

# Press Statement

2 July 2020

## 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



## Medium Term Debt Strategy and Debt Sustainability Analyses Needed for Prudent Public Debt (PDM) Management.

As the country grapples with ways to address Zambia's growing debt burden, one key issue that needs to be considered is Zambia's current legal framework for public debt management.

While Zambia faces numerous development challenges that require financing, there is currently no legislation that mandates strategic planning through Debt Sustainability Analyses (DSAs) and Medium-Term Debt Strategies (MTDS) to avoid unplanned debt management. The lack of publication of these two documents has been one of the contributors to Zambia's high level of external debt which currently stands at US\$11.3 billion and domestic debt at K80 billion has heightened the risk of debt distress.

It is imperative that Debt Sustainability Analyses be a part of the overall debt management framework in order to help to assess the sustainability of debt. DSAs are crucial in providing guidance for sound debt management strategies.

In terms of Medium-Term Debt Strategies, the first MTDS was crafted in 2017 and was hardly implemented. The country is expected to develop another one this year but the first half of the year has already passed without any medium term guidance. In light of the current Covid-19 pandemic and funds being borrowed to fight the pandemic, these medium-term debt management strategies are pertinent.

According to a study that the Consumer Unity and Trust Society (CUTS) and the Zambia Institute for Policy Analysis and Research (ZIPAR) conducted on Zambia's legal framework, the findings reveal that Zambia's debt management system does not legally require the Government to develop these important debt management strategies thereby leaving room for debt to be contracted that exposes the country to the risks that come with borrowing.

We are therefore, of the view that the law should require that the Government undertakes prudent debt management given that debt default can lead to severe macroeconomic consequences. Policy guidance such as DSA and MTDS conducted in a systematic manner through rationalized borrowing plans should be mandated. This will work well in addition to having well-equipped human resources, coordinating institutions and the right organizational capabilities.

As Zambia is trying to secure a bailout package from the International Monetary Fund, we are of the view that strengthening the laws will create a conducive environment to secure resources from the institution.

By Ms Kangwa Muyunda, CUTS Programme's Officer