



CTPD'S MONDAY OPINION

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TODAYS TOPIC

THE IMF MANAGING DIRECTOR'S VISIT TO ZAMBIA: EXPECTATIONS FROM THE ZAMBIA TAX PLATFORM (ZTP)



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THE IMF MANAGING DIRECTOR'S VISIT TO ZAMBIA: EXPECTATIONS FROM THE ZAMBIA TAX PLATFORM (ZTP)

In this week's Monday opinion, we focus on the Zambia Tax Platform's (ZTP's) expectations from the IMF managing director's visit to Zambia.

On 16 June 2022, the International Monetary Fund's (IMF) Deputy Managing Director Ms. Antoinette M. Sayeh, concluded her visit to Zambia. She expressed satisfaction with the government's efforts to implement its home grown economic program and its commitment to the reforms outlined in the staff-level agreement on an IMF- supported program concluded in December 2021. In September 2022, after years of discussions with the Zambian government, the IMF board approved an Extended Credit Facility (ECF) arrangement for Zambia of approximately US\$ 1.3 billion. The IMF Managing Director, Ms. Kristalina Georgieva, spoke to the press to outline the considerations the Fund took into account in arriving at the decision. Ms. Kristalina indicated that Zambia faced profound challenges, which were reflected in its low growth and high levels of poverty.

The IMF managing director is scheduled to visit Zambia between the 22nd and 24th of January 2023 ahead of a new global sovereign debt "roundtable" in India next month. The round table meeting will bring together borrowing countries and creditors including China. Zambia is one of the countries that has applied for a debt treatment process under the G20 common framework that was setup in October 2020. While the country's securing of an IMF deal last year

boosted lenders confidence, other creditors on the framework remain sceptical on granting the country debt treatment under the framework. Lenders have expressed concern largely due to the composition of Zambia's public debt which includes a number of private lenders who according to members of the G20 framework must equally be treated in a comparable manner. However, the IMF holds that domestic lenders for instance will need to continue receiving debt service to ensure stability of the financial sector in the country. Zambia's stock of total debt remains high at over US\$31 billion of which about US\$14 billion constitutes foreign debt.

The Zambia Tax Platform (ZTP) bemoans the prolonged discussions with lenders that have hindered Zambia from attaining debt treatment under the common framework. This is

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despite the country securing an IMF programme over 4 months ago which allowed the negotiations to commence for which an agreement was expected to be



President Hakainde Hichilema with IMF Managing Director Kristalina Georgieva

reached by end of December 2022. Zambia has enjoyed a standstill on part of its debt servicing since 2020. While this has given government some fiscal space over the period as was the case in 2022 when over K46 billion of the budget was not spent due to the debt service standstill, there is need to quickly restructure the debt as there may be a potential for lenders to claim accumulations on arrears for suspended debt payments.

The visit to Zambia by the IMF chief will have some positive effects in boosting confidence on the part of lenders especially under the common framework. As the IMF chief comes to Zambia, ZTP expects her to engage stakeholders in the country and inform them on some of the challenges hindering the debt restructuring process from the IMF perspective. Further, the IMF chief is expected to give an account of how the 'Global Sovereign Round Table' will

expedite and sort out challenges faced in the G20 common framework. ZTP also expects that key deliberations from the meetings that the IMF chief will hold with the Zambian authorities will be made public for the awareness of all Zambian citizens. ZTP is hopeful that the visit will steer assurances among Zambian citizens with mixed feelings and sceptical about the efficacy of the IMF programme in so far as economic transformation and impact on the most vulnerable are concerned.

Author
Ibrahim Kamara is the current coordinator for the Zambia Tax Platform. He holds a bachelor's degree in Economics and Finance and is currently pursuing a master's degree in Public Finance and Taxation. Ibrahim has vast experience on work around public finance in Zambia.

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