

Press Statement

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About us

The Consumer Unity and Trust Society (CUTS) International, Lusaka is an NGO that was established in 2000 to function as a center for research, advocacy and networking on issues of trade and development, economic governance and consumer welfare.

The mission of the center is to function as a resource, co-ordination, as well as networking center, to promote South-South cooperation on trade and development by involving state and non-state actors (NSAs).

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THANK YOU!

Contact us



Government should seek debt relief amidst Covid-19 pandemic

Why is this important for you as a consumer?

In recent months the Zambian economy has endured a period of unfavourable conditions that have been exacerbated by the Covid-19 pandemic. The average consumer has seen the rising cost of goods and services, high taxation and the reduced value of the Kwacha. In the wake of the pandemic, the IMF and World Bank released a statement last week that called for bilateral debt relief for poor countries. Debt relief would allow the Government to allocate resources that would otherwise be used for debt servicing to other important areas of the economy such as healthcare and social protection.

On 25 March the IMF and World Bank released a joint press statement calling for debt relief for poor countries in light of the Covid-19 pandemic. The statement stressed the importance of providing a global sense of relief for developing countries and welcomed support from the G20.

Zambia is currently experiencing unfavourable economic conditions in large part due to its high levels of external and domestic debt which has resulted in it being classified as being at high risk of debt distress. In January 2020 Zambia's external debt stood at \$11.2 billion - \$1 billion more than it was in June 2019. Over the years this growing debt situation has resulted in increased expenditure on amortization and interest payments at the expense of other sectors of the economy. Expenditure on healthcare, agriculture and social protection has been falling in recent years accompanied by a growing liquidity challenge. The depreciating Kwacha has also meant that external debt servicing has become more expensive for the Zambian government.

In light of Zambia's increasingly unsustainable debt levels, bilateral debt relief would ease the public debt obligations of the Zambian Government at least during this period. While the composition of Zambia's creditors is diverse and the bulk of Zambia's creditors are commercial lenders, engaging with Zambia's bilateral partners could provide some reprieve particularly during this difficult time. The Government has responded to the epidemic by implementing various precautionary measures to limit the spread of the virus further, however, debt relief would give the Government the fiscal space to navigate the Covid-19 pandemic more effectively. We therefore urge the Zambian Government to engage its creditors of public debt in an effort to reduce or halt interest payments for the duration of the Covid-19 pandemic. The statement from the IMF and World Bank calling for action on the debt of IDA (International Development Association) countries is an encouraging step towards bilateral debt relief therefore it would be prudent for the Government to engage with its bilateral partners, particularly China as it currently holds the largest stake of Zambia's bilateral debt.

As Covid-19 continues to spread there will be an increased need to channel more funds towards key social sectors such as health and social protection. During this time there is need to make sure that all citizens have access to water and sanitation services, particularly in low income areas and in markets where most consumers obtain their food. It will also be necessary to ensure that all health facilities are well-equipped so that they can cater for the increasing number of patients that Zambia is likely to experience over the next few months. Further to this, given that we expect to see an increase in the cost of living, it will be imperative that the beneficiaries of social cash transfers and other social protection mechanisms receive their disbursements on time. As the Government does this however it also important to note that Zambia may need to also prepare for an increase in the number of people that may fall into poverty on account of both the health and economic effects of Covid-19. Some businesses have already begun to reduce their operations which in turn will result in an increase in unemployment. Temporary relief of Zambia's debt interest payments will help Zambia achieve this.

By Chenai Mukumba, Director and Ucizi Ngulube, Research Assistant.