

# **THE BENEFITS AND CHALLENGES OF DEBT CANCELLATION IN ZAMBIA**

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## **A. Introduction and Background**

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1. On behalf of the Jubilee campaign in Zambia, I would like to express our sincere appreciation to the Jubilee USA Network and Senators Casey, Lugar, and Dodd for their leadership and support for the Jubilee Act for Responsible Lending and Expanded Debt Cancellation (HR 2634). We are also grateful for the opportunity to submit this written testimony on the occasion of today's hearing
2. We are also grateful to the institutions and committees that have already considered the Jubilee Act and have subsequently voted for it. We are particularly grateful to the House of Representatives for its strong bi-partisan support for the legislation.
3. It is with pride and a sense of solidarity that today we witness debt cancellation in 23 countries, including Zambia. At the same time, many more countries which are deserving of similar benefits are still being denied the opportunity to get space to concentrate on development which does not only help them meet their national development targets but also contributes to the achievement of the Millennium Development Goals (MDGs). This is due to the eligibility limitations of the current debt cancellation initiatives.

### **Brief Historical Context, Challenges and Benefits of Debt Cancellation**

4. Both Zambia's external and internal debts were very high before the HIPC initiative, but it was the huge external debt and the country's poor export performance that qualified the country for entry into the Heavily Indebted Poor Countries (HIPC) initiative.
5. Before reaching the Decision Point of the enhanced HIPC Initiative in 2000, Zambia's external debt stood at US\$6.5 billion, more than twice Zambia's GDP. In 2004, Zambia's debt stock stood at US\$ 7.1 billion. With Decision Point qualification, debt servicing started reducing but marginally.
6. With the attainment of the HIPC Completion Point (HIPC-CP) in April 2005, many people had hopes rekindled and anxieties rose. Further debt cancellation under the Multi-lateral Debt Relief Initiative (MDRI) increased expectations. This was described by the Minister of Finance as "optimism and a sigh of relief at having achieved one of the landmarks in the history of Zambia" (Budget speech, 2006).
7. After attaining HIPC-CP efforts were made to recruit 8 500 teachers in 2005 and a further pledge by the government to employ 5000 more teachers, 1700 more health personnel, build 31 high schools, 1 500 classrooms in 2008. The local currency, the Kwacha, appreciated by 27 per cent (Development Zambia, 2006). This basically proves that debt relief can work and that debt relief can also reach some of the poor communities.
8. Parliamentarians in Zambia attest to this fact. The Chair of the Economic Affairs and labour committee, Honourable Given Lubinda, in his presentation to the Jubilee Prayer Breakfast at in the US House of Representatives on October 16, 2007 alluded to the fact that "the US\$23.8m savings from debt relief for my country is going into agricultural projects, eliminating of school fees and user fees in rural health care centres and to infrastructure development."
9. Zambia's historical challenges stemming from a huge external debt problem did not only deny the citizens of Zambia benefits from their resources but also substantially constrained governments' abilities to plan effectively and implement national plans. For

example, in 1986, Zambia spent 86 per cent of its export earnings on debt service and was left with only 14 percent per cent to distribute to other sectors. This trend continued even with the onset of HIPC when in 1999 Zambia paid over three times of its combined budget for health, education and social security in debt service.

10. With both HIPC and the subsequent Multilateral Debt Relief Initiative, Zambia's debt repayment has now come to an average of US\$60-80 million per year as opposed to over US\$300 before the attainment of HIPC completion point as well as entry into the MDRI initiative. These benefits are only party to a list of which the following is by no means exhaustive
  - a. **Irrevocable debt Relief** which totalled US\$3.8bn under HIPC and over US\$2bn under the MDRI.
  - b. **Significant annual debt savings.** The country will be saving annually about US \$180 million or K500 billion in debt service<sup>i</sup>. At the time of reaching the completion point of the HIPC initiative, annual debt service was projected to fall below US\$150mn per year at least up to 2020. Last year, 2007, foreign debt service was K 244 billion (approximately US \$65 million) against the pre-HIPC and pre-MDRI figure of US \$373.2 million in 2004<sup>ii</sup>. The amount of US\$65 million (K244 billion) was about 2 percent of the budget while the pre-MDRI figure of K373.2 billion was 3.7 percent of the budget in 2006. These savings arising from debt relief under both the HIPC Initiative and MDRI are expected to assist the country in its development efforts so as to reduce the current levels of poverty by 50 percent by 2015
  - c. **Substantial reduction in the overall stock of external debt.** Preliminary information indicates that the country's external debt stock stood at US\$635 million as at end of December 2006, a reduction of 86.7 percent from the end of 2005 stock of US\$4.5 billion<sup>iii</sup>.
  - d. **Increased policy space:** Upon the attainment of HIPC completion point, primary rural education and health care were made free, enabling thousands of rural children and citizens to access free basic education and primary health care. It is worth stressing that of Zambia's 11.9 million, 65 percent are in rural areas. Preliminary reports from Zambia's Central Statistical Office indicate that between 2004 and 2006 rural poverty increased by 2 percent to 80 percent while urban poverty reduced from 53 per cent to 34 per cent.
  - e. **Increased focus on poverty** through increased expenditures on social sectors like education and health. The two post HIPC/MDRI budgets for Zambia have showed some modest increases in social sector spending. For example, in 2005, social sector spending totalled 30 per cent of the budget this increased to 36 percent in the 2007 budget and subsequently over 37 percent in 2008. With increased focus on poverty, the remaining ingredient to halving poverty by the year 2015 is increased commitment and consolidated action from donors to meet their aid pledges to poverty reduction.

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<sup>i</sup> Zambia's National Budget: 2006

<sup>ii</sup> Zambia's National budget speech, 2007

<sup>iii</sup> Zambia's National Budget speech, 2007

## **B. Remaining Challenges in Debt Management**

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11. The gains highlighted above are not without challenges. The challenges are both domestic and external and their resolution will not only depend on national reforms but also on the international communities' response to the post HIPC/MDRI challenges.

### **MACRO-ECONOMIC POLICIES AND HARMFUL CONDITIONALITIES**

12. Zambia's macro-economic indicators reveal that there has been steady growth recorded at an average of over 4 percent in the last 5 years, as opposed to GDP growth of 2.2 percent in the four years before the government embarked on a return to national planning induced by the Poverty Reduction Strategy Programme under HIPC. Inflation has also been below 10 percent in the last two years. While this favourable macro-economic outlook is necessary for the improvement of economic and human development; in itself, it does not guarantee human development and poverty reduction.
13. In Zambia, the results of a stable macro-economic outlook have not translated into direct benefits for communities. It is clear that striking the delicate balance and trade-offs between macroeconomic stability and economic growth are ignored, while certain social priorities are subordinated. This is as a direct consequence of the policy prescriptions of International Finance Institutions whose impetus has always been built around macro-economic reform rather than ensuring that social-economic progress is assured.
14. The meddling of IFIs into Zambia's governance structure originates from the 1970s when Zambia's economy was faced with both internal and external shocks relating to the fall of world copper prices and the simultaneous increase of oil prices. This gave rise to the IFIs advice commonly known as Structural Adjustment Programmes in the 1980s. SAPs aimed at reducing the role of the state in the economy by stabilizing and liberalising the economy including external trade and privatizing state owned enterprises (World Bank 2002a, 3).
15. While SAP measures achieved macro economic stability, the GDP growth in the reform decade 1990-2000 was negligible, averaging 0.6 %, while between 1991 and 1995 the economy contracted by 1.6 percent and external aid dependence increased. In 2002, 43 percent of the Government of the Republic of Zambia's (GRZ) annual budget was financed from external resources that included loans (Saasa 2006). Consequently, Zambia's external indebtedness rose from US\$3.2 billion in 1980 to US\$5.6 billion at the beginning of 1987. By 2000, it had skyrocketed to approximately US\$7 billion. As the levels of Zambia's public debt rose, concurrently did the level of leverage of its' creditors especially the IFIs in determining Zambia's economic and social policies (White, 1999 in Chisala 2006).
16. The result of these policies are undoubtedly visible even in Zambia's current high levels of unemployment which the Central Statistical Office of Zambia indicate that employment between 2004 and 2006 continued to take a downward trend. The CSO 2006 preliminary report of Living Conditions states that "more people were employed in 2004 than in 2006, 54 percent and 43 percent respectively, while more people were classified as unpaid family workers in 2006 (12 percent) compared to 2004 (5 percent)."

17. Honourable Given Lubinda, the Zambian MP, in his speech to the Jubilee Prayer Breakfast, laments the current situation which is historically linked to the role IFIs play in Low Income countries:

*“As though they were a panacea to the unsustainable debt that my country and other poor countries had accumulated creditor nations and the Breton Woods institutions imposed various conditions such as privatisation, wage freezes, downsizing of the civil service, introduction of user fees for primary health care and basic education, cancellation of government subsidies to water and sanitation and so on. As we have now come to acknowledge the results of these formulations have been reduced productivity, increased joblessness, deepened poverty and even heavier debt. Under these circumstances, the attainment of the most important United Nations Millennium Development Goals (MDGs) by countries such as my own will be a far cry.”*

18. The international community has come to realise the dangers of the inappropriate conditionalities based on flawed assumptions. Even the World Bank staff has admitted this fact. The admission by Edward Jaycox, the then World Bank Vice President in charge of the African region, is particularly insightful as it underscored not only the strategic role multilateral bodies such as the IMF played in Zambia’s structural reforms but, more significantly, confirmed how the IMF’s Zambian Programme was poorly handled: Writes Jaycox:

*“Zambia’s was a terribly under-funded Programme. We overestimated copper revenue, overestimated aid flows, and did everything we could to paint a picture of an internally consistent financing plan based on the resources that we and others could bring to bear. If the case had been looked at more closely or more sceptically, the plan’s lack of realism would have become apparent. A great number of shocks took place as the adjustment process went along: copper prices went down or stayed at the same level when they were expected to go up; aid that was expected did not arrive; deals with the Paris Club that were normative were made less liberal when the aid was increased... In sum, the Zambian Programme was administered in a very chaotic way, and the chaos resulted in part from the inadequacy of financing and unrealistic financing projections.”<sup>iv</sup>*

19. The consequences of the bad Conditionalities Zambia needed to satisfy in order to attain completion point are still being reversed. A study on the Use of Conditionality by International Finance Institutions to encourage Privatisation and liberalisation indicates the frustrations. “It is noteworthy that, in spite of the acknowledgements regarding the acceptability of IMF’s Poverty Reduction and Growth Facility conditionalities, some level of frustration has been recorded at lower levels within the Government system itself. A senior economist at the Ministry of Finance and National Planning shortly before the country was put on a Staff Monitored Programme following its failure to meet PRGF fiscal targets in 2003, the response (below) is illustrative:

*“Zambia is a case of a so-near-yet-so-far situation. We have complied with all the benchmarks and targets save for one on fiscal management and this has thrown the entire economic programme with creditors off course. The implications of this situation are obvious. Firstly, as a country we have foregone US\$3.8 billion, which should have been knocked off our total debt stock had we reached the*

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<sup>iv</sup> Jaycox, E., 1991, ‘Comments on Africa,’ in Thomas, V. et al. (eds.), *Restructuring economies in distress: Policy reform and the World Bank*, Oxford University Press, Oxford.

*Completion Point this year. This essentially means that we still remain heavily indebted to the creditors. Secondly and more importantly, the amount of money required to successfully implement the PRSP has been drastically reduced meaning that some poverty reducing programmes have simply been shelved aside. For instance, this year's national budget allocation to the PRSP was K420 billion out of which Government has only managed to mobilize K110 billion. The balance in the national budget was to come from donors who have since imposed an aid freeze. Put differently, the PRSP is slowly being rendered irrelevant as it cannot be implemented and thus national development plans are at best inconsequential if they cannot be implemented or realized.”<sup>v</sup>*

20. The Minister of Finance, in June 2005 during a meeting with civil society groups and after the country attained the HIPIC Completion Point, is acknowledged that “creditors have substantial amount of control in the affairs of the nation when it comes to setting conditions on loans,” but was quick to add that “...this can be avoided if Zambia reduced on borrowing.”<sup>vi</sup>
21. In the past 8 years a number of internal processes have taken place within the creditor community to respond to criticism on openness, accountability and the power asymmetry. The responses of the IMF and World Bank are summarised in the figure below.

## **IMF AND WORLD BANK RESPONSE TO CONDITIONALITIES**

- IMF:
  - Adopting the “new aid architecture”: PRSP-alignment and donor coordination
  - Reaffirming of IMF’s role to address balance of payment problems
  - 2002 Guidelines on Conditionality
- World Bank:
  - Adopting the “new aid architecture”: PRSP-alignment and donor coordination
  - Devising a selectivity approach to aid allocation
  - 2005 Conditionality Review

22. A study commissioned by the Norwegian government in 2006 assessing “The World Bank’s and the IMF’s use of Conditionality to Encourage Privatization and Liberalization: Current Issues and Practices” in Bangladesh, Mozambique, Uganda and Zambia also concludes that while the IFIs have embarked on some important reform, there stewardship role is still highly prevalent. These conclusions are summed in the figure below:

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<sup>v</sup> Interview with Dr. Situmbeko Musokotwane, Deputy Secretary to the Cabinet, 20 October 2006.

<sup>vi</sup> Jubilee-Zambia, National Conference Report on the theme “Beyond the HIPC completion point-Which way forward for jubilee Zambia, Conference held on 9th June 2005.

Do the IFIs adhere to their own new guidelines?

- There is a stronger sense of national “ownership” of the programs, but this is reduced by:
  - Weaknesses in participatory processes;
  - extensive dependence on IFIs and foreign consultants in elaboration of policies, and lack of local input;
  - lack of “policy space” and analysis of policy alternatives; and
  - lack of unified view within the government, frequently used by IFIs to promote their own cause.
- The IFIs are more flexible in their enforcement of conditionalities. Sometimes bilateral donors and civil society have demanded less flexibility.
- Donor coordination is strengthened, but this may reduce policy space and weaken borrowing member countries’ bargaining power.
- Local IFI representatives show little in-depth knowledge of the World Bank’s GPPs.

23. The same study also poses critical questions as to whether the IFIs (World Bank and IMF) still use Conditionalities to promote privatisation and liberalisation? The conclusion is that “though less common, these conditionalities are still prevalent.

Do the IFIs still use conditionalities to promote privatization and liberalization?

- Privatization and liberalization are still included as conditionalities in World Bank and IMF loans, but are less common than before.
- The policy advice given by the IMF and the World Bank on privatization and liberalization has changed; a clear trend towards greater pragmatism and focus on complementary policies, but changes not uniform across cases and sectors.
- The IFIs exert considerable influence through providing policy advice, and have not generally elaborated alternative policies to those involving privatization and liberalization

24. Of critical concern for countries like Zambia, is the role the IMF and the Bank have continued to play in stewarding the process of development. In illustrating this point, in his 2006 study on the Use of Conditionality by International Finance Institutions to encourage privatisation and liberalisation, Professor Saasa quotes a former Ministry senior official who at the time of the interview was Managing Director of Zambia National Commercial Bank:

*There were times when we officials will...sit in the Minister’s conference room [awaiting the Minister to join us]...Then he will come in the room accompanied by IMF officials and inform us the...already agreed position before we the officials] are given the opportunity to table the pertinent issues.<sup>vii</sup>*

<sup>vii</sup> Personal interview with Mr. Likolo Ndalamei, Managing Director of ZNCB, Lusaka, 31 October 2006.

25. In light of the above, the overbearing weight of the IMF and the World Bank in influencing the outcome of the PRGF negotiations as well as other development processes has been stressed by nearly all civil society organizations and this is said to have been caused by the restrictive dialogue approach to economic policy-making, generally.

#### **WEAK INTERNATIONAL RESPONSE TO THE PROBLEM OF VULTURE FUNDS**

26. Zambia's post HIPC/MDRI debt situation is also challenged by the rise of 'vulture funds'<sup>viii</sup>. Donegal International Limited, an incorporated company of Debt Advisory International LLC (DAI) of Washington area of the US was the Vulture Fund that sued Zambia. It was registered in the British Virgin Island (BVI) on 18 December 1997. Donegal is owned and run by Mr. Michael Sheehan, a citizen of the United States. Donegal's major asset was its claim of over US\$55 million against Zambia from a loan it bought from Romania at a cost of only US\$3.3mn.
27. Though this was not the first case of a commercial creditor seeking super profits from a country striving to provide basic social services and put its citizens back onto the path of development, the international community was not impressed with the development. While CSOs did what they could to stop this injustice, the authorities with the ability to change the situation responded in ways that leave much to desire. The World Bank put in place a Debt Reduction Facility which assists poor countries to buy back such debts but not actually dealing with the real cause of the problem, which is the lack of regulation to control the activities of "vulture" creditors such as Donegal.
28. Jubilee-Zambia and partners opposed the directive which called on Zambia to pay Donegal US\$15 million and also opposed the view point that Donegal should even make such a claim in the first place.
29. In a publication entitled "VULTURE FUNDS AND DEBT RELIEF. THE IMMORAL TACTICS OF VULTURE FUNDS: THE CASE OF ZAMBIA; Jubilee- Zambia and its partners state that:

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<sup>viii</sup> A 'Vulture Fund' is a financial organization that specializes in buying securities which can be in form of company shares, industries, and debts in distressed economic environments. These securities could be high yield bonds/shares in or near default and debts where debtors are struggling to pay. The goal of the vulture fund is to make profit by buying cheap debts of struggling companies and recently, heavily indebted third world countries facing debt repayment difficulties. These organizations work like circling vultures that patiently wait to pick up the remains of a rapidly weakening debtor and later claim huge interest repayments through litigation. According to Jubilee - UK, currently, there were at least 40 lawsuits by 'Vulture Funds' against poor countries by May 2007.

**WHY ARE JUBILEE-ZAMBIA AND ITS PARTNERS OPPOSED TO THIS CLAIM?**

- We feel it is immoral for Donegal to ask for a profit of several millions dollars (US\$ 55 million) over and above the price (US\$ 3.3 million) it paid for the debt from Romania.
- We feel debt repayments to Donegal International will upset Zambia's fiscal stability and ability to deliver public services. Our position is that Zambia cannot afford to lose millions of dollars as the country needs to address pressing poverty and development problems, which require immediate financial resources.
- We also feel and agree with Judge Smith of the London court that Mr. Sheehan and his agents did not act very honestly in the acquisition of this debt. As Jubilee movements, we are convinced that the purchase of the debt undermines and erodes the full intended benefits from debt relief arrangements initiated through the Highly Indebted Poor Country Initiative (HIPC) and the Multi-lateral Debt Relief Initiative (MDRI).

30. Additionally, this case has not only revealed the lack of an international mechanism to safeguard vulnerable countries against claims by rich companies but has also brought to the fore, weaknesses in international agreements. While debtors were bound to abide by every conditionality of the HIPC process, creditors were not bound by law not to cancel their debts.
31. Additionally, the HIPC process and the MDRI were only limited to bilateral and some multilateral creditors. The creditor community also includes commercial creditors such as Commercial Banks and Private investors including Donegal International whose main interest is profit at all costs, however, the debt cancellation initiative was left to the mercy of creditors to join such important pro-poor mechanisms. It is essential that a mechanism be developed to make debt relief all encompassing and mandatory.
32. The weaknesses of the HIPC process as a whole are evident by the lack of a binding agreement on the part of creditors to deliver their part of debt relief. According to the Ministry of Finance and National Planning (MoFNP), some creditors have not yet delivered their part of debt relief.

The amount of US \$635 million reported in last year's Budget (2006) was adjusted upwards during the year. This adjustment was to reflect undelivered HIPC Initiative debt relief from some of the bilateral creditors with whom we have not yet reached agreement. *Budget speech, 2008.*

It is clear that bilateral creditors were not bound to deliver their part of the deal even when they required Zambia and other HIPC countries to adhere stringently to their austere conditions and those of the multilateral institutions.

**ACCOUNTABILITY ISSUES: WHAT GOVERNMENT, PARLIAMENTARIANS AND CSOS ARE DOING**

33. It is worth mentioning that there are commendable efforts to fight corruption and increase financial accountability. Since the inauguration of the current government in 2001, the president has embarked on the crusade against corruption to the extent that his predecessor has been relieved of his immunity to pave way for a free and fair trial in several cases of alleged corruption.
34. The Auditor General has also been meticulous in bringing out cases of misuse or misapplication of resources. For example, the lack of expenditure returns which was reported to be approximately US\$1mn (K3 567 598 553) in 2005 was no longer the case

in 2006. The 2006 report of the Auditor General only indicates that less than US\$500 000 irregularly transferred. While these are regrettable occurrences and should not be inevitable, their magnitude is evidently reducing.

35. To assist in this area, the Jesuit Centre for Theological Reflection has developed a simple tool that can be utilised by local communities in assessing the efficacy of debt resources. This tool called, the Debt Resources Monitoring Manual which the Jubilee-Zambia campaign members are using in five districts of four provinces will help clarify the following:
- a. To what extent are both new and old loans benefiting the communities in Zambia?
  - b. Have the local communities been involved in the identification, design and implementation of projects/programmes benefiting from loans or debt relief in their communities?
  - c. Are the programmes/projects under loans demand driven or supply driven, are they part of Zambia's development agenda?
  - d. What is the rationale, conditions and requirements for the loans?

With this tool, we are confident that we will not only bring about early warning but we will also augment other processes and tools which seek to raise transparency and accountability in Zambia.

36. Zambia has also embarked on a number of standard international accountability systems and tools including operationalising the Public Expenditure Management and Financial Accountability (PEMFA), which includes the Integrated Financial Management Information System (IFMIS). During the fifth national development plan period, 2006-2010, the government will implement routine tracking studies and periodic and detailed Public Expenditure Reviews (PER). The FNDP states "Public Expenditure Tracking Surveys will be developed and implemented."
37. While recognising that the work of the Auditor General is extensive, the release of the report one year after the period in review does not rid it of worries around the possibility of recovering what has been lost and of course like in many places prosecution on defaulters has either tarried or non-existence. Therefore the need for early warning cannot be ignored. Therefore the work of the JCTR hosted Jubilee Zambia campaign on monitoring of debt resources is extremely essential.
38. CSOs in Zambia have also been actively engaged with Parliamentarians to ensure that the oversight role of parliament in the loan contraction process in the future is made constitutional through the proposals for a Debt Management Bill. Members of Parliament, particularly those in Reforms and Modernisation Committee, the Estimates of Budget Committee and the Committee on Economic Affairs have been making significant efforts to introduce the following pieces of legislation:
- a. The Budget Act to provide for a transparent and participatory budget preparation process, the development of medium and long term development plans indicating corresponding sources of income and submission to relevant committee of parliament of anticipated revenues and expenditures for the year prior to submission of the final estimates to parliament.
  - b. The Government Borrowing Act to provide for a transparent loan contraction process and to provide parliament to authorise any borrowing after considering the source of the loan, the extent of the total indebtedness by way of principal and interest, provisions made for repayment of the loan and its intended utilisation.

- c. Access to Information Act whose aim is to give every citizen the right to information held by the state and to compel the state to publicise any important information affecting the welfare of the nation.
- d. The Code of Conduct of Public Officers legislation to address conflicts of interest for public officers and for declaration of incomes, assets and liabilities by specified public officers.
- e. The Budget Monitoring Framework to provide for the setting up of a unit involving Civil Society Organisations and other interest groups to monitor the implementation of poverty reduction programmes financed by the national budget.

## **C. The Need for Legislation**

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39. Debt cancellation should be expanded to all countries that it need to meet the Millennium Development Goals. In doing so, it is necessary to ensure that:
- a. Mechanisms to provide debt relief are expanded in order to provide space for all Low-Income countries to reorient their priorities towards national sustainable development rather than external debt service
  - b. The International community's responses to the problem of low-income countries debt are secured from incessant litigations and claims made by creditor institutions/companies which have chosen to free-ride by claiming there part of debt repayments while others have provided debt cancellation
  - c. Gains made by debt cancellation are not eroded due to poor or weak institutions, and there must be accountability, greater transparency and effectiveness.
  - d. Interference of external institutions is circumscribed only to necessary areas such as those listed above.
40. To do the above, legislative actions are necessary. It is therefore essential that such proposals as the Jubilee Act which encompass all these are put in place.
41. In Zambia, the Jesuit Centre for Theological Reflection has already come up with similar proposals which are meant to increase parliamentary oversight in the contraction and management of loans. This proposal will also be discussed between the JCTR and the parliamentary committee for Economic and Labour Affairs on April 28, 2008. The Zambian community is also becoming aware of the proposed legislation through the activities of the JCTR hosted campaign, Jubilee-Zambia. Government intentions in the 2008 budget are "to consolidate the legal framework governing the contraction and management of debt."
42. With the Jubilee Act and the Debt Management Bill in place in the United States and in Zambia respectively, it is clear that co-responsibility envisaged in the Monterrey consensus is possible and this can herald many such processes. The Monterrey consensus in 2002 declared, "Debtors and creditors must share the responsibility for preventing and resolving unsustainable debt situations." Here lies the challenge: Generating the political will to ensure both expanded debt cancellation and responsible lending and borrowing practices in the future.

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