



## **Press Statement – Economic Recovery Programme**

**14<sup>th</sup> October 2021**

The CSO Debt Alliance is a coalition of Civil Society Organisations that seek to improve public debt management in Zambia in a harmonized manner and create a platform for advancing stronger debt accountability. The Alliance recognises the importance of a clear and publicly accessible roadmap for debt sustainability which is cardinal for accountable public debt management in Zambia.

In December 2020, the Government released the Economic Recovery Programme (ERP 2020-2023) which had the objectives to restore macroeconomic stability; attain fiscal and debt sustainability; restore growth and diversify the economy; dismantle domestic arrears and avoid accumulation of new arrears; and safeguard social protection programmes.

Since the launch of the ERP, the target to raise international reserves to over 3 months of import cover by 2023 had been met within the first year with the IMF's special Drawing Rights (SDRs) bolstering reserves to 5.4 months (US\$ 2.9 billion) of import cover as at end - August 2021. However, the Zambian economy remains far from attaining the outstanding targets stipulated in the programme whilst inhabiting a huge debt burden that had been burgeoning well before the Covid-19 pandemic.

The targets were to attain real GDP growth rate of above 3 percent by 2023; reduce the fiscal deficit to no more than 9 percent in 2021, no more than 6.1 percent in 2022 and no more than 4.9 percent of GDP in 2023; reduce and maintain inflation within the 6-8 percent range by 2023; increase domestic revenue to not less than an average of 18 percent of GDP over the period 2021 to 2023; significantly dismantle domestic arrears and curtail their accumulation; and reduce the pace of debt accumulation and ensure sustainability in the next 3 to 5 years.

Recent reports from The Ministry of Finance indicate that there has been an increase of about US\$ 2 billion in debt owed to foreign creditors in the year of 2021 with external debt cited to be US\$ 14.48 billion. The increased debt stock may have implications on the fiscal deficit which stood at 14.4 percent of GDP at the end of 2020. Additionally, inflation still remains high at 22.1 percent as at end - September 2021 despite the significant appreciation of the Kwacha over the past quarter.

We further note that access to information has historically been sporadic, inconsistent and opaque to the public. There is need to align parliamentary oversight in debt contraction, increase transparency and accountability and develop borrowing plans before contracting debt. Policy reforms are key to strengthen the debt management policy framework which include Debt Management Strategies and Debt Sustainability Analyses.

The recent changes in the political arena have called into question ERP and whether or not it aligns with the plans of the new Government. With just over two years to 2023, The CSO Debt Alliance expresses the need for the Government to adopt the contents presented in the ERP and consequently develop a workable implementation plan that will facilitate attainment of debt sustainability and restore economic growth. It is our expectation that government will



adopt a more consultative and participatory approach with key stakeholders such as the CSO Debt Alliance being one of these.

Lastly, the Alliance urges the Government to undertake the following:

1. ensure transparency in their public debt management.
2. revise the legal framework guiding debt to ensure that there is adequate oversight of debt contraction as well as provisions for transparency and accountability.
3. ensure the inclusion of civil society actors in public finance management processes and debates, particularly around key social sectors to ensure that decisions, policy reforms, and subsequent actions are well informed and consultative.