

## **DISCUSSION NOTE**



# **EMANCIPATING ZAMBIA FROM DEBT SLAVERY**

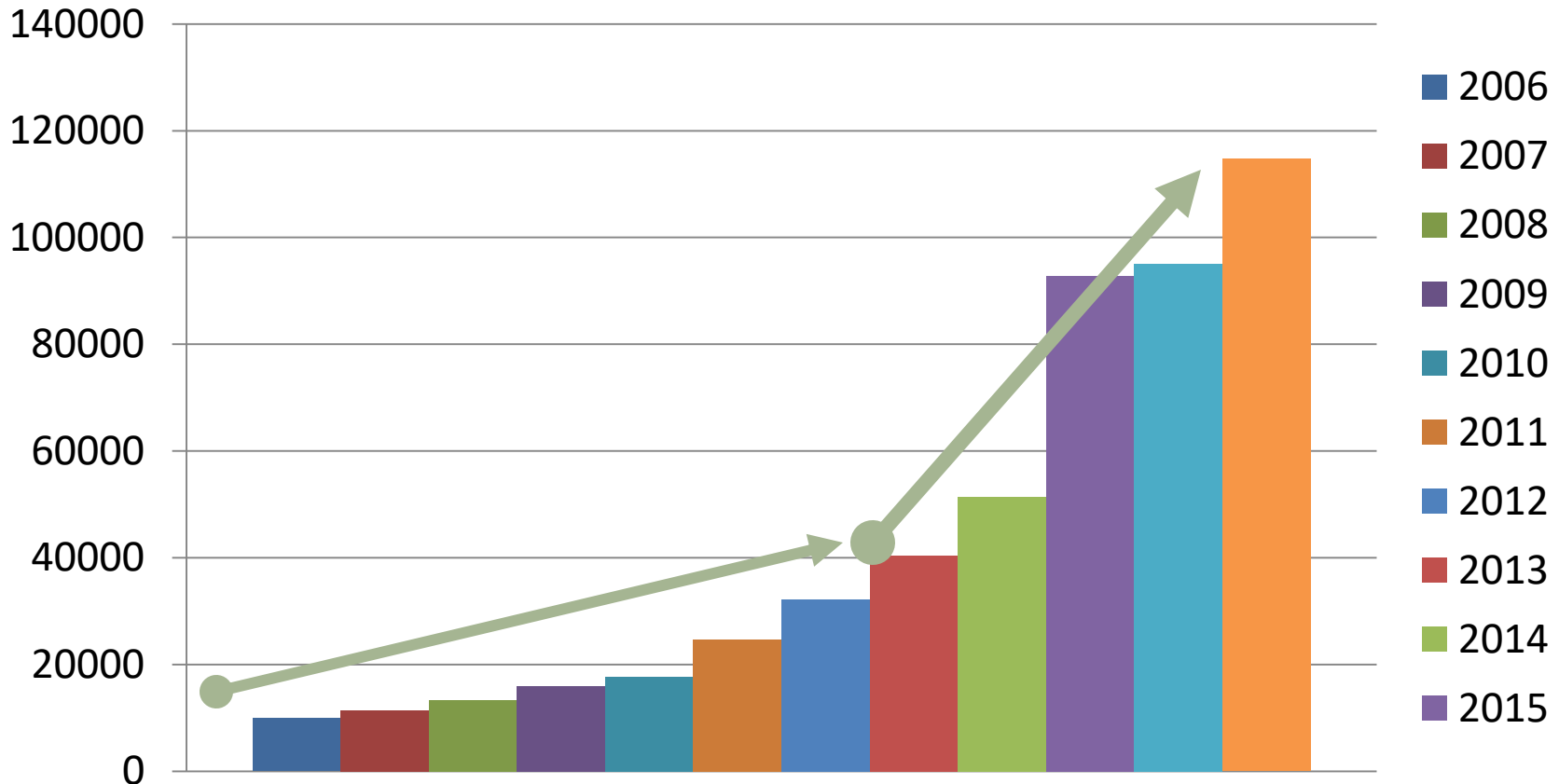
**Florence Banda-Muleya**  
**Research Fellow- Public Finance**

**26<sup>th</sup> October, 2015**

# Public Debt is Growing Steep



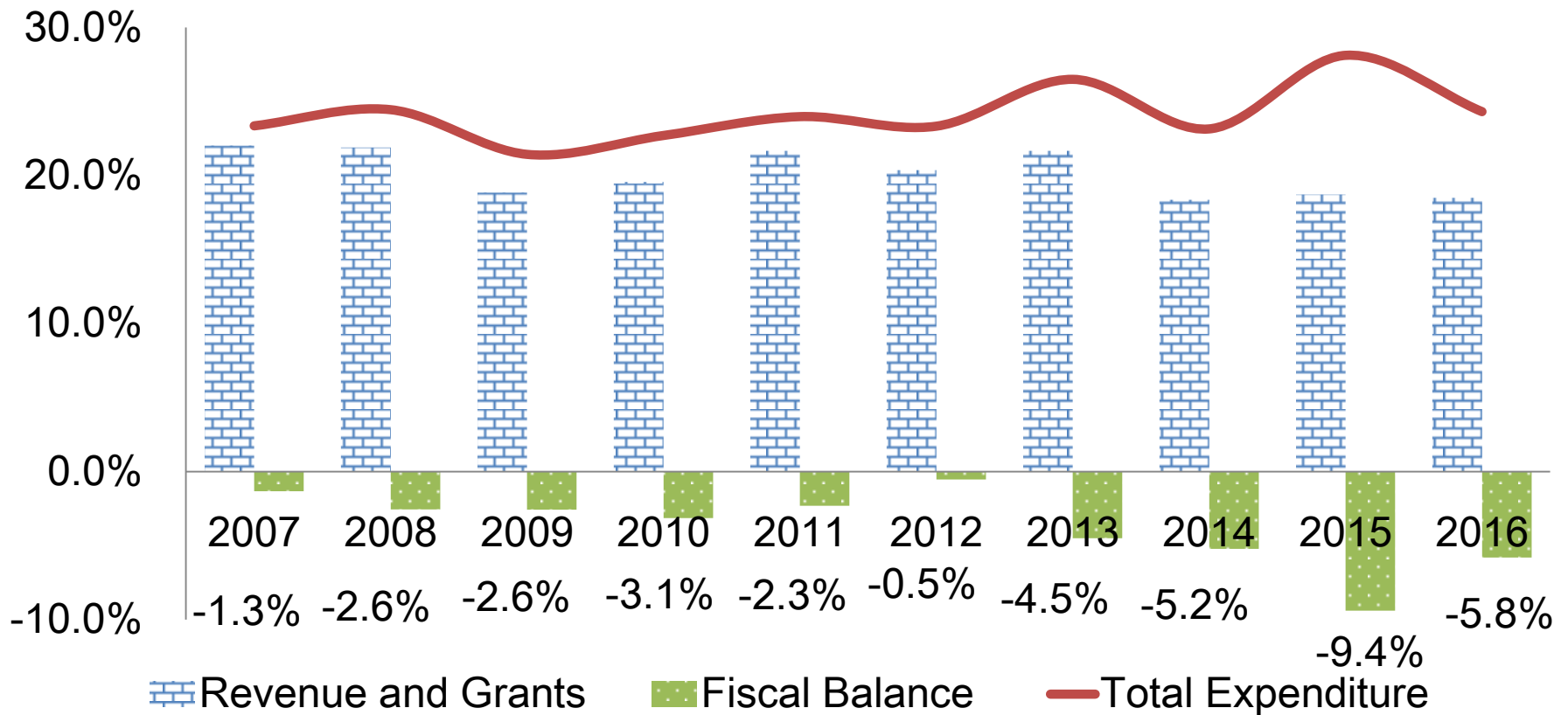
**Gross Public Debt at year end 2006-2017**



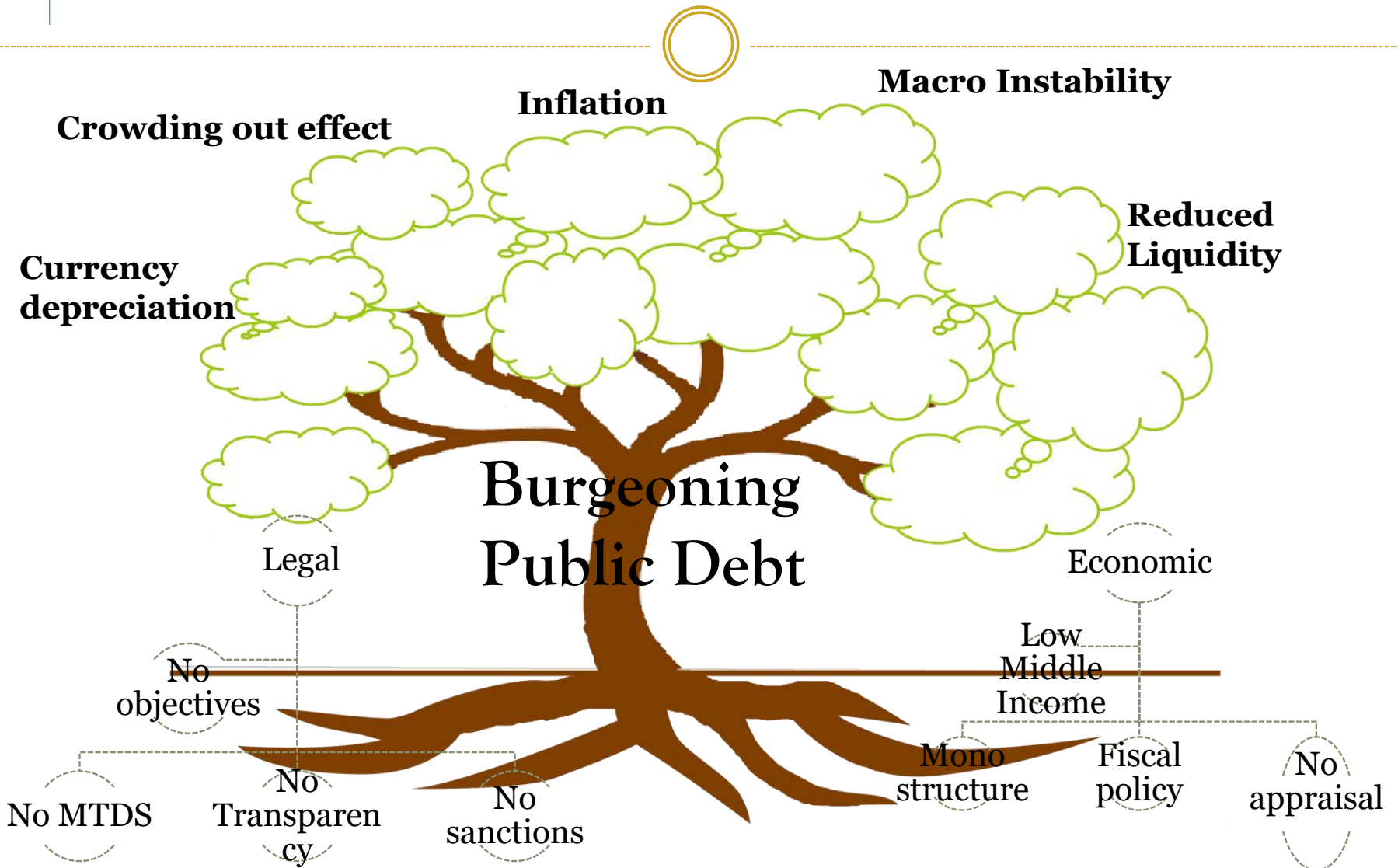
# Fiscal deficits driving force



○ Government expenditure > domestic revenue.

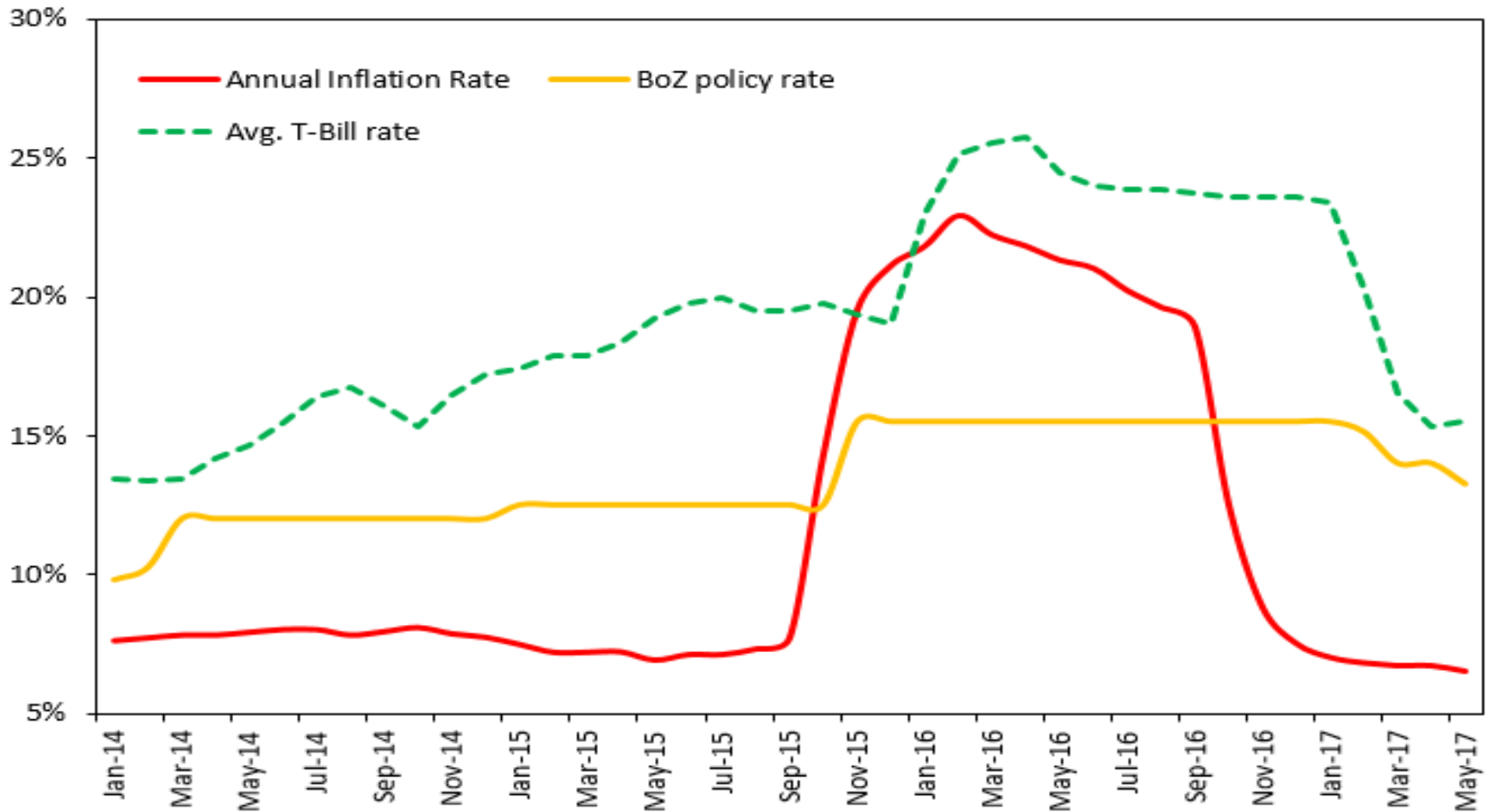


# Root causes and effects



*“Working towards the Formulation of Sound Economic policies”*

# Examples of effects



*“Working towards the Formulation of Sound Economic policies”*

# Zambia's proposed solution



## Medium Term Debt Strategy

### **Domestic Debt**

Higher share of domestic debt in total debt portfolio; Increase longer-dated government securities

### **External Debt**

Reduction of foreign currency denominated debt & prioritising concessional and semi-concessional financing

### **Debt management capacity**

Restructure the debt office to ensure adequate and qualified staffing levels; comprehensive reconciliation of DMFAS to ensure debt data credibility

### **Debt sustainability**

Ensure public external debt is maintained at levels that ensure debt sustainability over the medium to long term; conduct periodic comprehensive Debt Sustainability Analyses (DSAs)

### **Communication**

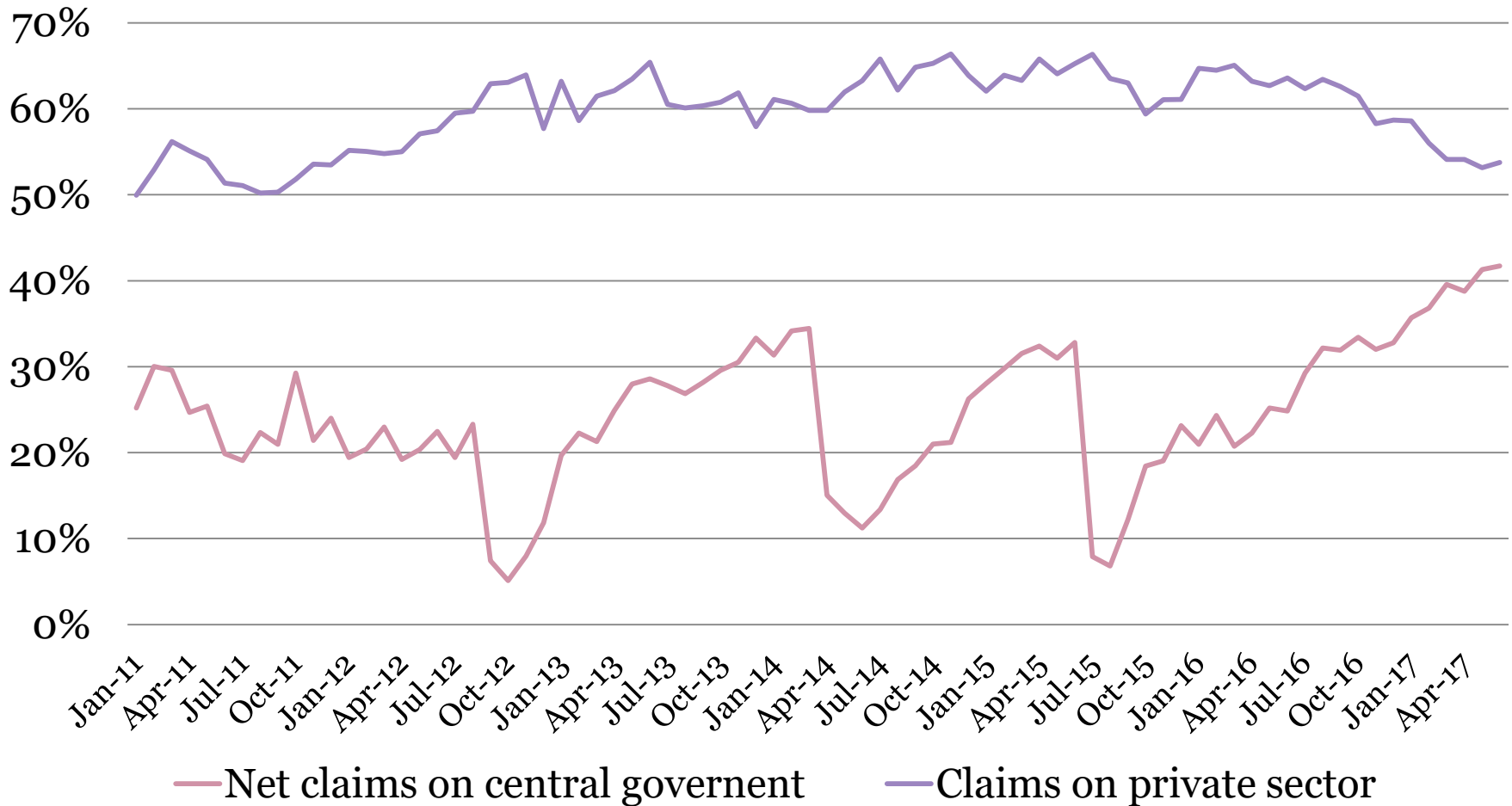
Publish MTDS; Publish Government securities issuance calendar & auction; produce quarterly & annual debt statistical bulletins

# Strengths of the strategy

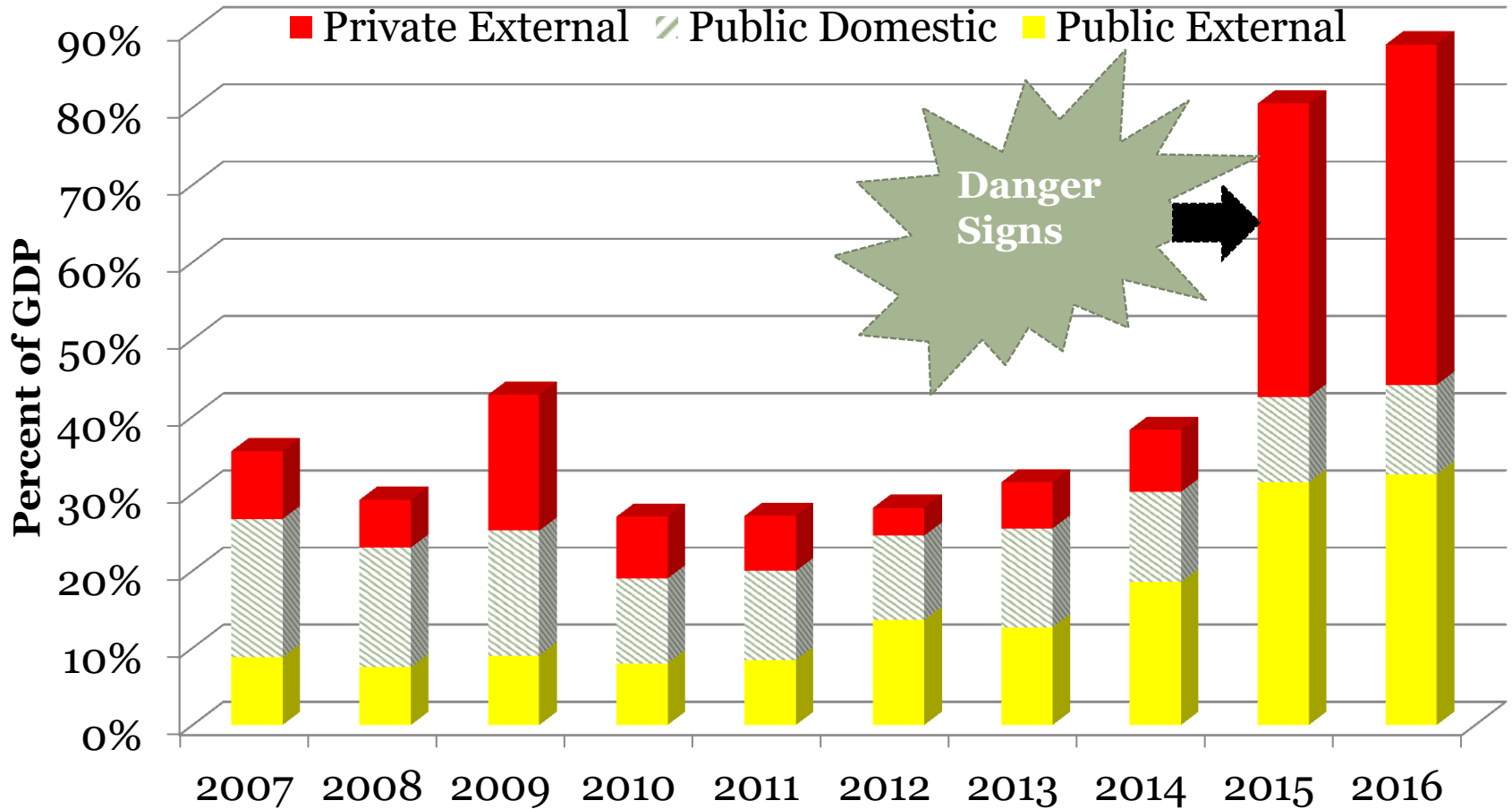


- Bond markets suitable to fund deficits
- They improve efficiency in economy & reduce vulnerability to crises
- Government securities lead to development of financial infrastructure products and services
- Better coordination between Ministry of Finance and Central Bank
- Allow for an increase in the investments channel for growth

# Risks – Crowding Out



# Risks – Bulging Private Debt



# Mitigating these Risks



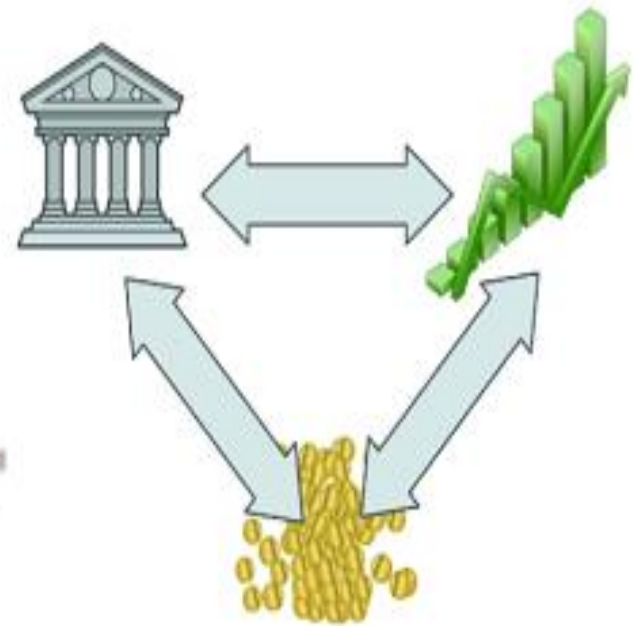
## COMMON CHARACTERISTICS INCLUDE



**MARKET EXCHANGE**

**REGULATORY BODY**

**LIQUIDITY IN LOCAL DEBT  
AND EQUITY MARKETS**



# Strengthening Legal Framework



- Provide for preparation of MTDS and clarify scope of debt
- Repeal and enact laws that will strengthen public finance e.g planning and budgeting is strict on borrowing
- Transparency should be a key tool for promoting fiscal accountability and responsibility.
- Include fiscal rules in the Loans and Guarantees Act
- Include measures to reduce the acquisition of debt

# Thank You

