



# **PRACTICAL SOLUTIONS TO HELP ADDRESS ZAMBIA'S DEBT POSITION**

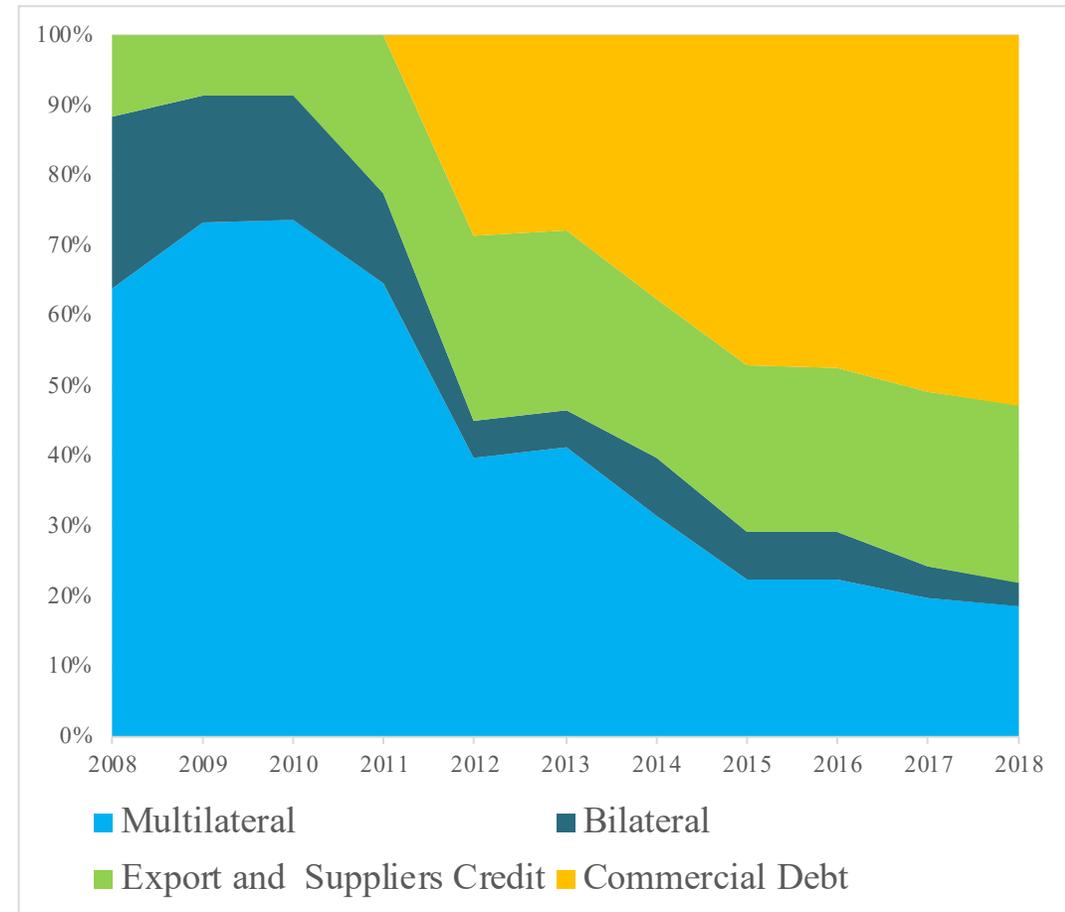
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# PRESENTLY ...

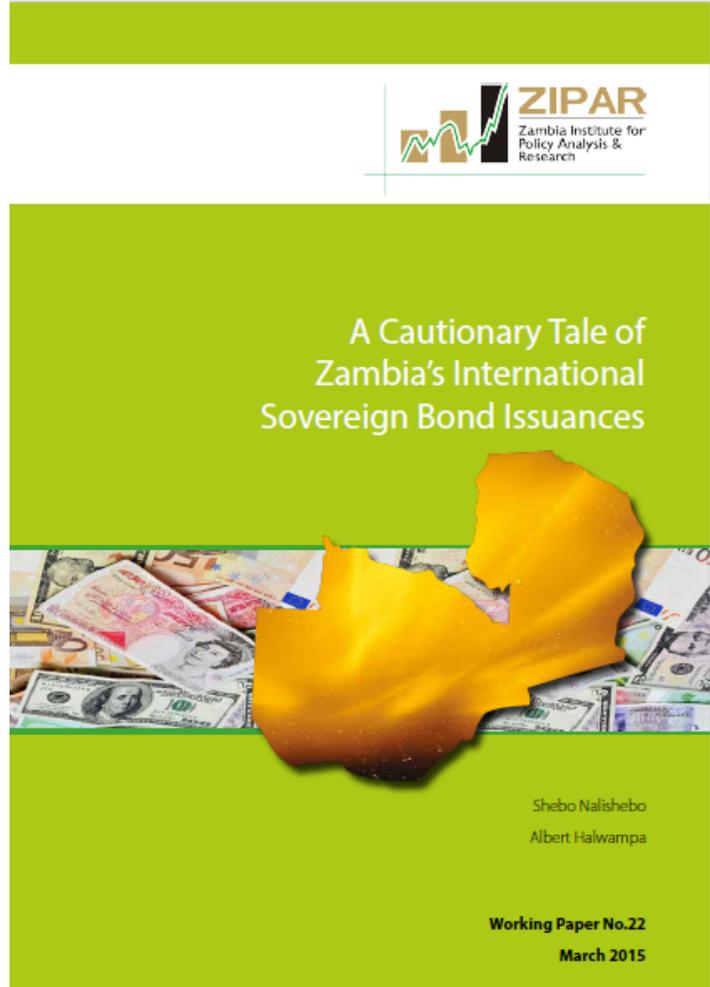
Zambia is experiencing the effects of debt

- squeezed spending
- slowing growth
- investors are losing confidence
- credit rating downgrades

Since 2015, ZIPAR has warned of the effects of debt and made several recommendations



# A CAUTIONARY TALE: MARCH 2015



Address fiscal performance challenges through fiscal consolidation

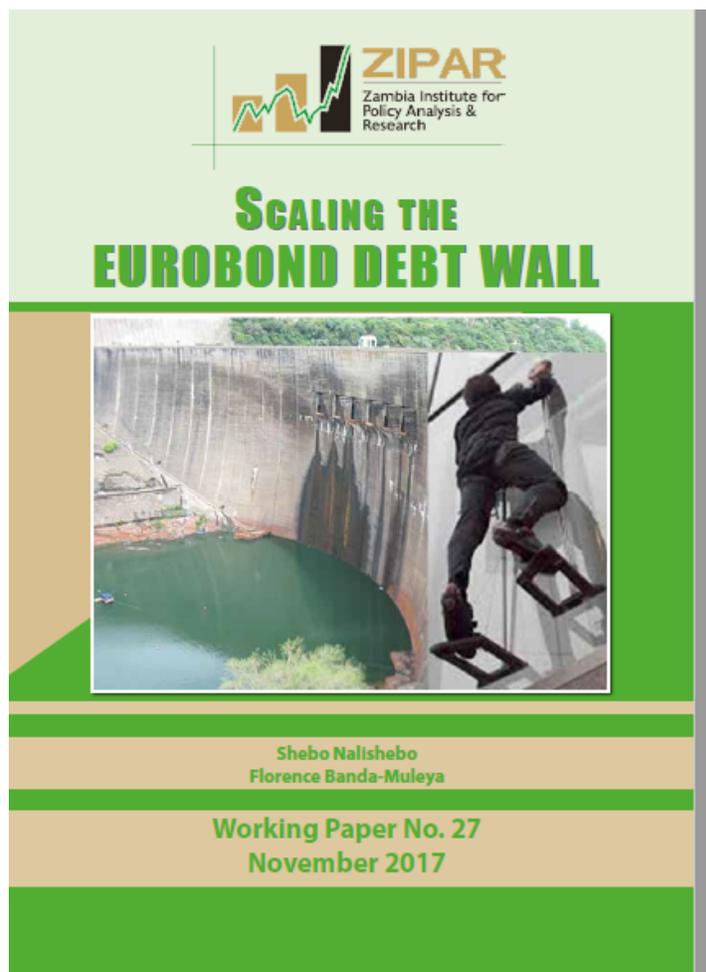
Institute measures to address the existing institutional and legal bottlenecks in debt management

- MTDS
- Reorganising the Debt Office along functional lines
- Enhancing Parliament's oversight role on loan contraction

Consider various available financing options

- Setting up a sinking fund
- Refinancing

# SCALING THE EUROBOND DEBT WALL: NOV 2017



Take advantage of the surging copper prices to build a reserve fund (prices >US\$7,000/mt)

Rationalise infrastructure spending

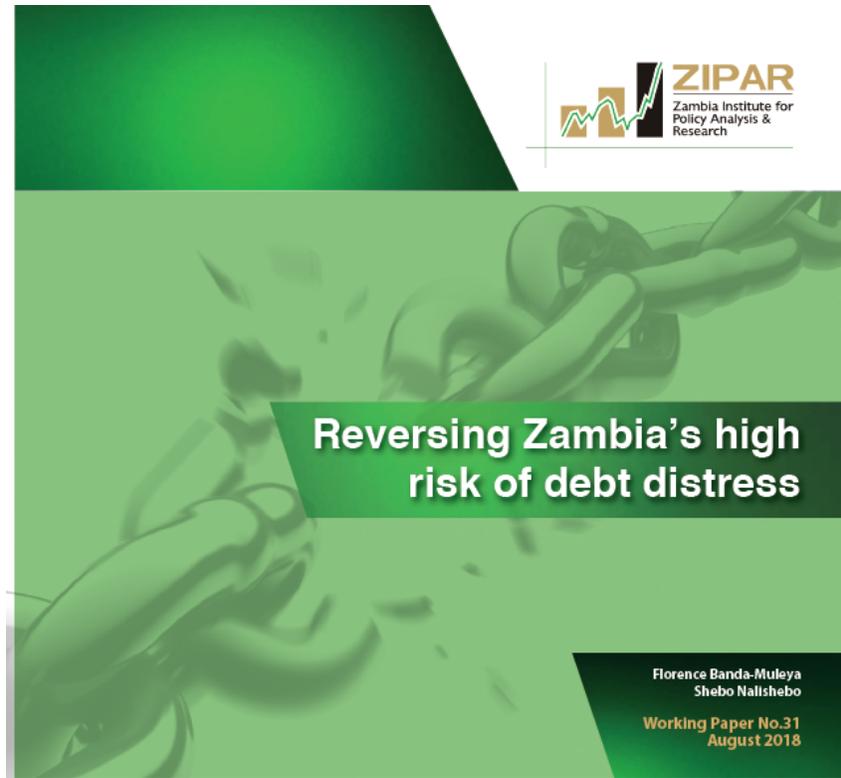
Issue an infrastructure bond

Issue a local bond to small investors to widen creditor sources

Appoint independent fund manager to manage the funds

Consider refinancing through a bond buy back scheme

# REVERSING ZAMBIA'S HIGH RISK OF DEBT DISTRESS: AUGUST 2018



A return to fiscal sustainability

With half-hearted implementation, debt management needs to be backed by legislation

- Revising Loans & Guarantees Act to include, among others, mandate to review MTDS
- Specify fiscal rules on budgetary allocations

Expedite development of secondary market for govt securities

# THE EUROBOND DEBT & POSSIBLE WAYS OUT: JULY 2019



## THE EUROBOND DEBT AND THE POSSIBLE WAYS OUT

Mbewe Kalikeka, Shebo Nalishebo and Florence Banda Muleya

On the Menu: Economic Diplomacy Instruments  
for Sustainable Development Series: No. 1

Cut back on expensive infrastructure projects

Acquire better terms on some of the outstanding loans contracted from China, particularly those that have same years of maturity with the Eurobonds;

Sign up to an IMF support programme to unlock other financing

# SHORT-TERM FINANCING OPTIONS

Inverse relationship between yields and prices

With present high yields on the Eurobonds, the value has gone down

Best time to buy back the Bonds

## BUT WITH WHAT MONEY?



# SHORT-TERM FINANCING OPTIONS

## INFRASTRUCTURE BONDS

Government should work on mechanisms to issue a specific infrastructure bond to raise money locally (to avoid exchange rate risks)

Presently, institutional investors dominate the domestic bond market.

Government should find ways to tap into the retail (individual) market offering attractive yield rates and a tenor of 5-7 years at the most, considering individuals' appetite for quick returns

## PROCEEDS FROM ROAD TOLLS

Given that infrastructure should be able to pay for itself, it is about time we realised that money from tolls should be used to pay back the loans

Revenues from road tolls have consistently been above target since introduction

# SHORT-TERM FINANCING OPTIONS

## SALE OF ASSETS &/OR EQUITY

With a potentially large base of valuable assets, Government may be in a position to sell non-essential assets and use proceeds to pay down Eurobond debt.

Govt should take up the offer to sell ZCCM-IH shares in Kansanshi

Controversial, serious backlash from stakeholders, incl. Govt, civil society

But ask yourself: what 'd have happened if we didn't make the decision to privatise mines back in circa 2000?

## SALE OF ZCCM-IH SHARES

The estimated total mineral reserves at Kansanshi is 642 Mt

Average ore grades are 0.62%TCu & 0.14%ASCu

With a valuation price of US\$3.00/lb, the copper reserves are valued at ~US\$30bn

Just off-loading 10% ZCCM-IH shares is enough to pay off all three Eurobonds!

- food for thought