

## **Public Debt Symposium** Communique

*As the effects of debt increasingly hit ordinary citizens, representative groups across Zambian society call on government to take serious and consolidated action on debt before it is too late*

In collaboration with the African Forum and Network on Debt and Development (AFRODAD) and the Civil Society for Poverty Reduction (CSPR), on 30 August 2019 the Consumer Unity and Trust Society (CUTS) hosted a public dialogue on debt and discussed solutions to the country's debt situation. This symposium occurred nine months on from the Public Debt Indaba held in November 2018, where we called upon government to take the following steps:

- Communicate clearly on the issue of debt in Zambia and provide regular and detailed updates on the level of debt
- Recognise that the impact of Zambia's debt is being felt by its citizens
- Build collaborative plans to tackle Zambia's rising debt
- Continue to consult with stakeholders to build strong plans to support growth

While some progress has been made stakeholders noted that the progress has been slow, and the country is beginning to feel the consequences. Failure to reduce the primary deficit, combined with rising interest payments, has required the Government to find additional revenue. It has done so through borrowing more, increasing taxes and charges and redirecting social spending. Now ordinary Zambians are bearing the brunt of the debt burden.

The impact of debt is well documented: falling confidence, depreciating kwacha, all combined with the impact of the global slowdown. Without immediate action, the problem is set to worsen. As Zambia's debt problem deteriorates, it threatens the economy which could lead to the reversal of decades of growth and poverty reduction.

Broad representation from across various sectors agreed that there is a need for the Government to act soon before it is too late. Comprehensive action is required to address liquidity constraints, improve investor confidence and promote stagnant private sector performance. It was recognised that the concern of rising debt is not specific to Zambia, but rather a regional concern. There is therefore an opportunity to make use of comparative tools, such as the Afrobarometer, to draw lessons from our neighbours.

While it is unfortunate that the Ministry of Finance was not present at the meeting, the new Finance Minister Hon. Bwalya Ngandu has displayed openness to working closely with stakeholders and has demonstrated a renewed energy towards engaging with the IMF. As such, a number of recommendations were developed at the meeting. These include:

1. The Government needs to take early action to signal to investors. This means prioritising the implementation of financial oversight reforms and increasing debt transparency and accountability. The proposed revisions in the Constitution to Zambia (Amendment) Bill that seek to remove parliamentary oversight threaten to reverse the gains that the country had been making in this direction.
2. The Government needs to consider how to use its available resources to develop a legitimate refinancing strategy for its debt repayments, including the first Eurobond owed in 2022. As part of this, Government could consider selling non-essential assets and use proceeds to pay down Eurobond debt.
3. The Government should double down on its efforts to deliver fiscal consolidation. This includes reducing expenditure, particularly on large infrastructure projects and improving domestic resource mobilisation. Harnessing the potential within the informal sector could also contribute to this as well as strengthen the fiscal contract requisite to hold the government to account.

4. The Government should seek to engage the IMF, whose technical assistance and financial support could help to ease budget pressures, protect social spending and put the economy on a sustainable path.

Zambia's economic situation has deteriorated in the last year and the window to reverse these trends is closing. As reflected by the meeting, all sectors of our society remain ready to support the government in its efforts to address the country's debt situation. It was indeed highlighted, however, that it is now less an issue of technical expertise but rather political will that will be required to move the country in the right direction.

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The Consumer Unity and Trust Society (CUTS) International, Lusaka was established in 2000 to function as a centre for action (policy) research, advocacy and networking on issues of trade and development, competition policy, investment regulation and consumer protection. The mission of the centre is to function as a resource, co-ordination, as well as networking centre, to promote South-South cooperation on trade and development by involving state and non-state actors (NSAs). CUTS implements four different strategies in its work: Research, Policy advocacy, Capacity-building and Networking.