

**“SHALL ZAMBIA CONTINUE BORROWING WITHOUT A DEBT MANAGEMENT POLICY?”
ASKS JCTR**

This year in October the Debt, Aid and Trade Programme of the Jesuit Centre for Theological Reflection (JCTR) commended the government for sticking to its debt management objective of raising adequate levels of financing at minimum cost and risk. At that same time, the Zambian Government contracted a new loan of US\$8 million from the Arab Bank for Economic Development in Africa (BADEA) for the rehabilitation of feeder roads in the Copperbelt Province.

Hardly two months later, Government has again signed a US\$24 million credit facility with the African Development Bank (AfDB). This loan is a concessional one – meaning that it is payable at low interest and over a long period of time - for budgetary support for 2009 and 2010. This loan also comes less than a year after Government committed itself to a credit facility of US\$6 million with OPEC for the rehabilitation of 40 feeder roads on the Copperbelt.

“It is important to recognise that borrowing in itself does not amount to poor economic management or lack of sound development strategy. More so if it is a concessional loan. But what is of concern to JCTR, particularly in the Zambian context is the institutional arrangement under which that borrowing is taking place and the intention of that borrowing,” observes Privilege Haang’andu Programme Officer for Debt at the JCTR.

It is clear that the bad state of roads, especially in the agricultural parts of our country, is a major setback to the development of the agricultural industry in Zambia and therefore may need financing to improve them. In this time of rising food prices (maize), no greater need could be perceived than that of focusing on the improvement of the road infrastructure in order to promote agricultural productivity.

As has been said severally, the prospective economic future of this country largely depends on concrete transformation of its incredible agricultural potentials.

Although borrowing may not be avoided, it is fundamental and a matter of great urgency that Zambia puts in place a *Debt Management Framework* to guide her practices of loan contraction and the management of the borrowed resources. The pre-HIPC experience of reduced investment resources is still fresh to the Zambian people and any continued borrowing under the current laws has the potential to take the country back to those pre-HIPC experiences.

It is important that Zambia moves into a situation where borrowing happens within a sound institutional and policy framework that will provide proper guidance as to the need for borrowing and the timeframe within which the borrowed resources are applied to avoid incurring unnecessary additional costs.

The JCTR would like therefore to remind the new Government, particularly the Minister of Finance and National Planning of the promise that was made by his predecessor to look into reforms of the debt laws. The Government cannot keep promising without acting, the debt stock is quickly swelling, with current estimates putting it at over US\$2 billion. The JCTR and collaborators, continues to call upon Government to **FINISH THE WORK** it promised to the Zambian people by making sure a Debt Bill that will cushion Zambia from a possible debt trap is enacted.

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