Zambia Debt Alliance and African Sovereign Debt Justice Network Statement on Zambia's Debt Situation ahead of Visits by the IMF Managing Director and the U.S. Treasury Secretary

By:

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On the occasion of the visits to Zambia by the IMF MD, Kristalina Georgieva and U.S Treasury Secretary, Janet Yellen, the Zambia Debt Alliance and the African Sovereign Debt Justice Network (AfSDJN) call upon the International Monetary Fund (IMF) and the United States, a vital member of the G7 and G20, to take substantial action to address the debt problem faced by Zambia and several

other African countries.

Zambia was one of the first countries to default on its external debt repayments during the COVID-19 pandemic and to apply for debt restructuring under the G20 Common Framework. Yet, to date, Zambia has yet to complete the restructuring process. The debt relief offered to Zambia pales in comparison to its debt burden. Zambia's economic situation has worsened because, since the expiry of the DSSI in December 2021, it has resumed making substantial debt repayments.

The debt challenges faced by Zambia, while not identical, are comparable to those of other highly indebted African countries which are now at a high risk of or in debt distress. Notwithstanding the notable challenges and delays of the Common Framework, Ghana's request to join, together with its recent suspension of external debt payments, illustrates the dire nature of the economic circumstances in which highly indebted countries find themselves. The apprehension that other African countries will require debt restructuring in the near future is justifiable. 9 countries are in debt distress and nearly half of the low-income countries at high risk of debt distress are in Africa. Yet, there is a consensus that the Common Framework is woefully inadequate to provide a long-term solution to address the indebtedness of these countries.

The IMF recently announced a Global Sovereign Debt Roundtable, set to kick off in February 2023, which intends to bring multilateral, bilateral and private creditors together with some borrowing countries to discuss and potentially resolve the shortfalls of the Common Framework. While welcome, the Global Sovereign Debt Roundtable raises several questions:

i) First, since the Common Framework remains a creditor-led initiative, the roundtable carries forward the exclusion of indebted countries as key stakeholders. Instead, just like the Common Framework, only a few undisclosed debtor countries have been selected countries to attend;

ii) Second, there is no indication or commitment that multilateral and private creditors will be mandated to restructure the debts owed to them;

iii) Third, the Roundtable is a superficial fix of the Common Framework. It does not address the fundamental challenges faced by heavily indebted countries,

many of which are also grappling with liquidity shortfalls and negative climate impacts.

iv) Fourth, the outcomes of the Common Framework so far, particularly as illustrated by the case of Chad, are discouraging to countries which require debt restructuring. The Roundtable simply continues the pattern of piecemeal and insufficient efforts to resolve the systemic nature of indebtedness African countries face. Chad, the only country which has completed the Common Framework process took two years to get to a deal with its creditors after which it did not receive any debt reduction.

Therefore, we call upon the IMF and the United States, a bilateral lender and member of the G7 and G20, to work towards definitive and long-term solutions for African countries affected by heavy debt burdens, specifically:

1. Reform of the international financial and debt architecture is long overdue. Urgent commencement of deliberations on a new comprehensive, fair and effective sovereign debt restructuring mechanism under the United Nations (UN) that would be binding on all creditors, including commercial creditors, is required. It is an opportune time for the Fund to support the creation of such a mechanism, akin to its proposed Sovereign Debt Restructuring Mechanism, under the leadership of the UN.
2. Engage civil society in crafting a new comprehensive, fair and effective sovereign debt restructuring mechanism under the United Nations (UN) and in all processes relating to seeking to resolve the chronic indebtedness of African countries.
3. Ensure that all creditors offer substantial debt relief for Zambia and other countries shouldering heavy debt burdens. Zambia is currently facing multiple economic challenges ranging from the high cost of living to food insecurity and urgently requires debt relief as noted by the World Bank. We reiterate the ongoing call by civil society for debt cancellation to ensure the sustainable recovery of these economies and avert the risk of channeling funds away from essential public spending toward debt repayments.
4. Ensure that debt workouts are austerity free and do not guarantee payments to creditors while subjecting ordinary people to debilitating austerity measures inconsistent with their human rights, as observed with

regard to the current Zambia IMF loan arrangement. Similarly, the Zambian government should prioritize the interests of the Zambian people over the priorities of external creditors.

5. Urging the Zambian government to improve debt transparency and borrow in line with the principles of the Zambian Constitution. The Government should also adopt legislation on access to information in order to facilitate public access to debt information, promote public participation in debt-related processes and foster accountability.

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