



**RESEARCH DEPARTMENT
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**BRINGING ZAMBIA'S DEBT TO
SUSTAINABLE LEVELS: THE ROLE OF
PARLIAMENTARIANS**

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Bringing Zambia's Debt to Sustainable Levels: the Role of Parliamentarians

Introduction

Zambia's debt is said to be unsustainable. This is because the country is believed to have borrowed beyond its capacity to repay the debt. In this regard, this brief discusses how Parliamentarians can play their part in bringing Zambia's debt to sustainable levels. It also explains how the current debt is unsustainable by comparing the debt stock to the recommended thresholds that determine sustainable debt.

Sustainable Debt

According to the International Monetary Fund (IMF), a country's public debt is considered sustainable if the government is able to meet all its current and future payment obligations without exceptional financial assistance or going into default.

To ascertain sustainability, the debt to GDP ratio should be within a certain threshold. The debt to GDP (value of products and services produced within a given time period) ratio is basically the percentage of debt to the total value of goods and services produced within a given time period. In this regard, for Zambia's debt to be considered sustainable, the debt to GDP ratio should be below 35%, according to the IMF and World Bank thresholds.

Considering Zambia's debt stock which was US\$ 26.29 billion¹ at the end of 2021, and the GDP which was US\$ 21.2 billion² in 2021, Zambia's total public debt to GDP ratio is calculated at about **124%**. This way above the recommended threshold of **35%** by **89%**, which clearly shows that the debt is **unsustainable**.

Best Practices on Dealing with Debt

- (a) prioritising developmental projects that can generate revenue in the short run;
- (b) encouraging local governments and institutions to take the initiative in development financing and investment;
- (c) maintaining macroeconomic stability and moderate inflation through macro control;
- (d) implementing appropriate economic policies that are flexible and respond to the economics needs of a particular time; and
- (e) expanding investment in infrastructure that supports and facilitates local business growth.

The Role of Members of Parliament

- 1) *ensuring the implementation of the provisions of the Public Debt Management Bill once enacted;*
- 2) *providing effective oversight throughout the budget cycle; and*
- 3) *sensitising and raising awareness among general members of the public on debt to foster transparency and accountability.*

¹ Debt Summary Reports, Ministry of Finance and National Development Planning

² World Development Indicators