

Zambia

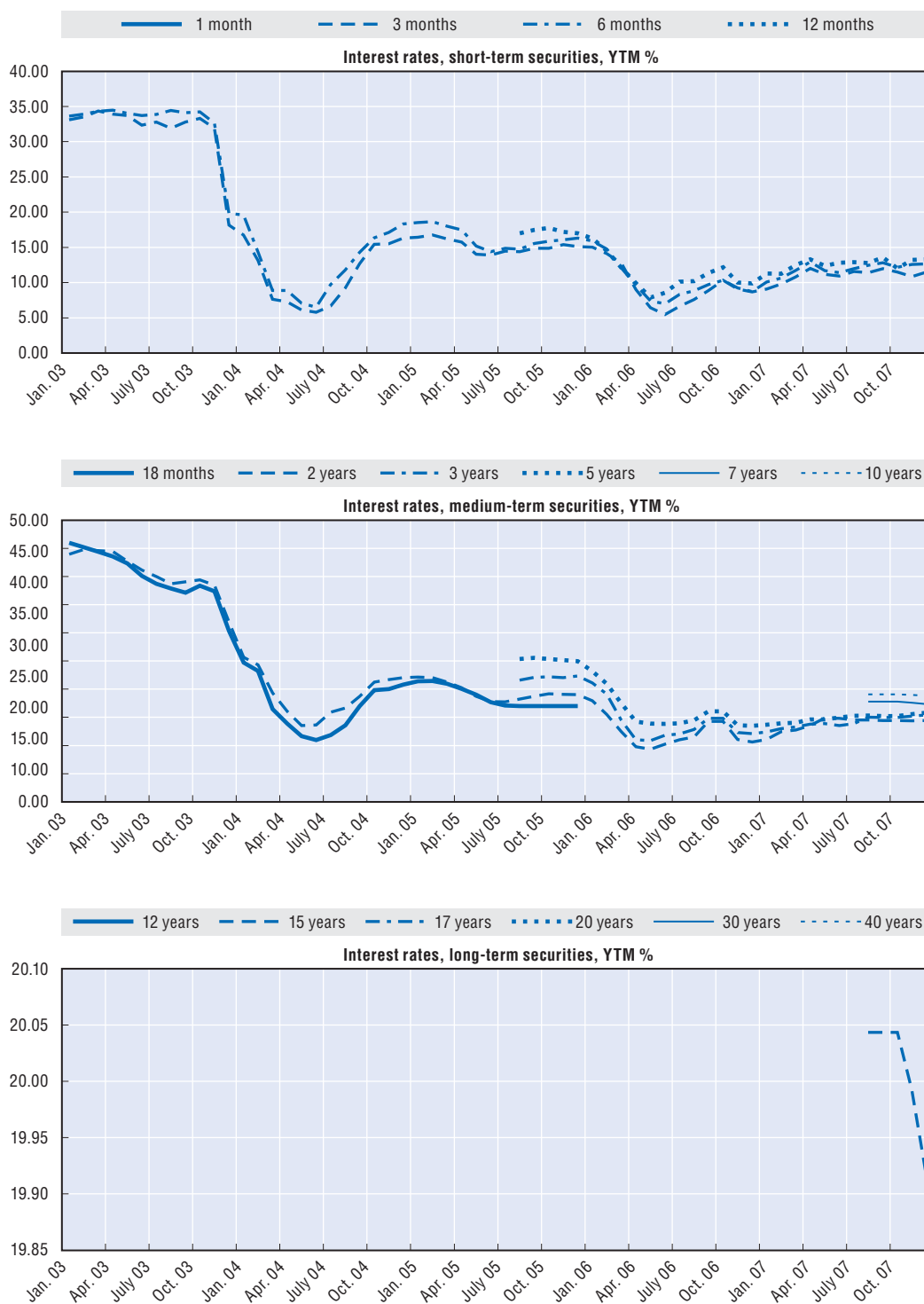
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Table II.1. Debt stock
 Amounts outstanding at end of period
 In millions of Zambia kwacha

	2003	2004	2005	2006	2007	
1	Total central government debt	1 556 138.6	1 725 762.8	2 816 853.3	5 356 036.2	16 335 020.7
1.1	Marketable debt	1 530 411.9	1 694 343.9	2 800 864.6	5 352 184.1	16 331 193.4
1.1.1	Short-term securities	0.9	0.9	0.7	0.2	0.6
1.1.1.1	Local currency	0.9	0.9	0.7	0.2	0.6
1.1.1.2	Foreign currency					
1.1.2	Medium-term securities	1 530 411.0	1 694 343.0	2 187 806.0	3 457 003.0	6 375 975.9
1.1.2.1	Local currency	1 530 411.0	1 694 343.0	2 187 806.0	3 457 003.0	6 375 975.9
1.1.2.2	Foreign currency					
1.1.3	Long-term securities			613 058.0	1 895 180.9	9 955 216.9
1.1.3.1	Local currency			613 058.0	1 895 180.9	9 955 216.9
1.1.3.2	Foreign currency					
1.2	Non-marketable debt	25 726.7	31 418.9	15 988.7	3 852.0	3 827.2
1.2.1	Loans from official creditors, multilateral	15 092.6	19 294.9	12 429.3	2 625.5	2 724.2
1.2.1.1	Local currency					
1.2.1.2	Foreign currency	15 092.6	19 294.9	12 429.3	2 625.5	2 724.2
1.2.2	Loans from official creditors, bilateral	10 634.1	12 124.1	3 559.4	1 226.5	1 103.0
1.2.2.1	Local currency					
1.2.2.2	Foreign currency	10 634.1	12 124.1	3 559.4	1 226.5	1 103.0
1.2.3	Loans from commercial creditors					
1.2.3.1	Local currency					
1.2.3.2	Foreign currency					
1.2.4	Other					
1.2.4.1	Local currency					
1.2.4.2	Foreign currency					
	Memorandum items					
1.M.1	Local-currency marketable debt	1 530 411.9	1 694 343.9	2 800 864.6	5 352 184.1	16 331 193.4
1.M.1.1	<i>Of which: central bank securities</i>					
1.M.2	Interest payments	0.2	0.2	0.1	0.1	0.1
1.M.2.1	Local-currency debt					
1.M.2.2	Foreign-currency debt	0.2	0.2	0.1	0.1	0.1
1.M.3	Nominal GDP	20 479 193.1	25 997 446.6	32 456 250.8	39 223 128.1	45 482 229.6
1.M.4.1	Exchange rate (year-end), euro/local currency	5 616.5400	6 491.0700	4 150.9100	5 810.7600	5 582.9800
1.M.4.2	Exchange rate (year-end), USD/local currency	4 770.7100	4 771.4300	3 510.2800	4 411.1100	3 846.1100
1.M.5.1	Marketable debt as % of total debt	98.3	98.2	99.4	99.9	100.0
1.M.5.2	Non-marketable debt as % of total debt	1.7	1.8	0.6	0.1	0.0
1.M.5.3	Local-currency marketable debt as % of total	98.3	98.2	99.4	99.9	100.0
1.M.5.4	Total debt as % of GDP	7.6	6.6	8.7	13.7	35.9

Figure II.1. **Interest rates, Yield-to-maturity (YTM)**

YTM from secondary market trades (end-of-month) where available, otherwise from primary market auctions
In percentages and fractions thereof



ZAMBIA POLICY NOTES

I. Introduction

Where is the debt management unit located within the government?

The daily administration and management of public debt is with the Investment and Debt Management Department (IDM) within the Ministry of Finance and National Planning (MoFNP). However, the Bank of Zambia (BoZ) through the Economics is responsible for the monitoring and administration of private external debt while the Financial Markets Department is responsible for the issuance of Treasury bills and bonds on behalf of the Government fiscal policy purposes.

Therefore, in Zambia, the Investments and Debt Management (IDM) Department in the Ministry of Finance and National Planning, the Attorney General's Chambers in the Ministry of Justice and the Bank of Zambia are the primary institutions involved in public debt management.

How does the debt management unit function within the government and what are the routine interactions with other government entities?

The IDM has the primary function of effectively and efficiently monitoring and evaluating the performance of government investments and the management of national public debt. There are various departments within MoFNP who co-ordinate with IDM in debt management work and these include the Economic and Technical co-operation (ETC), Computer Unit, Accountants, Auditors, Macroeconomic Unit, Budget Office and Office of the Auditor General.

In managing Zambia's public and private external debt, the MoFNP and the BoZ have, since 1986, been using the Debt Management and Financial Analysis System (DMFAS) software supplied by the United Nation's Conference on Trade and Development (UNCTAD). DMFAS is a software package that is designed to provide accurate and timely debt information for the purpose of effectively managing debt.

The Investment and Debt Management (IDM) Department in the Ministry of Finance and National Planning was primarily created to effectively monitor and evaluate government investments as well as national public debt management. With regard to the management of national public debt, the department performs a number of functions that include the following:

- Front office functions

These include the determination of the amount of debt that is to be contracted, manage the issuance of the most preferred debt instruments, undertake negotiations with the would be lenders, and generally carryout all debt contracting activities.

- Middle office functions

This primarily includes the analysis and evaluation of the debt data for the purpose of formulating and developing appropriate debt policies and strategies.

- Back office functions

These relate to debt data record keeping and monitoring as well as performing the associated financial management and accounting activities.

The MoFNP and BoZ work in a constant collaboration in order to ensure smooth, effective and efficient operations.

At which policy level, function and office are the decisions made on levels of debt and the issuance schedule?

The determination of debt policy is made at the highest level of Government by the Minister of Finance, who approves the general policies and strategies prepared. The government policy on debt is still guided by the law (Cap 366) as well as commitments made by the Minister of Finance and National Planning in his Letters of Intent to the IMF from time to time. The policies approved by the Minister of Finance include debt budget proposals, debt strategies and borrowing policies. New borrowings are decided to a large extent based on Country Support Strategies that are agreed upon with co-operating partners on a regular basis and in line with the yearly economic program and targets.

According to the law quoted above, it is the responsibility of the sitting Minister of Finance and National Planning. (The Minister is also a Member of Parliament.)

What is the decision making process for non-marketable debt?

Zambia's domestic debt is composed of marketable and non-marketable securities; debts that arose as a result of implementation of parastatals divestiture policy and various claims on government by both the private sector and public institutions. Marketable securities comprise of 35, 91, 182 and 364 days Treasury bills as well as 2, 5, 7 and 10 year bonds. Non marketable securities include government stocks, recapitalization bonds, and special bonds.

Public domestic debt is the total debt the local, provincial, public enterprises and the central Government owe domestically.

This includes all outstanding payments for Government Securities, Parastatals debt, Loans and Advances from the Central Bank, Local Government debt and other domestic liabilities such as arrears.

Therefore, domestic debt in Zambia may be categorized as Government Securities, Consolidated Bond, Kwacha Bridge Loan (now part of the consolidated bond), Domestic arrears, Pension arrears, Awards and Compensation, Contingent liabilities and Guarantees.

What specific and general laws apply to government debt management?

The management of public debt is effected through an Act of Parliament – the Loans and Guarantees Act (CAP 366) of the laws of Zambia. This Act empowers the Minister of Finance and National Planning (MOFNP) to:

- Raise new loans
- Establish sinking funds
- Give guarantees and indemnities
- Grant loans by or on behalf of the government; and
- Provide for matters incidental thereto or connected therewith.

The Act under Subsidiary Legislation provides for the limits of the amounts of loans raised both within and without the country under Sections 3 and 15. This means that the Minister may raise from time to time, loans not exceeding in the amount outstanding at any one time such amount as he shall from time to time be authorized by resolution of the National Assembly to prescribe by statutory instrument.

The Act provides for the establishment of institutional structures to carry out the day to day functions of borrowing and repayment of loans thereafter contracted. Under this provision, the country has two sites from where debt management is conducted; the Ministry of Finance and National Planning (MoFNP) and the Bank of Zambia (BOZ).

The MOFNP and BOZ are individually responsible for the various processes required for debt monitoring:

Are there any specific definitions that should accompany the data?

Nil

II. Description of debt instruments

Description of the instruments used for managing government debt, i.e. Bills, Notes, Bonds, fixed rate, floating rate, etc.

Table II.2. **Central government debt by instrument**

	Units	2003	2004	2005	2006	2007	2008
	<i>Million Kwacha</i>						
1	Total marketable debt	2 459 665.0	2 568 855.0	3 511 244.9	5 108 022.7	6 531 855.8	6 865 248.7
1.1	Money market instruments	1 325 561.0	1 438 873.0	2 088 647.9	3 262 269.9	3 458 661.8	3 249 255.1
1.1.1	Treasury bills	1 325 561.0	1 438 873.0	2 088 647.9	3 262 269.9	3 458 661.8	3 249 255.1
1.1.2	Commercial papers	–	–	–	–	–	–
1.1.3	Other	–	–	–	–	–	–
1.2	Bonds	1 134 104.0	1 129 982.0	1 422 597.0	1 845 752.8	3 073 194.0	3 615 993.6
1.2.1	Fixed rate income instruments	1 134 104.0	1 129 982.0	1 422 597.0	1 845 752.8	3 073 194.0	3 615 993.6
1.2.1.1	Short-term bonds	280 509.0	173 931.0	173 248.0	202.0	–	–
1.2.1.2	Medium-term bonds	853 595.0	956 051.0	1 249 349.6	1 845 550.8	2 938 976.0	3 269 429.6
1.2.1.3	Long-term bonds	–	–	–	–	134 218.0	346 564.0
1.2.2	Index-linked bonds	–	–	–	–	–	–
1.2.3	Variable-rate notes	–	–	–	–	–	–
1.2.4	Other	–	–	–	–	–	–
Memo Items:							
	<i>Marketable debt held by non-residents</i>	<i>Million</i>					
	<i>Marketable debt in foreign currency</i>	<i>Million</i>					
	<i>Weighted average maturity of marketable debt</i>	<i>Years</i>					
	<i>Weighted average yield of marketable debt</i>	<i>Per cent</i>					
	<i>Million Kwacha</i>						
2	Total non-marketable debt	24 679 565.8	31 018 129.2	15 889 397.3	3 974 274.7	4 245 507.7	5 797 644.1
2.1	Savings bonds	–	–	–	–	–	–
2.2	Loans from official creditors, multilateral	14 475 761.1	18 809 776.1	12 096 576.7	2 591 038.9	2 717 662.1	3 684 458.1
2.3	Loans from official creditors, bilateral	10 203 804.7	11 819 486.9	3 464 168.7	1 147 536.7	1 100 417.2	1 426 637.8
2.4	Loans from commercial creditors	–	388 866.2	328 651.9	235 699.1	427 428.4	686 548.2
	Exchange rate (year end) domestic currency/SD	4 577.75	4 651.51	3 416.34	4 127.83	3 836.88	4 832.26
3	Total Central Government debt	27 139 230.8	33 586 984.2	19 400 642.2	9 082 297.4	10 777 363.5	12 662 892.2

Source: Bank of Zambia.

III. Selling techniques

Description of the way debt instruments are sold, i.e. via auction, direct sales, syndicate, use of Primary Dealer system, etc.

Via which channels is debt sold?

The Bank of Zambia as fiscal agent of the Government of the Republic of Zambia issues government securities on behalf of the Government. Currently, Government securities issued are Treasury bills and government bonds. The securities are issued on a competitive (tender) and non-competitive (off tender) basis. In competitive tenders, successful participants are allocated securities at prices quoted while in non-competitive, participants are price takers (i.e. allocated at a pre-determined price).

A. PROCEDURES FOR TENDER (COMPETITIVE) WINDOW

Eligibility for both Treasury bills and bonds on this window is as follows:

- Individuals and corporate institutions are eligible to participate in the primary auctions of Treasury bills.
- The minimum bid amount is Thirty Million Kwacha (K30 million) face value and thereafter in multiples of Five Million Kwacha (K5 million) face value. The Bank of Zambia reserves the right to change the number of bids and minimum amount required and multiples, as and when deemed necessary.
- The Bank of Zambia maintains and processes all Treasury bills transactions through the Book Entry System (BES), which is the Central Securities Depository. All Treasury bill records are stored and processed electronically. This means that no physical certificate shall be issued for any Treasury bill purchased. Therefore, all participants are required to open an account in the BES.

Treasury Bills

1. Term to Maturity

Currently, the Bank of Zambia issues Treasury bills in four maturity categories namely **91 days, 182 days, 273 days and 364 days**.

2. Pricing Mechanism and allotment

The Bank of Zambia applies the multiple price system (Dutch auction) to price Treasury bills. This means that each successful bidder is allocated Treasury bills at the price he/she has quoted. Awards will be made by accepting the highest bid price (lowest yield rate) until the amount on offer is exhausted.

The Bank of Zambia shall pro-rate bids at the cut-off price. This means that the Bank of Zambia will issue Treasury bills up to the amount advertised on each maturity category at face value. If bids at the cut-off price exhausting the amount on offer exceed the face value on offer, the Bank of Zambia will proportionally allocate amounts of Treasury bills at the cut-off price, such that the amount on offer is exhausted.

Bonds

1. Term to Maturity

Currently, the Bank of Zambia issues government bonds in six maturity categories namely **2 Years, 3 Years, 5 Years, 7 Years, 10 Years and 15 Years**.

2. Tender Procedure

Government bond tenders are held once a month

B. PROCEDURES FOR OFF TENDER (NON-COMPETITIVE) WINDOW

Treasury Bills and Bonds

1. Eligibility

Individuals and corporate institutions with the exception of commercial banks are eligible to participate in the off tender of Treasury bills.

The minimum bid amount is one million kwacha (K1 million) face value and thereafter in multiples of one million kwacha (K1 million) face value.

The maximum bid amount is Twenty Nine Million Kwacha (K29 million) face value. Participants with amounts in excess of K29 million face value should apply on the competitive window.

Off tender transactions shall be conducted through the Bank of Zambia's authorized Agent(s).

Is there an auction calendar?

A bond issuance calendar is issued annually showing the date in each month when the auction will be done.

IV. Other information

1. Valuation of debt instruments

Amounts reported are nominal values.

2. Fiscal year

Amounts are reported on a Zambian fiscal year basis which is the same as the calendar year. The fiscal year ends on 30 December.

3. Estimates

All data are actual, no estimates have been included.

V. Source

What is the source (agency, office, and ministry) of this information?

The data is from the Bank of Zambia

Who are the contact persons in your country for the statistical information?

The contact person in the Bank of Zambia is:

Assistant Director

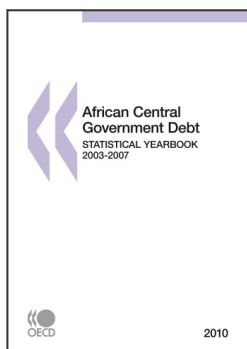
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