBT CANCELLATION AND RELIEF FOR ZAMBIA

This section of the Research Report presents the case of why the international community to consider providing Zambia with helpful ‘relief’ incentives from indebtedness.

5.1. Stating the Case

First and foremost, the current national debt which stands at US$18.5billion is huge and unstainable. Zambia has reached a point of incapability to engage in further loan contraction process. This is the main reason why in late May 2019, the Government of Zambia reached a decision to indefinitely postpone the contracting of all new non-concessional loans, cancel some committed but undisbursed loans amounting to US$7billion. Second, the country’s capacity to service its debt has drastically eroded. In October this year, the Government of Zambia failed to meet its repayment obligation of US$42.5m. This is the country that has been growing at a pace of 2%-3% instead of 6-8% and it is even expected to run into negative growth by 2021. In Zambia, the debt to GDP ratio is spiraling at 96% instead of the recommended 45%. It is the same country whose national reserves are winging around 2.5months instead of the standard 6 months.

Of greater concern, Zambia has also been under funding its critical social sectors that have the potential to improve the living standards and dignity of its citizens. The sectors of education, health, water and sanitation have consistently received less than a quarter or less of the allocations assigned to debt servicing. Poverty and social deprivation in Zambia are still high at 54% with income inequality at 0.56 in the Southern region of Africa. . Briefly put, Zambia is, once again, on the path to miss the attainment of most of the SDGs.

5.2. The Centre of the Problem

The reclassification of Zambia as a lower middle income country has limited the access to concessional external financing from traditional bilateral and multilateral creditors. This development has led to increased opportunities for Zambia to access financing from previously unavailable sources such as the international capital market at non-concessional terms [Concessional financing relates to financing at World Bank (IDA) comparable terms while nonconcessional financing relates to financing at market terms]. This is evidenced by the successful issuance of three Eurobonds in 2012, 2014 and 2015 amounting to US$750.0 million, US$1.0 billion and US$1.25 billion, respectively. This increased access to various sources of financing has introduced new costs and risks to the debt portfolio which need to be prudently managed in order to ensure sustainability of public debt.

5.3. Servicing Debt Not People

The study has shown that from 2012 to date, the Government of Zambia has consistently allocated more resources to the servicing of debt than to education, health, water and sanction. In this period, these Sectors were receiving a quarter or less of the amounts allocated to debt servicing. Clearly, it will not be possible for the Government of Zambia to adequately plan and finance national development needs, especially those related to human development and poverty reduction under these economic and financial conditions.

In this way, Government has been servicing debt and not the people. The chances of Zambia tainting impressive success on SDGs is being compromised by its current debt situation. CSPR reports presented in November 2020 on the performance and outcomes of the 7NDP rated Government's performance at a thirty-four (34) percent. This rate translates in very unsatisfactory. One of the major reasons cited was lack of adequate funds to implement development projects especially at the District level. A review of public expenditure at this level reveals that most of the resources allocated in the budget basically goes to salaries and only a small proportion is allocated to implementation.

5.4. Putting Debt Sustainability first before Human Development

The DSA conducted by the IMF and World on Zambia in 2012, 2015 and 2017 raised the alarm about Zambia's looming debt problem – "high distress country." On this basis, the country has been required to implement fiscal and economic austerity measures mainly focused on curbing Government expenditure and ensuring that debts are serviced its debt when repayment fall due. The Economic Recovery Programme – Zambia Plus prepared in 2017 spelt the old well known adjustment measures such as privatization of the reaming SOEs, public wage and recruitment freeze with the exception of frontline public servants in education, health and agriculture sectors (teachers, health workers and extension workers.

Yet, the economic history of Zambia has sown that the pursuit of short-term stringent austerity measures leads to severe cracks in human and social development that in turn put more stress on Government in terms of redressing the same both in the long and short term. This is particularly the case where economic performance remains constantly poor against rising social development demands. As narrated by one financial expert;

> "*Because debt is a constitutional obligation…. So legally speaking you are bound to pay these before you do anything. Now because you are bound to do this before you do anything, it means that only the remainder of the money after you have paid debt and you have paid the salaries, do you allocate to these. Now when you only have the remainder of these allocated, it means you will not achieve the SDGs in the health sector. There is no money, it means you won't achieve the SDGs which is poverty and malnutrition. In the education sector, you won't achieve education for.so the implication is that there will be no money to undertake social service delivery*." (Mr. Felix Nkulukusa, Financial Expert, August 2020, Lusaka)

5.5. Pursuing Fiscal Stability Instead of Broad based and Inclusive Growth

While it is important to underscore the importance of fiscal fitness and prudent monetary and financial policies to entrench macroeconomic stability, pre-occupation with the implementation of these measures at a time of increasing budget deficits on one hand and rising debt repayment obligations on the other hand has contributed to undermine prospects for broad based and inclusive economic growth. The inadequacy in national revenues have led to continued failure for the country to invest in sustainable and gainful job creation sectors. To date, three quarters of employable Zambians are located in the un-developed, under performing and disorganized informal sector. Agriculture is still mainly stuck at “subsistence” level. These conditions entail that a large proportion of working Zambians only have access to low-income jobs.

And the same conditions are against the national wish of transforming Zambia into a middle income country by the year 2030. The Vision 2030 has Socio-economic Objectives. One objective states that: In order for us to achieve the vision 2030 the economy should grow at 6% on the 5th national development plan, at 8% in the 6th national development plan, at 9% in the 7th national development plan and at 10% from 2021-2030, for Zambia to be a prosperous middle income country. The fourth objective aimed at water and sanitation for all; with the sixth objective stating to attain healthcare for all. Now to achieve those broad objectives the first thing that was recommended that need to be talked about is macroeconomic stability and then economic growth. For the required economic growth, the country needs to start spending money on human capital development, social and to achieve those outcomes.

5.6. Rising Debt Repayment Vs Increasing Budget Deficits, Reducing Budget Allocation

Zambia has been failing to balance its budget because the revenues are too low. The current account deficit widened to US $1,102.9 million from US $428.0 million in 2017.This was mainly due to an increase in commercial debt and exports and suppliers credit. The resources obtained were utilized mainly on financing infrastructure projects. For instance, the expenditure in 2020 was supposed to be 32.4 of GDP, but the revenues are only 17 of GDP. This discrepancy means the country is compelled to borrow in order to fill up the difference.

5.7. Prospects for debt cancellation or relief for Zambia

Given the foregoing, it is clear that Zambia needs debt cancellation and relief. The main question is: Is this call feasible? In the case of Zambia, the first target should be the multilateral because Zambia has got shares and a member of the multilateral institutions. It also enjoys bilateral relations with the individual Member States as individual countries. Therefore, the chances of scoring some levels of success will be higher. The private commercial lenders should also be engaged. However, this process will be totally different from the other set of lenders because these distinct lenders operate on different rules. However, the first and most important step is to demonstrate commitment to effective debt management. It will be impossible to present the case of Zambia for consideration in this regard if there are no practical mechanisms of achieving effective debt management. It is in this regard that one respondent lamented this in reference to the management of COVID-19 relief funds by Government;

> “Government then goes and says ok let's raise a bond domestically to help respond to covid-19. Where was that money supposed to go to? To the people that are affected by covid-19. Where has that money gone to? So far the money that has been raised has gone to the presidential empowerment initiative. Who is benefiting under the presidential empowerment initiative? Is it the people that are affected by the covid-19? No. The people that are affected by the covid-19 are the people that are doing metal fabrication because no one is buying. They are the people that were selling in small bars that were closed, they are the people that were

running private education because they get money from fees when students pay fees, but because schools are closed, students are not paying fees, those private education cannot pay teachers. So they have laid down some of their teachers. That is the impact that we have, those are the people that are suffering." (Felix Nkulukusa, Finance Expert, Lusaka, August 2020)

6. CONCLUSION AND RECOMMENDATIONS

This section of the report presents the conclusion and recommendations of the study. The recommendations are divided into two parts, namely the overall and the specific.

6.1. CONCLUSION

This study has concluded that the current national debt of US$18.5billion is too huge and 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. With regard to debt servicing, it is clear that 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. The refusal by the Eurobond holders to give the country "relief" in October 2020 is a point in case. However, the case still stands that apart from debt being a subject of economic, financial and international relations – it is equally a human development and moral issue. Thus, there is need to promote a holistic and comprehensive human-development based approach in resolving this international problem.

Restoration of the desired economic growth rates of six (6) to eight (8) percent will take not place immediately but is expected to evolve over a long time, it is important for Zambia to begin putting in place an alternative workable plan on resolving both the debt and debt servicing challenges. At present, possible solutions are pointing to finding ways of securing cancellation or relief.

6.2. RECOMMENDATIONS

6.2.1. Overall

Government should urgently develop a National Debt Management Plan. This should go beyond the "debt strategies" that Zambia has developed in the past. This Plan should;

a) Clearly state initiatives for securing debt cancellation and relief, prevention of unnecessary borrowing, surety of prudent use of secured loans and effective management of the entire contraction process

b) Contain a loan repayment mechanism for secured debt-practically demonstrating how secured debts will be repaid without compromising vital national, especially human development and poverty related, needs

c) Present an effective debt management framework to the nation and international community. This framework must have a strong focus on strengthening the legal and the institutional arrangement related to the core principles of accountability, transparency and public participation

6.2.2. Specific

Policy and Legal

- There is need to enhance the control and management of disbursements of foreign-financed loans, and to strictly adhere to public financial management rules under the 2018 PFM Act There is need to restructure the debt management - amend the Loans and Guarantees Act
- Need to build the capacities of the Debt and Investment Department under the Ministry of Finance
- There is need to improve the levels of transparency and participation on debt and other closely related matters
- There is need to improve transparency and information provision on debt and other closely related matters

Financial

- There is need to curtail avoidable expenditure and waste. **Economic**

- There is need to implementation of structural and legal reforms to support macroeconomic stability as well as inclusive growth **Institutional**

- There is need to broaden institutional oversight and management on debt and loan contraction cent red on effecting strong involvement of the Ministry of Finance and Parliament.

Political

 Eldership should exhibit strong support, commitment and willingness to the implementation and adherence to effective debt management framework

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