

Press Release

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A Positive Narrative for Zambia as the IMF Approves Extended Credit Facility (ECF) Arrangement

On 31st August, 2022 the International Monetary Fund (IMF) Board approved about US\$1.3 billion – a 38-month ECF arrangement for Zambia to help restore macroeconomic stability and foster higher, more resilient, and more inclusive growth. The nation has been pursuing for an IMF-supported economic programme for a while now (since 2016) with the hope in recent times being that this bailout package will help restructure the nation’s large public debt portfolio while ensuring equal treatment for its creditors especially after being the first African sovereign national to default on its debt in November 2020.

The Jesuit Centre for Theological Reflection (JCTR) commends the efforts that the Zambian government continues to pursue around debt legislative framework, institutional strengthening and systems as well economic reform strategies. Pointing out as an example, the recent enactment of the Public Debt Management legislation demonstrates efforts that the nation has put in place to ensure that as Zambia addresses the current huge debt burden, we set ourselves on a trajectory to prevent ever finding ourselves again in a similar situation.

In the same spirit of appreciating this significant stride made in the pursuit of debt sustainability, it is critical that the Zambian government must not become complacent in the face of this historic achievement. The ECF's approval, which signifies the international community’s confidence in the strides made by the government so far to restore the country’s macroeconomic stability, calls for more work to ensure that the economic turn-around translates into real improvement of the welfare of the ordinary Zambian man and woman on the street.

In order to maximize on the benefits of the IMF deal, the government must do more to restore and sustain fiscal stability through enhanced efficiency of the agricultural subsidy program and through enhanced efficiency in the public procurement regulations and systems (just to mention a few) with the aim to stop wastage of public funds and maximize on the expected returns on the public investment in all sectors. The nation is expecting that debt restructuring will make resources available to unlock a robust economic diversification with meaningful and impactful investment in key economic productive sectors such as agriculture, manufacturing, rural electrification, tourism, and local participation in mining to create decent jobs and raise the levels of household income across the country.

Reflecting on debt treatment under the G20’s Common Framework, JCTR notes that the restructuring process and its efficient implementation remains key for both economic and social prospects. On one hand debt restructuring will enable the nation to free up critical resources needed to stimulate productive sectors and allow for growth which is expected to widen the national revenue base. On the other, a widened revenue base implies that social sector spending can be prioritized. A careful approach must be pursued in the implementation of the G20 Common Framework for it to deliver on various aspirations.

JCTR therefore makes a strong call for reforms that put the interest of the nation at heart such as reforms aimed at strengthening public debt management in a transparent and accountable manner. There is need to be magnanimous enough and implement effective short to medium term measures that will address the deficit problem that led to excessive borrowing. Beyond the International Monetary Fund programme, government must develop a more aggressive home grown solutions to stimulate domestic resource mobilization with emphasis on private sector led economic growth.

JCTR also urges the citizenry not to remain docile on matters of national interest but to take a keen interest especially in the utilization of the public resources. Citizens and CSOs must meaningfully participate in governance and economic transformation processes. On its part, the government must continue to adopt a consultative and participatory approach by including key stakeholders in addressing debt management issues, and in the current context of the IMF deal, the government must set up a platform where it can work with the CSOs to allow them to participate in monitoring the implementation of this home-grown IMF program.

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