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## **The Proposed Refinancing Strategy of US \$750 Million Eurobond Might Lead Zambia into a Sovereign Debt Crisis**

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The planned contraction of a private equity to amortize Zambia's US\$ 750 million Eurobond is a disaster in-waiting. JCTR is apprehensive with regard to use of a private equity to refinance the country's Eurobond as the cost of the external debt might become too exorbitant to bear in the medium to long-term. To this end, this might further exacerbate the country's foreign debt which currently stands at a staggering US\$9.3 billion.

Recently, the Ministry of Finance, in the 2018 First Quarter Economic Performance Report, announced that, "management of the country's debt has been prioritized. Regulatory and administrative measures to slow down the growth of the debt stock have been put in place in accordance with the medium-term debt strategy." Certainly, the proposed refinancing strategy of the country's Eurobond negates against this same principle as it will have the medium to long-term resultant effect of pushing back Zambia into being a highly indebted country.

As JCTR, we acknowledge that there is an urgent need to restructure Zambia's external debt to thwart a possible default. A default on external debt contracted through the international issuance of the country's bonds might attract vulture investors and hence lead to a turbulent and devastating financial crisis. However, with the knowledge of hindsight and having been involved in the country's debt cancellation campaign under the Jubilee Zambia Debt Campaign, we strongly object to the proposed strategy to refinance Zambia's Eurobond due in 2022 by way of private equity especially that the terms and conditions of this proposed transaction are not publicly known.

We contend that ignoring the country's current indebtedness while simultaneously contracting external debts from hedge funds under the guise of refinancing the Eurobond is a recipe to disaster. The JCTR is therefore appealing to government to undertake a prudent and comprehensive risk assessment of the proposed and impending public debt refinancing option and ensure that the country's sovereign assets are securely covered from being sequestered by vulture funds.

Jesuit Centre for Theological Reflection (JCTR)

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Statements

Advocacy on Debt

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