INTERNATIONAL MONETARY FUND AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

ZAMBIA

Decision Point Document for the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative

Prepared by the Staffs of the IMF and IDA[1]

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[1] Approved by Anupam Basu and Russell Kincaid (IMF) and Callisto Madavo and Kemal Dervis (IDA).

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FISCAL YEAR

January 1 - December 31

CURRENCY EQUIVALENTS

Currency unit: Zambian Kwacha (K)
US$1 = 3450 Kwacha (end-October 2000)

WEIGHT AND MEASURES

Metric system

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
ASIP	Agricultural Sector Investment Program
BESSIP	Basic Education Sub-sector Investment Program
BoZ	Bank of Zambia
CG	Consultative Group
COMESA	Common Market for Eastern and Southern Africa
DMFAS	Debt Management and Financial Analysis System
DSA	Debt Sustainability Analysis
EC	European Commission
ESAC	Economic and Social Adjustment Credit
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
FSC	Fiscal Sustainability Credit
GDP	Gross Domestic Product
GOZ	Government of Zambia
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
LCMS	Living Conditions Monitoring Survey
MOFED	Ministry of Finance and Economic Development
MOH	Ministry of Health
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Financial Framework
NPRF	National Poverty Reduction Framework
NWASCO	National Water Supply and Sanitation Council
ODA	Official Development Aid
PER	Public Expenditure Review
PETS	Public Expenditure Tracking Survey
PRGF	Poverty Reduction and Growth Facility

PRSP	Poverty Reduction Strategy Paper
PSCAP	Public Sector Capacity Building Project
PSRP	Public Service Reform Program
SADC	Southern African Development Community
SSA	Sub-Saharan Africa
USAID	United States Agency for International Development
WSS	Water Supply and Sanitation
ZAMTEL	Zambia Telecommunications Company
ZCCM	Zambia Consolidated Copper Mines Limited
ZESCO	Zambia Electricity Supply Company
ZNCB	Zambia National Commercial Bank
ZNOC	Zambia National Oil Company Limited
ZPA	Zambia Privatization Agency
ZRA	Zambia Revenue Authority

I. INTRODUCTION

1. This paper presents a decision point assessment of Zambia's eligibility for assistance under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative). It follows upon a preliminary document on the HIPC Initiative that was discussed by the Boards of the IMF and IDA on July 27 and August 4, 2000 respectively.[2] On the same dates, the Boards also reviewed the joint staff assessment of an **Interim Poverty Reduction Strategy Paper** (I-PRSP) prepared by the Zambian government, which presented plans for developing a comprehensive poverty reduction strategy. In their discussions, both Boards considered Zambia eligible for assistance under the enhanced HIPC Initiative in view of its high indebtedness, its track record of reforms, and its status as an IDA-only country and as a country eligible for assistance under the Poverty Reduction and Growth Facility (PRGF). With respect to the timing of the decision point, the Boards indicated that Zambia could reach the decision point in late November, provided the macroeconomic performance under the PRGF-supported program remained satisfactory. They expected that information on Zambia's performance, as evidenced by the end-September performance criteria, would be available in time for the Board discussion on the decision point.[3]

2. Zambia's economic performance and track record of structural reform continue to justify active support from IDA and the IMF. The program supported by a PRGF arrangement appears to be proceeding in a broadly satisfactory manner thus far.[4] The authorities, in conjunction with civil society, are developing a full poverty reduction strategy and it is anticipated that this participatory process will lead to the finalization of a comprehensive PRSP in the latter half of 2001. Satisfactory progress with implementing and monitoring the PRSP for at least one year would be one of the conditions for Zambia to reach the completion point under the enhanced HIPC Initiative. Reaching the completion point would also require continued satisfactory performance under the PRGF-supported program and the adoption and implementation of a few key structural and social development measures.

II. ECONOMIC PERFORMANCE AND MEDIUM-TERM POLICY CHALLENGES

A. Background and Adjustment Record

Structural reforms and macroeconomic and social policies

3. Zambia's track record of adjustment and reform was discussed in the preliminary document on the HIPC Initiative. This section summarizes the country's main achievements in stabilization, structural reform, and the social sectors and discusses recent economic developments including preliminary information on performance between the preliminary HIPC Initiative document in July and end-September.

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[2] IMF, EBS/00/151 (7/20/00) and IDA/SecR2000-141(7/21/00).

[3] Summings-up by the Chairmen: IMF, BUFF/00/117 (7/31/00), and IDA/R 2000-141/1 (8/8/00).

[4] Section II.A provides a detailed account of macroeconomic performance through September 2000.

4. During much of the past decade, Zambia's overall macroeconomic performance was weak, as reflected in the continuing high inflation, poor growth, and weak external position. In contrast, progress was made in structural reform; in particular, all major market distortions have been eliminated, the role of the government in commercial activities has been reduced, and that of the private sector increased. As a result, Zambia has moved from a position in 1990 when the economy was dominated by state-owned enterprises, government-administered price structures and protective mechanisms to a position today characterized by an open economy in which prices are largely market determined and the greater part of the previously state-owned enterprises have been restructured and divested to the private sector, including the all-important copper company, Zambia Consolidated Copper Mines (ZCCM). Zambia also carried out extensive reforms in its trade and exchange rate regime and has been an active participant in regional integration initiatives.[5] Over the years, Zambia has moved to a market-determined exchange rate policy supported by a liberal exchange control regime.

5. Inflation remains high, and economic growth has not been robust, reflecting mainly weakness in macroeconomic management and inefficiencies of the ZCCM, as well as adverse terms of trade movements. In recent years, the fiscal burden of the ZCCM was particularly high, costing about 6 percent of GDP during 1999, and the government had to assume ZCCM's debt obligations, equivalent to about 19 percent of GDP. However, the privatization of the ZCCM in March 2000 represents a decisive break with past policies. With the steady implementation of new reforms, Zambia is poised to move forward on the accelerated growth path required for poverty reduction and social development.

6. Social indicators are below the average for sub-Saharan Africa. Over the last decade, GNP per capita has fallen and poverty has increased, particularly in urban areas. Health indicators have deteriorated and education indicators have been stagnant over the past ten years. The rate of HIV/AIDS infection is among the highest in the world and has contributed to a sharp decline in life expectancy and to a deterioration of health standards. The HIV/AIDS epidemic affects all aspect of the social and economic fabric. Another recently emerging social problem is the large number of refugees from Angola and the Democratic Republic of Congo. However, in recent years the Zambian government has allocated around 36 percent of domestically financed discretionary public expenditure [6] to social programs; domestically financed social spending accounted for about 19 percent of total public expenditure in 1999.[7] It has also undertaken a

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[5] Based on the Fund's 10-point index of trade restrictiveness, Zambia has moved from 7 ("restrictive") in 1992, to 2 ("open") currently.

[6] Domestically financed discretionary expenditure is defined as total expenditure, less foreign-funded expenditure, domestic interest payments, the allocation for arrears clearance, the civil service wage adjustments, the contingency reserve, civil service retrenchment costs, payments to the Public Service Pension Fund, net lending to ZCCM, and court awards made against the government. In 1999 discretionary expenditure (Table 3) amounted to about 53 percent of total government expenditure.

[7] The Zambian accounts do not permit consolidation of domestically financed and foreign financed expenditures on a functional classification or sectoral basis at this time. Therefore, the analysis in this paper focuses on domestically financed social spending.

number of institutional reforms in social sectors and has put forward a broad strategy for growth and poverty reduction in the I-PRSP. These initiatives are reviewed in Section III below.

Recent developments and macroeconomic performance through September 2000

7. Since the issuance of the preliminary document, indications are that economic activity has been in line with program estimates, reflecting continued growth in agricultural production, and there have been signs of a recovery in mining output. Consumer price index data indicate that the 12-month inflation rate reached about 28 percent in October compared with the PRGF-supported program projection of 21 percent, mainly on account of a steep rise in the cost of fuel and transport. The exchange rate vis-à-vis the U.S. dollar has continued to depreciate, because of the terms of trade shock from higher oil prices and delays in disbursement of balance of payment assistance.

8. Preliminary data through end-August indicate that growth in broad money exceeded the end-December target by some 7 percentage points, owing mainly to a larger–than-expected buildup of net foreign assets by the commercial banks and a larger-than-targeted increase in credit to public enterprises. The buildup of net foreign assets reflected the improved investor sentiment, particularly with respect to the newly privatized copper companies, which are now placing their foreign exchange earnings in the domestic banking system. On the fiscal side, revenue in the quarter through end-September exceeded the program target while expenditures fell short of program estimates, as some expenditures related to the ZCCM were delayed until the fourth quarter. As a result, the target for the domestic fiscal balance through end-September appears to be on track, although the composition of reported expenditure differs from that envisaged in the budget. However, banking system data and the reconciliation of government and commercial bank deposits for end-September are not yet available.

9. Based on the preliminary data available so far, and after adjusting for the delay in balance of payments assistance, it appears that quantitative targets for end-September under the program supported by the PRGF were met for the following: (i) net domestic assets of the Bank of Zambia (BoZ); (ii) the floor on domestic budget balance; (iii) the floor on net international reserves (after adjusting for delays in receipt of donor balance of payments support); (iv) new external payments arrears; (v) the contracting of new medium- and long-term nonconcessional loans; (vi) the ceiling on the stock of short-term external debt; and (vii) new loans collateralized or guaranteed by the government and BoZ for Zambia Electricity Supply Company (ZESCO) and Zambia National Oil Company (ZNOC). Information is not yet available regarding the end-September possible accumulation of new tax arrears from ZESCO and ZNOC, or the stock of domestic payments arrears. However, the end-June stock fell to K 114 billion, compared with the indicative target of K 142 billion, mainly as a result of a cross-cancellation of obligations, in which K 40 billion of government arrears to ZESCO was cleared against overdue payments from ZESCO to the government for the service of government-guaranteed external debt.

10. **Preliminary indications are that all structural performance criteria and benchmarks for end-September were observed.** The BoZ issued a supervisory directive to the Zambia National Commercial Bank (ZNCB) in July to halt the further deterioration of the condition of the bank, and the government has reported that it has abstained from granting new tax reductions, exemptions, rebates, or any other preferential tax treatment to any individual or commercial entity since June this year (both performance criteria under the PRGF program). In addition, the government started publishing the monthly cash allocations to each of the line

ministries in the Ministry of Finance's *Monthly Macroeconomic Indicators,* and a project manager has been appointed to implement the Integrated Financial Management Information System (IFMIS), both benchmarks under the program.

B. Medium-Term Policy Framework

11. **Sustained reduction in poverty remains Zambia's main economic challenge**. The preliminary document on the HIPC Initiative noted that, although there had been a slight decrease in extreme poverty, the incidence of overall poverty had increased since the beginning of economic and structural reform in the early 1990s. In the past, the government has been slow to respond to the challenge; but in recent years there has been a marked improvement in the government's efforts to reduce poverty. Building upon the National Poverty Reduction Framework (NPRF), that was elaborated after extensive consultation with civil society in 1997, the government has prepared an I-PRSP that contains an analysis of the nature and extent of poverty in Zambia, a review of past policies and government strategy for poverty reduction, a firm commitment to poverty reduction, and a detailed outline of the participatory process to be followed in preparing a full PRSP.

12. **The government's medium-term strategy aims at fostering poverty-reducing growth and an increase in the efficiency and equity of social expenditure to ensure that the benefits of growth reach the poor**. The medium-term macroeconomic framework and targets outlined in the government's Interim PRSP and supported by the PRGF program recognize that maintenance of macroeconomic stability and continued pursuit of deregulation and privatization of the economy are critical to achieving these objectives. In the social sectors, the strategy described in the I-PRSP focuses on improving the quality, targeting, and coverage of basic services in education, health, water and sanitation, and the mitigation of extreme poverty. The strategy is supported by existing IMF, IDA, EU, and African Development Bank (AfDB) and bilateral programs and will be further developed by the full PRSP.

13. **The government's main medium-term macroeconomic objectives include raising GDP growth to 5 percent per annum during the period 2000-02 while reducing inflation significantly (Table 1).** This objective will be achieved mainly by providing increased incentives to investment and production and maintaining appropriate macroeconomic policies. While in the near term growth will be supported by a recovery of mining, the main engine in the medium term would be the expansion of nontraditional exports, propelled by output growth in agriculture and services, together with a projected rise in the investment-GDP ratio.

14. **Prudent fiscal and monetary policies aimed at reducing inflation, facilitating growth, and reinforcing social policies will remain the cornerstone of macroeconomic adjustment.** During the period 2000-02, the domestic budget balance will improve, generating a surplus in 2002. The share of social expenditure in total discretionary outlays is expected to increase steadily during 2000-02. A reform of the structure of public expenditure and improvement in expenditure management and control will be key to fiscal sustainability. Zambia is fully committed to maintaining a market-determined exchange rate policy. Based on a strong projected export growth and a substantial inflow of foreign direct investment, the external current account deficit is expected to narrow by about 3 percent of GDP. Foreign reserves would build to a comfortable level by 2002.

Table 1: Macroeconomic Indicators, 1999-2002

	1999 Est.	2000 Prog.	2001 Proj.	2002 Proj.
Real GDP growth (%)	2.4	4.0	5.0	5.0
Inflation (end-period; %)	20.6	19.0	10.0	7.0
Growth in Broad Money (%)	29.2	25.2	15.5	12.4
Domestic budget balance (in % of GDP)	0.4	-2.3	-1.0	0.2
Overall fiscal balance (excluding grants; in % of GDP)	-11.9	-13.6	-14.0	-11.8
External grants (in % of GDP)	7.9	8.0	4.9	4.7
External current account deficit, excluding grants (in % of GDP)	-15.8	-13.6	-13.3	-12.8

Sources: Zambian authorities; and staff estimates included in the PRGF-supported program.

15. **The government's program of privatization, financial sector reform, and further deregulation of the economy is supported by the IDA's adjustment lending and the program supported by the Fund's PRGF arrangement.** Following the privatization of the ZCCM, the main focus of privatization has shifted to large utilities and state monopolies because the government recognizes that competitiveness can be improved only by reducing costs and improving these vital services. These goals can be achieved through a well-designed privatization that will increase efficiency and attract new investment in the sectors concerned. The cornerstone of the program is privatization of the key remaining state-owned enterprises, namely the electricity, telephone, and oil companies (ZESCO, ZAMTEL, and ZNOC respectively). For ZESCO, a study of the modalities of privatization and sector reform was undertaken with technical assistance from the U.S. Agency for International Development (USAID). The Zambia Privatization Agency (ZPA) will review the study and propose privatization options by end-December 2000 for cabinet decision. To improve efficiency in the petroleum sector, the Government has agreed to fully liberalize imports (so that all oil-marketing companies can import petroleum products directly) and retail prices of petroleum products, and to limit the role of ZNOC in managing and controlling strategic reserves of petroleum products (leaving all commercial operations to oil marketing companies). It will also offer for sale a majority controlling interest in the refinery, the oil pipeline and the terminal, as a package, to a strategic partner or group of partners. Moreover, the government will soon tender the granting of concessions for the railway system. In addition, a substantial share of the state-owned telecommunications company ZAMTEL (which no longer has a domestic monopoly) will also be offered for sale to a strategic partner. The IDA is supporting the program for privatization as part of its adjustment and other sector and project assistance.

16. **In response to the continued weakness of the largest state-owned bank, the ZNCB, and the potential financial burden, the government plans to restructure the bank and privatize it.** A study of the modalities for privatizing the ZNCB has been initiated and will also be reviewed by the ZPA and submitted by end-December 2000 to the cabinet for decision. The efficiency of the financial system will be enhanced by improved prudential regulation and supervision of the banking system. This improvement includes revoking licenses of insolvent banks, denying bailouts, limiting deposit protection, strengthening loan recovery efforts, and upgrading the training and incentives of bank supervisors.

17. **The country's poverty reduction strategy emphasizes the need to improve the quality of human capital, expand poverty reduction programs and strengthen social safety nets.** It also supports faster growth as an essential component of poverty reduction through infrastructure rehabilitation, rural development and food security. In that context, the ongoing public expenditure review will help identify priorities in social sectors and support the PRSP process.

C. Medium-Term Expenditure Issues

18. **Consistent with its Interim PRSP, the government intends to channel funds freed by the HIPC Initiative debt relief toward poverty reduction programs.** The strategic allocation of resources to poverty reduction is expected to be undertaken in the context of a medium term expenditure framework (MTEF). As the current medium-term financial framework (MTFF) developed by the Ministry of Finance does not have political approval and is independent from the budget cycle and process, it has not yet been effective in achieving meaningful prioritization either within sectors or across them. The problems with the MTFF are rooted in the fact that its sector expenditure limits are set by the Ministry of Finance and Economic Development without any commitment from the cabinet or parliament.

19. **With support from the IDA's Public Sector Capacity Building Project (PSCAP), the Zambian authorities intend to develop an effective MTEF that is approved by the Cabinet, and encompasses expenditure financed from both domestic and donor resources.** The MTEF will be a tool that unites policy, planning, and budgeting at the sector level across all levels of government. Policy and planning will begin with a fully participatory and financially viable PRSP that translates broad policies laid out in a national vision into more specific financial priorities within a three-to five-year budgetary framework. Once operational, the MTEF should facilitate budget preparation and the shift of resources from activities of low priority to those of higher strategic priority. It will also help place the discussion of sector policy issues within a framework of cost-effectiveness.

20. The government recognizes that future implementation of the annual budget within the MTEF and strict adherence to agreed spending priorities in favor of social sectors and infrastructure will require improvements in the efficiency and transparency of the budget operations, including enhanced financial management and control. To this end, the government is implementing a series of measures to improve expenditure controls and budgetary discipline, supported by the PRGF program and the Fiscal Sustainability Credit (FSC) of the IDA. To improve predictability in spending by line ministries, the cash release system will be modified by introducing a quarterly cash allocation plan to ensure that monthly cash releases will amount to at least 80 percent of the budget allocation. This will allow the ministries to plan their activities for the entire quarter. To improve expenditure control, the government has undertaken measures that include (i) establishing a commitment-monitoring unit in the Ministry of Finance, with technical assistance from the IMF, which is responsible for coordinating the monitoring and control of commitments and arrears; (ii) enforcing the regulation requiring controlling officers to inform the Ministry of Finance in writing when they receive a directive to commit resources that exceed budgetary provision or cash allocations; (iii) sending written directives to all controlling officers setting out their responsibility for monitoring and controlling expenditure, and indicating the disciplinary steps that will be taken against controlling officers who continue

to accumulate arrears; and (iv) sanctioning line ministries that violate the 10 percent rule[8] or fail to report commitments by withholding cash releases. In the longer term, a key part of the solution to the problems of budget management is the implementation of the integrated IFMIS. To this end, the government has appointed a project manager to design and coordinate its implementation with assistance from the IMF. IDA, under its PSCAP and in the context of its FSC, is also providing technical assistance. Finally, bilateral donors have made major efforts; the European Union, in particular, has assisted with improved expenditure management and control.

21. Steps have already been taken to initiate a reclassification of the budget along functional lines beginning with six ministries on a pilot basis and will be extended to other ministries including health and education. Implementation of the functional classification (including activity-based budgeting) will also enable the government to undertake effective tracking of expenditure. The measures contemplated are spelled out in more detail in Section V.

D. Governance

22. In the past, governance issues were addressed mainly by reducing incentives and opportunities for rent seeking, including liberalization of the economy and privatization. The government now recognizes some shortcomings of its policies with respect to the rule of law, transparency, accountability, and management of public resources. The authorities have indicated that further deregulation and privatization will eliminate some of the major remaining governance problems in Zambia. However, the government has also undertaken a number of other measures to improve economic governance, including an improvement in the management and control of public expenditure, a consolidation of government bank accounts, and an audit to investigate the discrepancy between realized export prices from ZCCM cobalt sales in 1998-99 and world market prices. In addition, measures have been taken to decentralize management in such important sectors as education and health, and to strengthen the participation of the local communities. The government has also launched a National Capacity Building Program for Good Governance, which includes actions to improve the capacity of the executive, legislature, and judiciary, as well as the institutional capacity for better management of public resources and implementation of economic reforms, deregulation, and privatization.[9]

III. A Strategy for Poverty Reduction

A. Overview

23. In 1998, Zambia had a per capita GNP of US$380, and almost three-fourths of the population was living in poverty. Tables 2, 3, and 4 show a combination of declining or stagnating social indicators over the decade, although the incidence of extreme poverty has eased somewhat. Much of the deterioration has been concentrated in urban areas, owing to the decline

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[8] Outstanding commitments at any time must not exceed 10 percent of the annual spending warrant limit.

[9] “National Capacity Building Programme for Good Governance in Zambia”, a report published in March 31, 2000.

in mining activity, public sector layoffs, and a depressed manufacturing sector. In the context of the PRSP under preparation, the government intends to foster urban micro enterprises and the informal sector, improve urban infrastructure and develop skills through training and vocational education. Rural poverty rates have fallen recently, but poverty remains very widespread because of geographic isolation, poor physical infrastructure, and low agricultural production and income. Further details on the nature and causes of poverty and government strategy to reduce poverty are provided in the I-PRSP and in the preliminary document.

Table 2: Poverty Trends, 1991-98 1/

	1991	**1993**	**1996**	**1998**
National Incidence (%)	69.7	73.8	69.2	72.9
Incidence of extreme poverty (%)	62.2	60.6	53.2	57.9
Rural Poor (% rural population)	88.0	92.2	82.2	83.1
Urban Poor (% urban population)	48.6	44.9	46.0	56.0
Income Distribution (Gini Coefficients)	0.59	0.51	0.50	0.53

Source: Central Statistical Office.

1/ Zambia's poverty line is based on the cost of acquiring a minimal food and non-food basket of items. In 1998, households with monthly adult equivalent expenditure of less than US$25 (which corresponds to a minimal food and non-food basket) were considered poor. Households with monthly adult equivalent expenditure of less than US$18 (which corresponds to a minimal food basket only) were considered extremely poor.

24. The strategy outlined in the government's I-PRSP integrates policies to foster growth, improve access to, and quality of, services, and promote more efficient public sector management. It also includes cross-sectoral policies to address problems relating to HIV/AIDS, the environment, human rights, and gender, as well as a special program to reduce urban poverty. Zambia is preparing a full PRSP in the context of a broadly based participatory process involving the government and civil society. The government expects the process to be completed in the latter half of 2001. The full PRSP will provide a more detailed and prioritized list of policy actions, that are fully costed and compatible with available resources. A public expenditure review (PER) has been initiated with IDA collaboration and will contribute to the PRSP by analyzing the level and nature of expenditures and public services that reach the poor.

25. In addition to the macroeconomic policies and structural reforms detailed in the preliminary document and summarized above, the government will strengthen policies to promote growth for the particular benefit of the rural poor. These include policies to improve agriculture, road networks, water supply, and rural electrification. An Agricultural Sector Investment Program (ASIP) was launched in 1995 with the aim of providing infrastructure to support sustainable, small-scale farming, and an Environmental Support Program was introduced to foster community-based projects. There have also been initiatives in support of small-scale enterprises. However, it will now be important to build on these initiatives by preparing and implementing an integrated rural development strategy. This will require increasing the share of expenditure for critical public services in agriculture (research, extension, and animal health programs) and ensuring that a greater share of resources for road maintenance reaches rural areas.

Table 3: Zambia: Share of Social Expenditures, 1996-99 1/

(percent of domestically financed discretionary spending)

	1996	1997	1998	1999
Education and training	18.0	18.3	17.4	18.5
Health	13.0	12.9	13.1	13.7
Social security and welfare	1.3	1.6	1.1	1.2
Water and sanitation	3.1	1.6	2.4	2.0
Other social expenditure	0.3	0.1	0.2	1.1
Total social expenditure	35.8	34.4	34.2	36.4
Discretionary expenditure in percent of total expenditure	57.0	64.3	49.6	52.9

[1] Share in domestically financed discretionary government expenditure. Social sector expenditure is defined as current and capital expenditure on health, education, social safety net, water and sanitation, and disaster relief.
Source: MOFED.

26. Zambia has made considerable efforts to increase and subsequently maintain the shares of education, health, social welfare, and water and sanitation and other social expenditure in the domestically financed budget. The combined share increased from 22 percent in 1991 to 36 percent in 1996, and reverted to that latter level in 1999 after a slight dip in 1997-98 (Table 3). However, despite the relatively high budgetary allocations to these sectors compared with other sectors, outcomes have been disappointing. The major reasons have been related to the HIV/AIDS epidemic and low public sector efficiency and quality of service.

B. Education Sector Strategy and Program

27. A depressed economy and the escalating impact of the HIV/AIDS pandemic have had a negative impact upon the education system in Zambia. Literacy and primary school net enrollment rates remained low during the 1990s, at 38 percent and 68 percent, respectively (Table 4). HIV/AIDS has aggravated staffing shortages in schools and reduced the ability of households to afford education, forcing children to stay out of school to care for sick household members or to replace lost household income. Moreover, the decline in expectations and opportunities for formal sector employment has eroded parents' perception of the importance of education.

28. **In response to these developments, the government launched a Basic Education Subsector Investment Program (BESSIP) to increase enrollment and improve the overall performance of basic education**. Low teacher salaries have been a major impediment to the recruitment and retention of teachers, particularly in underserved rural areas. A major objective is to improve teaching quality by phasing out and eventually eliminating untrained teachers from the education system, increasing the number of trained teachers, raising teachers' salaries above the poverty line, and improving teaching conditions, especially in rural areas. Plans are also in place to correct the imbalance in teaching staff between urban areas and underserved rural areas. With that in mind, the government has discontinued the practice of staffing some urban schools at levels above the established staffing norms.

Table 4. Zambia: Main Education and Health Indicators, 1991 and 1998

Indicator	1991	1998[1]	SSA[2] (1998)
Illiteracy rate, adult total (% of people 15+)	37	38	…
School enrollment, primary (% net)	68	68	…
School enrollment, secondary (% net)	20	23	…
Life expectancy at birth, total (years)	51	44	50
Mortality rate, infant (per 1,000 live births)	107	109	92
HIV infection rate (% of adults)	…	20	7.3
Access to safe water (% of population)	50	50	…
Immunization rate (measles/DPT)	77	87	55
Nutrition (% under 5 chronically undernourished)	39	53	…

Sources: 1991 SDA Priority Survey; 1998 Living Conditions Monitoring Survey; 1992 and 1996 Zambia Demographic and Health Surveys

[1]Or most recent year available.
[2]World Development Indicators 2000. SSA: sub-Saharan Africa.

C. Health Sector Strategy and Program

29. As with education, health indicators in Zambia have suffered greatly from economic decline and the escalating HIV/AIDS epidemic. It is estimated that some 20 percent of the adult population in Zambia is HIV infected. Urban areas are particularly hard hit, with 29 percent of the adult population infected. Nearly 13 percent of children under 14 years are orphans—the highest percentage in the world—and child-headed households are growing in number. Malaria and TB incidence rates have also increased as a result of the AIDS epidemic.

30. The focus of the government's current health policy is on providing essential, cost-effective health care, building an institutional capacity to manage health services at the district level, and improving health system logistics. These objectives can best be achieved within a framework of financial management that is decentralized to district health boards responsible for providing basic health care. Finance for the expansion of service delivery would come from efficiency gains, from the reallocation of resources from lower-priority ministry and hospital expenditures, and from an increase in the share of health spending in the total budget.

D. Other Social Programs

31. **Complementary to these efforts, there is an urgent need to improve Zambia's access to clean water and sanitation, especially in urban areas**. This can be achieved only if measures are taken to strengthen urban water management, rehabilitate water and sewage facilities, and increase water fees and collection to enable water companies to operate on a commercial basis. A Water Supply and Sanitation (WSS) sector reform was established in 1994 but has not yet been fully implemented. In particular, clear statutory instruments need to be enacted to transfer WSS utilities from local authorities to commercialized utilities. The government's stated objective is for 100 percent of the urban population and 50 percent of the

rural population to have clean water by 2004, but this target may be overly ambitious if institutional constraints are not effectively addressed.

32. **The government has sought to supplement its longer-term social programs with additional measures aimed at providing a social safety net and emergency assistance**. These have included public welfare assistance schemes, food-for-work programs, and microfinancing facilities. One of the most successful of these initiatives in recent years has been the Social Recovery Fund Program, which provides basic social infrastructure, such as additional classrooms, health clinics, and boreholes to supply clean water to poor communities, based on the communities' own determination of their needs, as well as their willingness and ability to contribute to costs. Following up on these initiatives, IDA has recently extended support for a Social Investment Fund.

IV. Debt Sustainability Analysis and HIPC Initiative Assistance

33. The debt sustainability analysis (DSA) presented in this section is an update of the one presented in the preliminary document. The preparatory work and the update were done on a tripartite basis by the government, IMF, and the IDA. The loan-by-loan reconciliation process has been completed for about 90 percent of the debt stock as of end-1999. As a result of the reconciliation process to date, debt stock has been revised upwards slightly. At end-1999 Zambia's external public and publicly guaranteed debt is estimated at about US$6.5 billion. In NPV terms the total debt is estimated at about US$5.2 billion equivalent to about 160 percent of 1999 GDP.[10]

34. There is relatively little change in the overall structure of the debt from the structure presented in the preliminary document (Table 10). Multilateral creditors account for 53 percent of the overall NPV of debt after full use of traditional debt relief mechanisms. Bilateral creditors account for 46 percent of the total debt (in NPV terms), of which the Paris Club has the largest share (44 percent). By order of ranking, the IMF still has the largest share (24 percent), followed by Japan (20 percent), and the World Bank Group (20 percent) (Figure 2).

35. The macroeconomic assumptions underlying the DSA (Table 9) are unchanged from the preliminary document. Table 11 shows the revised amount of HIPC Initiative assistance which now stands at US$2.50 billion, or US$31 million more than in the preliminary document. The common reduction factor would be 62.6 percent, compared to 62.3 percent estimated in the preliminary document.[11]

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[10] After full use of the traditional debt relief mechanism, Zambia's external public debt in NPV terms is estimated at about US$4 billion, or about 475 percent of its exports.

[11] Zambia's debt management system and issues are discussed in detail in Appendix II of the preliminary document.

Box 1. Zambia: Main Changes in Debt Data since the Preliminary Document

The end-1999 stock of debt has been revised upwards from US$6.25 billion in the preliminary document, to US$6.46 billion. Similarly, the NPV of debt after a hypothetical Naples terms stock-of-debt operation is higher by US$31 million. This results in an increase in HIPC Initiative assistance from US$2.47 billion to US$2.5 billion.

These differences are due primarily to the following:

- The present DSA is based on the use of the debt reduction (DR) option for all bilateral creditors under the traditional debt-relief mechanisms (Naples stock-of-debt operation). In the preliminary document, the debt service reduction (DSR) option was used for some creditors.
- Data were revised following the reconciliation exercises with several bilateral creditors. Disbursements by bilateral creditors in 1999 and arrears accumulated during 1999 had not been reflected in the preliminary document.

A. Sensitivity Analysis

36. As in the preliminary document, the following assumptions were adopted to simulate a possible downside scenario: (i) lower export volume growth (by 1 percentage point) in copper and copper products from 2001 onward; and (ii) lower copper prices, resulting in terms of trade less favorable than those assumed in the baseline scenario by a factor of 3.3 percentage points each year over the period 2001-05 and a gradual recovery thereafter toward the trend of the baseline. The impact of combined volume and price shocks on copper exports would be to raise the overall NPV of debt-to-exports ratio by an average of 44 percentage points over the baseline during the projection period.

37. With the same assumption of new borrowing as under the baseline case, the NPV of debt, under both of these downside export scenarios would remain above 150 percent of exports through 2020. The debt-service ratio would be on average 1.4 percentage points higher than that of the baseline scenario and would fall below 10 percent from 2005 onward, stabilizing at about 4-5 percent from 2013 onward (Table 12).

B. Assistance Under the Enhanced HIPC Initiative

38. The total amount of assistance required to bring the ratio of NPV of debt to exports to 150 percent at end-1999 is US$2.5 billion in NPV terms. Based on proportional burden sharing, multilateral creditors would provide US$1.3 billion (about 53 percent of the assistance) while official bilateral creditors would provide US$1.1 billion (about 46 percent); commercial bank creditors would contribute less than 1 percent (US$23 million) of the total assistance under the enhanced HIPC Initiative. In calculating the relevant amount of assistance the following assumptions were made (Table 13).

- **Floating completion point:** For purposes of calculating interim assistance, it has been assumed that Zambia could fulfill all the conditions outlined in Box 2 and reach the completion point in 2003.

- **Paris Club creditors.** Paris Club creditors are expected to grant a flow rescheduling under Cologne terms starting in January 2001 on pre-cutoff-date debt. This would top up the flow rescheduling under Naples terms already given by Paris Club for debt service due until end-March 2002. By 2003, Paris Club creditors would implement a stock-of-debt operation under Cologne terms.[12]

- **Non-Paris Club official bilateral and commercial creditors** are assumed to extend relief on terms at least comparable to those of Paris Club creditors.

- **The IMF.** The total amount of IMF assistance is US$602 million in NPV terms. The IMF would provide interim assistance of up to 75 percent of total assistance (evenly distributed over three years, 2001-03) soon after the decision point, estimated at US$452 million in NPV terms, the amount possible under exceptional circumstances as provided in the amended PRGF-HIPC Trust Instrument (Table 15). The remainder of the assistance will be provided after the completion point. The drawdown of the assistance is expected to follow a profile that would smooth the debt service due to the IMF. Since 1996, Zambia's debt service obligations to the IMF have been limited to interest and charges of some US$7 million annually. Zambia's debt service obligations to the IMF in 2001-05 are projected to rise sharply, stemming from the expiration of the grace period on principal payments on PRGF/Structural Adjustment Facility (SAF) loans related to the clearance of arrears to the IMF under the rights accumulation program (RAP) in 1995. An increase in debt-service payments after HIPC Initiative assistance is, therefore, unavoidable. Starting in June 2001, Zambia's annual obligations to the Fund will rise from less than US$10 million a year in 1998-2000 to about US$219 million in 2001 using the US$/SDR exchange rate at November 30, 2000 (Table 15). After assumed HIPC Initiative assistance from the IMF with an exceptional front-loading of interim assistance (25 percent IMF HIPC Initiative assistance per year), Zambia's annual debt service obligations to the IMF would be about US$65 million (5 percent of exports) through 2003, rising to about US$111 million in 2004-05 before declining sharply thereafter.

- **IDA** assistance to Zambia under the enhanced HIPC Initiative would be for a total of US$487.8 million in NPV terms.[13] The proposed modality would provide US$60.7 million or about 12 percent of the required reduction in NPV of debt during the interim period, and the remaining after the completion point. The IDA's HIPC Initiative assistance would be equivalent to a total debt-service saving of US$885 million (Table 16). Immediately following the approval of Zambia's decision point by the Boards of the IDA and the IMF, the IDA would begin providing interim assistance by reducing

[12] Zambia has benefited from seven debt-rescheduling agreements with the Paris Club since 1983, when the cutoff date of January 1, 1983 was agreed. The most recent agreement on Naples terms with Paris Club creditors in April 1999 provided for forgiveness or rescheduling of about US$1 billion of arrears and new maturities falling due during the consolidation period of April 1999–March 2002. Russia and Japan, however, still need to sign bilateral agreements on this.

[13] The IDA's assistance under the enhanced HIPC initiative will cover the exposure to Zambia of both the IDA and the IBRD. The IDA's exposure represents 96 percent of the NPV debt due to both the IDA and the IBRD.

Zambia's debt service to the IDA by 84.2 percent. In any case, the amount of interim relief would not exceed one-third of the overall relief to be provided by IDA. [14]

- **The African Development Bank (AfDB)** would deliver interim assistance from the decision point onward to a maximum of 40 percent of total assistance in NPV terms (estimated at US$146 million). It is estimated that enhanced HIPC Initiative assistance would cover 80 percent of AfDB debt service starting in 2001 for the period 2001-22. Nominal assistance from the AfDB is estimated at US$18 million per annum over the period 2001-06 and US$7 million per annum on average for the rest of the delivery period.

- **Other multilaterals**, including EU and IFAD would implement debt relief in accordance with their modalities yielding debt service relief of about 90 million in NPV terms, and on average US$8 million per annum during 2001-10.

39. A baseline time profile for the delivery of HIPC assistance has been projected to reflect the current status of consultations with creditors. On the basis of the above assumptions, the HIPC debt service relief in nominal terms[15] would amount to an average of about US$250 million per year over the period 2001-2005 and over US$119 million per year over the period 2006-10 for a cumulative US$1855 million in debt service relief (Table 14). This would be equivalent to an average of 10.4 percent of exports per annum, over the next 10 years. During the 2001-2004 period, however, the debt service due after full delivery of HIPC assistance will be higher than the total amortization and interest payments actually made by the Zambian authorities in the past two years (Table 14). It should be noted that taking account of new disbursements anticipated under the PRGF, the Fund would continue to make positive transfers to Zambia on a net basis throughout the period of the PRGF arrangement (2001-03). Despite the increase in Zambia's total debt service, there will be budgetary savings under the HIPC Initiative to allow an increase in poverty reduction expenditure (Section V.B). The debt service ratio would gradually fall from 16 percent in 2000 to 12 percent in 2005, then drop to 5-6 percent throughout most of the projection period. Additional assistance beyond the HIPC Initiative from several bilateral creditors is expected to lead to savings in debt service payments of US$4-5 million annually in 2001-03 and over US$30 million annually after the completion point.[16] Nevertheless, the Zambian authorities have maintained that debt service payments after HIPC relief should be lower than in the recent past, thereby resulting in actual cash savings for the finance of additional poverty reduction programs. They have requested creditors to consider front-loading assistance so as to provide these cash savings. If creditors and donors were to provide additional relief of some US$30-40 million annually, this would release additional funds equivalent to about one percent of GDP for poverty reduction programs. In this context, the

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[14] The 84.2 percent debt service reduction covers the debt service falling due on disbursed and outstanding IDA credits as of end-December 1999 and is calculated using the end-December 1999 SDR-US$ exchange rate.

[15] That is the difference in debt service between the position following full use of traditional debt relief mechanisms and that after the delivery of enhanced HIPC assistance.

[16] In NPV terms the total assistance beyond HIPC Initiative is estimated at US$ 672 million.

Netherlands has indicated that it will furnish US$20 million to the HIPC Trust Fund to be used for Zambia's debt service payments.

C. Consultation with Creditors

40. The IMF and IDA staffs have initiated consultations with the multilateral and bilateral creditors of Zambia. The consultations included the regular meeting of multilateral creditors to HIPCs hosted by the Bank in October 2000. All multilateral creditors to Zambia have indicated their willingness to provide Enhanced HIPC Initiative assistance by the completion point once the decision point has been agreed, though formal decisions on delivery will follow. Paris Club creditors have also indicated their intention to provide a flow rescheduling on Cologne terms at the decision point. The Zambian authorities have contacted non-Paris Club creditors regarding

Table 5: Zambia: Debt Service Paid and External Flows 1990-1999

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Debt service paid, US$ million[1]	290	655	354	326	409	1,584	319	217	147	136
Debt service paid in % of exports of goods and non-factor services	21.6	56.0	29.6	31.2	34.8	120.4	28.7	17.6	16.0	16.2
Debt service paid in % of GDP	7.7	19.4	10.7	10.0	12.2	45.7	9.7	5.6	4.6	4.3
Debt service paid in % of Government Revenue	38.2	103.7	58.3	63.2	60.9	230.2	47.1	27.9	24.4	24.5
Gross external inflows (including Rescheduling)	-	-	1,106	795	550	1,816	510	401	297	511
Of which:										
IMF	-	-	0	0	0	1,264	0	14	0	14
IDA	3	213	174	174	186	209	181	169	43	156
Net external flows (official)	-	-	752	469	141	232	191	184	150	375

Sources: MoFED, IMF and IDA staff estimates.

[1]The hump in debt service in 1991 and 1995 is due to repayment of arrears to international multilateral institutions, much of which was offset by new disbursements to Zambia.

data reconciliation and the provision of comparable debt relief under the HIPC Initiative. Paris Club and multilateral creditors together account for about 97 percent of the NPV of total debt after full application of traditional debt relief mechanisms.

V. Modalities and Conditions for HIPC Assistance

A. The Floating Completion Point

41. The delivery of assistance under the enhanced HIPC Initiative is linked to satisfactory performance in the areas of macroeconomic management, structural reform and poverty reduction in accordance with objectives and strategies presently set out in the I-PRSP and later to be more thoroughly articulated in a full PRSP. In discussions between the Zambian authorities and the staffs of the IDA and the IMF concerning the completion point, attention was focused on a strategic set of actions to foster growth and to address the challenges of poverty reduction. The specific actions identified in Box 2 will complement or reinforce reforms and policies included in the program supported by a PRGF arrangement as well as in ongoing operations with the IDA.

42. In the area of structural and institutional reform, particular attention has focused on the issue of expenditure management and control. Improved expenditure control will enhance the overall efficiency of the public sector and thereby improve prospects for growth. Also, better management and control will be necessary if the medium-term benefits of the HIPC debt relief are to be effectively channeled toward projects and programs targeted at poverty reduction. Hence the implementation of a medium-term expenditure framework (as a tool for prioritization of expenditure over three years, channeling adequate funds to social and poverty related expenditure, and as a framework for the annual budgeting exercise) and progress in the introduction of an IFMIS, at least on a pilot basis in three ministries and mid-term review of the pilot program, have been identified as conditions for reaching the floating completion point.

43. Attention has also focused on the need to complete the program of divestiture in order to reduce the fiscal burden of public enterprises and extend the provision and quality of essential services. In that context the privatization of ZESCO, the national power company, is particularly important in order to improve efficiency, reduce tariffs, and facilitate future economic growth. Privatization of ZNCB is considered essential to address the weakness of the bank and to relieve the government of a financial burden. The issuance of bidding documents for the sale of a majority (controlling) interest for both institutions has been identified as a condition for reaching the floating completion point.

44. The escalating HIV/AIDS pandemic has been singled out as an especially urgent issue which impacts all sectors of the economy and society. The government has identified two areas for priority action. First, the secretariat to the National HIV/AIDS Council must be fully staffed. This will be a condition for reaching the floating completion point. Second, awareness and prevention programs will be introduced throughout the public sector. By the completion point at least ten ministries will have awareness and prevention programs in place.

45. Basic education has been identified as a key element in the government’s strategy for poverty reduction and the problems confronting the education sector have been reviewed in section III above. Clearly a wide range of initiatives is required to improve the performance of the education sector. For purposes of reaching a floating completion point, three specific actions have been selected as being particularly important to the goal of poverty reduction. First, there is a need to increase the share of education in the domestically financed discretionary budget and, although the proposed increase is a modest 2 percent, if well targeted it will have a major impact upon the delivery of basic educational services. Second, there is a need to address the special needs of under-served rural areas by increasing the starting salaries of teachers in rural areas, and third, an action plan must be devised to retain students in under-served districts.

Box 2: Key Reforms and Objectives for Reaching a Floating Completion Point

Poverty Reduction

- The adoption of a PRSP to be prepared through a participatory process, and satisfactory progress with implementing and monitoring the PRSP for at least one year based on an annual report.

Social sectors

- **Progress in combating HIV/AIDS**
  - full staffing of secretariat to National HIV/AIDS/STD/TB Council;
  - integrate HIV/AIDS awareness and prevention programs in the pre-service and in-service programs of at least ten key ministries.

- **Progress in education sector reform as indicated by:**
  - increasing the share of education in the discretionary budget from 18.5 percent in 1999 to at least 20.5 percent;
  - raising the starting compensation of teachers in rural areas above the poverty line for a household, as defined by the Central Statistical Office;
  - an action plan for increasing student retention in Northern, Luapula, Eastern, Northwestern, and Western Provinces.

- **Progress in health sector reform as indicated by:**
  - implementation and scaling-up of an action plan for malaria;
  - procedures and mechanisms for the procurement of drugs re-organized to be fully transparent and efficient;
  - timely release of complete, detailed, annual health expenditure data;
  - actual cash releases to District Health Management Boards shall be at least 80 percent of the amount budgeted.

Macroeconomic and structural reforms

- Maintenance of a stable macroeconomic environment as evidenced by satisfactory performance under a program supported by PRGF arrangement.
- Implementation by MoFED of an Integrated Financial Management Information System (IFMIS) on a pilot basis for at least three ministries and a mid-term review of the pilot program.
- Implementation of a Medium-Term Expenditure Framework prepared by MoFED and approved by the Cabinet.
- Restructuring and issuance of international bidding documents for the sale of a majority (controlling) interest in the power company, ZESCO.
- Issuance of international bidding documents for the sale of a majority (controlling) interest in the Zambian National Commercial Bank.

46. Health care is yet another area of special significance for poverty reduction. To address the serious shortcoming in financial management within the health sector, and as a condition for reaching a floating completion point, measures are proposed to decentralize financial management within the sector and secure the financial viability of District Health Management Boards. A condition for reaching the floating completion point is that the amount actually released to the districts should not be less than 80 percent of the budgeted amount. At the same

time, procedures for the procurement of drugs are to be made more transparent and efficient in the interests of better financial management.[17] Also in the health sector, existing action plans to combat malaria will be scaled up to meet the increasing threat from this disease. Specifically that would mean (i) issuing guidelines on the most effective first line treatments, (ii) increasing access to first line treatment drugs, (iii) issuing guidelines on the use of impregnated treated materials (ITMs), and (iv) increasing access to ITMs. Finally, measures will be taken to make annual health expenditure data more promptly available. Whereas, at present, there is a considerable lag before data of actual expenditures are made public, it will be a condition for reaching the completion point that they be available within a year. The monitoring and control mechanisms considered in section V. C would be employed to that end.

B. Post-HIPC Poverty-Related Spending

47. A sharp increase in overall external assistance to Zambia in 2001, including debt relief under the HIPC Initiative (amounting to US$278 million) will facilitate a substantial increase in social spending in the context of the government's overall economic program to restore growth and effectively target poverty reduction. As indicated in Table 6, social-sector expenditure could rise from 4.5 percent of GDP targeted under the 2000 program to about 7.2 percent of GDP in 2001 as a result of HIPC Initiative assistance.[18] Without HIPC debt relief, by contrast, Zambia would be unable to pay its very large debt service obligations due in 2001, leading to a possible buildup of arrears which in turn would threaten all sources of external financing.

48. The government plans to channel additional budgetary resources provided by HIPC debt relief to programs to improve inadequate physical infrastructure, low productivity in agriculture, poor access to basic services, and for human resources development. Where appropriate, the government will solicit the support of donors, NGOs, and stakeholders to help implement key poverty programs. For 2001, the authorities, in consultation with the IDA, are identifying specific areas in education, health, and rural development where additional resources could be productively spent. In support of this broad objective, the authorities need to guard against expenditure pressures in less productive areas.

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[17] In that context, transparency would be measured by the proportion of procurement expenditures for which full documentation is made public. Efficiency would be measured by (a) comparing the cost of goods procured with international prices, (b) monitoring the time required to complete the procurement process, and (c) monitoring the proportion of procurement put out to tender.

[18] This estimate for 2001 gives a broad indication of the allocation of resources released by the HIPC debt relief directly to poverty reduction efforts, rather than a target that has been agreed in the context of the 2001 budget. Substantial debt service payments are due even after HIPC Initiative assistance. However, the additional resources released directly to the government budget, equivalent to about 3.3 percent of GDP, would be used mostly to increase domestically financed social expenditures. It should be noted that these include increased spending on rural programs not generally classified as social sector spending.

Table 6: Fiscal Impact of HIPC Assistance

(in percent of GDP)

	1999 Est.	2000 Prog.	2001 1/ 2/ Proj.
Revenue and Grants	25.5	26.7	26.5
Expenditure	29.5	32.3	34.6
(*of which* social expenditure) 3/	5.3	4.5	7.2
Current Expenditure	15.1	15.8	19.3
(*of which* social expenditure) 3/	5.0	4.4	7.0
Capital Expenditure	10.5	10.7	11.3
(*of which* social expenditure) 3/	0.3	0.1	0.2
Other 4/	3.9	5.8	4.1
Overall balance (cash basis)	-4.0	-5.6	-8.1
Financing	4.0	5.6	8.1
Domestic	1.0	0.4	-1.5
External 5/	3.0	5.2	6.3
HIPC Initiative assistance channeled to budget	…	…	3.3
Memorandum item:			
Total savings from HIPC Initiative Assistance:			
Compared with total debt service due in 2001	...	...	8.1
Compared with total debt service projected in 2000	...	...	0.3
Savings to government budget from HIPC Initiative Assistance:	…	…	3.3
Compared with budget debt service due in 2001			
Compared with budget debt service projected in 2000	…	…	2.3

Source: Zambian authorities; and staff estimates and projections included in the PRGF supported program.

[1] Ideally the scenario for 2001 would also include a comparison with a counterfactual excluding HIPC assistance. However, in the case of Zambia, such a scenario would not be meaningful, since meeting scheduled debt service would not be feasible.

[2] Without HIPC assistance debt service due from BoZ to the IMF would be US$234 million, using the end-December 1999 US$/SDR exchange rate. With HIPC assistance of US$161 million, the net repayment due to the IMF would amount to US$73 million (see tables 14 and 15). IMF disbursement during 2001 under the PRGF arrangement would amount to a further US$139 million. Thus the BoZ would be able to meet its obligations to the IMF.

[3] Excludes directly donor financed expenditures.

[4] Net transfers to ZCCM, contingency, payment of arrears, change in balances and statistical discrepancy.

[5] Excludes HIPC Initiative assistance.

49. Priorities for expenditures in health, education, and other areas related to poverty reduction would be articulated in the full PRSP, building upon existing programs such as BESSIP, which are already in place. It would also be necessary for the PRSP to identify detailed procedures for channeling resources freed by debt relief to the poor and for monitoring the process. The framework for incremental revenue use in social sectors includes:

- **education sector**: school rehabilitation and construction, budgetary transfers to district level school boards, assistance to students from poor families, including through grants and book lending programs, and raising the salaries of teachers in under-served rural areas.

- **health sector**: rehabilitation of sub-standard health facilities; reinforce programs to combat HIV/AIDS and malaria and support for NGO activities in those areas; immunization programs; increased resources for maternal and child care; and streamlining procurement procedures for medical supplies.

- **water supply**: assuring the provision of clean water through the rehabilitation and drilling of new wells, development of local water supply institutions (engineering, construction and operations), and improvement of waste collection.

- **rural development**: improvement of extension services to farmers, liberalizing the procurement and distribution of fertilizer, construction and maintenance of rural roads, implementation of the rural electrification program.

50. A detailed HIPC spending program will be prepared in the context of the 2001 budget and published. These expenditures will be subject to the monitoring and control procedure outlined below. For periods beyond 2001 the HIPC spending program will be consistent with the PRSP.

C. Monitoring and Control Mechanisms

51. The present system of expenditure monitoring and control in Zambia has a number of shortcomings which are to be addressed and remedied so that the utilization of savings from HIPC debt relief can be tracked effectively.

52. The government has taken several initiatives to address the weaknesses in its monitoring and tracking of commitments and expenditures. Several workshops on commitment control were held in line ministries. It has undertaken a public expenditure review (PER) jointly with the World Bank and intends to repeat the exercise annually and to link it to the budgetary exercise within an improved MTEF. The Budget and Economic Affairs Division of MOFED and the Accountant General's Office have initiated plans to reform existing, and develop new budget classifications to facilitate better and more detailed analysis and meaningful monitoring of expenditure. The new classification will be introduced in six ministries beginning 2001. However, the heart of any improvement in expenditure monitoring has to be the development of an Integrated Financial Management Information System (IFMIS). IFMIS will be tried in at least three ministries on a pilot basis and a plan will be developed to implement it in all government agencies.[19] The full implementation of IFMIS will, however, take a number of years.

53. As an interim measure to improve the targeting of public and donor resources to intended recipients and projects, IDA and other donors will provide assistance to conduct annual independent public expenditure tracking surveys (PETS). A consultant has already been identified for this purpose. The objective of PETS is to provide a quantitative supply side tool

[19] It is intended that one of the pilot ministries chosen will be a social sector ministry such as education or health.

where the unit of observation is typically a service facility and/or local government. It is designed to evaluate public sector service delivery performance and has been employed successfully in other African countries. In addition, the IMF is assisting the Zambian authorities to improve the existing system of monthly reports of cash expenditure and commitments to the MOFED, while the authorities also plan to publish monthly cash releases on a regular basis.

VI. Issues for Discussion

54. In conclusion, Executive Directors may wish to focus on the following issues and questions:

55. **Eligibility and Decision Point.** The staff and management believe that Zambia is eligible for relief under the enhanced HIPC Initiative and recommend approval of a decision point. Do Executive Directors agree?

56. **Assistance.** In order that the ratio of the NPV of end-1999 debt to exports ratio may be reduced to 150 percent, total assistance under the enhanced HIPC Initiative would amount to US$2.5 billion in 1999 NPV terms. In order to accelerate the provision of debt relief, the staff and management recommend that the IMF and the IDA provide interim assistance before the completion point in line with the HIPC guidelines. Do Executive Directors agree?

57. **Floating Completion Point.** In line with the objective of the Enhanced HIPC Initiative the staff and management recommend that Zambia's floating completion point under the HIPC Initiative be triggered by successful implementation of the measures specified in Box 2 and elaborated in paragraphs 41-46. Do Executive Directors agree?

58. **Extent of Debt Service Relief.** The HIPC Initiative framework focuses on the debt stock and does not provide for specific benchmarks for debt service relief. Do Directors consider the near term debt relief to Zambia and its impact on the budget (Table 6) to be consistent with the poverty reduction framework of the Enhanced HIPC Initiative?

Table 7. Zambia: Selected Economic and Financial Indicators, 1998-2002

	1998 Act.	1999 Est.	2000 Prog.	2001 Proj.	2002 Proj.
	(Annual percentage change, unless otherwise indicated)				
National income and prices					
Real GDP	-1.9	2.4	4.0	5.0	5.0
GDP deflator	19.6	21.7	25.9	10.5	9.2
Consumer prices (annual average)	24.5	26.8	22.3	10.8	8.3
Consumer prices (end of period)	30.6	20.6	19.0	10.0	7.0
Nominal GDP (in billions of kwacha)	6,033	7,522	9,853	11,431	13,108
Copper production (in thousands of metric tons)	256	240	280	310	340
External sector					
U.S. dollar value of exports of goods and services	-26.5	-7.5	24.1	20.7	14.1
Of which : copper	-35.5	-10.2	31.0	24.9	14.7
U.S. dollar value of imports of goods and services	-8.1	-10.3	15.8	15.7	12.4
Export volume	-8.8	-3.9	10.4	16.7	10.3
Import volume	-1.6	-12.1	16.7	12.3	11.3
Copper export volume	-41.3	1.8	27.5	24.0	16.1
Copper exports (in thousands of metric tons)	256	240	280	310	340
Copper export prices (average, US$ per metric ton)	1,427	1,385	1,692	1,896	2,006
Nominal effective exchange rate	-24.1	-21.5	...	...	...
Real effective exchange rate	-8.7	-2.3	...	...	...
Average official exchange rate (kwacha per U.S. dollar)	1,862	2,388	...	...	...
Terms of trade	-13.7	-5.7	13.3	0.4	2.5
Money and credit					
Net foreign assets	-100.2	-7.2	8.2	29.3	40.6
Net domestic assets	65.8	14.4	4.2	-9.3	-10.6
Net domestic credit	95.4	33.0	9.8	-6.6	-7.7
Net claims on government	375.0	19.4	5.1	8.4	-3.4
Claims on nongovernment	20.6	47.4	13.9	-18.5	-12.2
Broad money	22.6	29.2	25.2	15.5	12.4
Velocity 1/	6.5	6.2	6.2	5.9	6.0
Official bank rate (in percent; end of period)	43.6	46.2	...	...	...
Treasury bill rate (in percent; end of period)	34.3	36.2	...	...	...
Central government budget					
Revenue (excluding grants)	10.6	14.7	39.7	9.7	16.6
Grants	52.8	51.0	31.5	-28.4	9.9
Expenditure and net lending	33.4	18.4	51.5	13.6	9.6
Current expenditure	15.6	5.5	33.0	24.6	10.3
Capital expenditure	74.7	15.8	33.8	21.4	12.9
	(In percent of GDP)				
Investment and savings					
Gross national savings 2/	4.5	8.1	14.3	16.1	17.0
Gross domestic investment	14.9	14.4	16.5	19.3	20.7
Of which: public investment	11.1	10.5	10.7	11.2	11.1
Central government budget					
Revenue and grants	24.5	25.5	26.7	22.7	22.8
Grants	6.4	7.9	8.0	...	...
Expenditures (excluding interest) 3/	24.8	24.7	28.2	26.5	26.1
Interest due 4/	3.3	2.8	3.7	4.7	3.8
Overall balance, cash basis	-4.3	-4.0	-5.6	-9.0	-7.5
Overall balance, cash basis, excluding grants	-10.8	-11.9	-13.6	-13.9	-12.2
External sector					
Current account balance 5/	-17.8	-15.8	-13.5	-13.1	-12.4
	(In percent of exports of goods and services)				
External debt					
External debt service 6/ 7/	16.0	16.2	16.3	31.2	38.1
External program assistance	0.0	0.2	0.3	…	…
	(In millions of U.S. dollars, unless otherwise indicated)				
Current account balance 5/	-576	-498	-460	-458	-468
Overall balance of payments	-453	-348	-407	-255	-201
Gross official reserves (end of period)	44	46	146	267	380
In months of imports of goods and services	0.4	0.5	1.3	2.1	2.6
In percent of broad money	9.2	8.5	28.1	42.8	57.3

Source: EBS/00/151 (7/20/00) and IDA/SecR2000-141 (7/21/00); "Enhanced Initiative for HIPC Assistance- Preliminary Document."

1/ GDP/average broad money.
2/ Gross national disposable income minus consumption.
3/ Including contingency reserve (1999-2001).
4/ After debt relief.
5/ Excluding grants
6/ External debt pertains to public and publicly guaranteed debt.
7/ Reflecting 1999 Paris Club agreement with consolidation period ending March 2002. Includes scheduled payments to IMF.

Table 8. Zambia: Balance of Payments, 1998-2002
(In millions of U.S. dollars, unless otherwise indicated)

	1998 Act.	1999 Est.	2000 Prog.	2001 Proj.	2002 Proj.
Current account balance	-576	-498	-460	-458	-468
Trade balance	-155	-116	-71	-35	-20
Exports, f.o.b.	816	755	937	1,131	1291
Metal sector	520	467	612	764	876
Nonmetal	296	288	325	367	415
Imports, f.o.b.	-971	-871	-1,008	-1,166	-1311
Metal sector	-221	-121	-170	-213	-223
Nonmetal	-750	-750	-838	-954	-1088
Services (net)	-179	-211	-226	-279	-316
Receipts	103	87	99	110	122
Payments	-282	-298	-325	-388	-438
Income (net)	-215	-156	-144	-124	-110
Of which: interest payments	-219	-166	-162	-155	-145
Current Transfers (net)	-27	-16	-18	-20	-23
Capital Account	203	153	178	182	185
Project grants	203	153	178	182	185
Financial Account	118	169	58	121	183
Official loan disbursement (net)	-45	4	-68	-60	-46
Project loans	91	166	158	165	172
Amortization (-)	-136	-162	-226	-224	-217
Change in net foreign assets of commercial banks	-35	2	-25	-20	-22
Private foreign direct investment	198	163	150	200	250
Errors and omissions, short term capital	-198	-172	-183	-100	-100
Overall balance	-453	-348	-407	-255	-201
Financing	453	348	407	-97	-257
Change in net international reserves of Bank of Zambia (- incr) 1/	246	-35	-80	-229	-221
Gross official reserves of BoZ	194	-2	-100	-120	-113
BoZ liabilities	52	-33	20	-108	-108
IMF (net)	0	14	27	-93	-96
Debt rescheduling 2/	122	443	229	225	60
Net change in arrears (+ incr)	85	-251	-10	0	0
BOP support grants	0	61	121	0	0
BOP support loans 3/	0	117	121	0	0
Multilateral	0	117	121	0	0
Bilateral	0	0	0	0	0
Financing gap (+)	0	0	0	353	458
Memorandum items:					
Current account balance (percent of GDP)	-17.8	-15.8	-13.5	-13.1	-12.4
Export volume (percentage change)	-8.8	-3.9	10.4	16.7	10.3
Import volume (percentage change)	-1.6	-12.1	16.7	12.3	11.3
Terms of trade (percentage change)	-13.7	-5.7	13.3	0.4	2.5
Copper volume (MT.'000)	256	240	280	310	340
Copper price (US$/lb)	0.72	0.70	0.82	0.86	0.91
Gross official Reserves 4/	44	46	146	267	380
(In months of imports)	0.4	0.5	1.3	2.1	2.6
Debt service paid / payable ($USm) 5/	147.3	136.4	168.6	…	…
(in percent of exports)	16.0	16.2	16.3	…	…

Source: EBS/00/151 (7/20/00) and IDA/SecR2000-141 (7/21/00);
"Enhanced Initiative for HIPC Assistance-Preliminary Document."
1/ Reflects freeing of $30 million of central bank assets held as collateral at end-1999.
2/ Reflects the 1999 Paris Club rescheduling agreement, and comparable treatment from non Paris Club bilateral creditors as well as the May 1997 restructuring of Camdex's (a foreign debt-trading company) claim on the Bank of Zambia.
3/ Projections for program grants and loans reflect existing commitments and preliminary indications for 2000.
4/ Gross reserves include balances in the special Bank of International Settlements account established in accordance with the 1999 Paris Club accords.
5/ Reflecting 1999 Paris Club agreement with consolidation period ending March 2002. Includes scheduled payments to IMF

Table 9: Zambia: Macroeconomic Assumptions 1999-2019 1/

DSA - Baseline Scenario

(In millions of U.S. dollars, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-2009	2010-2019
	est.												Average	
Economic growth														
Real GDP (percentage change)	2.4%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.9%	5.0%
Real GDP per capita (percentage change)	0.2%	2.0%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.8%	2.9%
GDP Deflator (in percent)	21.7%	25.9%	10.5%	9.2%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	5.3%	1.0%
GDP in Kwachas bn.	7522	9853	11431	13108	13902	14744	15636	16583	17587	18652	19781	20979	15128	27722
GDP in US$ mn.	3150	3389	3445	3652	4059	4305	4565	4842	5135	5446	5775	6125	4461	8094
Government Revenues														
Government Revenues (excluding grants) in Kwachas bn.	1324	1849	2028	2366	2530	2713	2908	3118	3342	3544	3758	3986	2816	5267
Government Revenues (excluding grants) in US$ mn.	554	646	631	691	739	792	849	910	976	1035	1097	1164	837	1538
Government Revenues (percent of GDP)	17.6%	18.8%	17.7%	18.0%	18.2%	18.4%	18.6%	18.8%	19.0%	19.0%	19.0%	19.0%	18.6%	19.0%
Prices														
Terms of Trade (percentage change) (- deterioration)	-5.7%	13.3%	0.4%	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%	0.0%
Balance of Payments														
I. Current account, excluding official transfers	-498.4	-412.3	-414.6	-432.2	-441.8	-456.5	-473.9	-491.4	-511.4	-532.1	-554.0	-577.0	-472.0	-694.8
(in percent of GDP)	*-15.8%*	*-12.2%*	*-12.0%*	*-11.8%*	*-10.9%*	*-10.6%*	*-10.4%*	*-10.1%*	*-10.0%*	*-9.8%*	*-9.6%*	*-9.4%*	*-10.6%*	*-8.6%*
1. Exports of goods and services 2/	841.7	1035.6	1240.8	1412.9	1505.5	1604.2	1709.4	1821.4	1940.8	2068.1	2203.6	2348.1	1654.2	3176.8
2. Imports of goods and services 2/	-1168.5	-1332.9	-1554.4	-1748.6	-1858.8	-1975.9	-2100.5	-2232.8	-2373.6	-2523.2	-2682.2	-2851.2	-2038.3	-3811.9
3. Net Factor Income (excluding interest payments)	10.1	17.2	31.0	34.5	40.6	43.0	45.7	48.4	51.3	54.5	57.8	61.3	42.4	80.9
4. Interest Payments 3/	-165.7	-114.2	-111.8	-108.4	-104.8	-102.0	-101.1	-99.4	-99.2	-98.8	-98.6	-98.4	-103.8	-92.1
5. Net Current Transfers	-16.0	-18.0	-20.2	-22.6	-24.4	-25.8	-27.4	-29.1	-30.8	-32.7	-34.7	-36.8	-26.6	-48.6
Official Transfers (Grants and other)	152.7	178.0	181.6	185.2	187.0	188.9	190.8	192.7	194.6	196.6	198.6	200.5	189.4	209.8
II. Current account, including official transfers 4/	-345.7	-234.3	-233.1	-247.0	-254.8	-267.6	-283.1	-298.7	-316.8	-335.5	-355.5	-376.5	-282.6	-485.0
(in percent of GDP)	*-11.0%*	*-6.9%*	*-6.8%*	*-6.8%*	*-6.3%*	*-6.2%*	*-6.2%*	*-6.2%*	*-6.2%*	*-6.2%*	*-6.2%*	*-6.1%*	*-6.3%*	*-6.0%*
III. Long-term Capital Inflows	169.0	336.0	353.6	406.0	321.7	328.9	327.6	322.7	322.5	329.1	328.1	318.7	337.6	270.2
1. Net Foreign Direct Investment	162.8	150.0	200.0	250.0	253.8	257.6	261.5	265.4	269.4	273.4	277.6	281.7	245.9	301.6
2. Net Long-term Borrowing	3.9	210.7	173.2	177.6	92.2	97.1	93.5	86.3	84.0	88.3	85.2	73.7	118.8	17.2
a. Disbursements 5/	166.1	299.0	264.7	271.7	194.9	170.0	170.0	170.0	170.0	170.0	170.0	170.0	205.0	170.0
b. Repayments Due /6	-162.2	-88.3	-91.5	-94.1	-102.7	-72.9	-76.5	-83.7	-86.0	-81.7	-84.8	-96.3	-86.2	-152.8
3. Other Net LT Flows (change in net foreign assets)	2.3	-24.7	-19.6	-21.6	-24.4	-25.8	-27.4	-29.1	-30.8	-32.7	-34.7	-36.8	-27.1	-48.6
Errors and Omissions and Net Short-term Capital	-171.5	-183.1	-100.0	-100.0	-50.0	-50.0	-50.0	-50.0	-50.0	-50.0	-50.0	-50.0	-73.3	-50.0
IV. Overall balance	-348.3	-81.4	20.6	59.0	16.9	11.3	-5.5	-26.0	-44.2	-56.5	-77.4	-107.8	-18.3	-264.8
VI. Financing	348.3	68.3	-189.5	-170.0	-154.8	-145.6	-150.0	71.1	77.9	49.6	44.4	43.1	-49.9	84.3
1. Change in net international reserves														
of Bank of Zambia (- incr)	-35.1	-80.2	-228.5	-221.3	-104.9	-60.3	-66.2	-72.6	-39.9	-42.4	-45.1	-48.0	-96.1	-64.1
a. Gross official reserves of BoZ	-2.0	-100.1	-120.4	-113.0	-54.9	-60.3	-66.2	-72.6	-39.9	-42.4	-45.1	-48.0	-71.5	-64.1
b. BoZ liabilities	-33.1	19.9	-108.1	-108.3	-50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-24.7	0.0
2. IMF (net) 7/	13.8	27.5	-94.7	-94.7	-197.3	-234.3	-234.3	-8.2	-35.6	-63.0	-67.1	-67.1	-100.2	-17.0
3. Debt rescheduling 8/	442.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Net change in arrears (+ incr)	-250.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. BOP support grants	60.5	121.0	133.7	146.0	147.5	149.0	150.5	152.0	153.5	155.0	156.6	158.1	146.5	165.4
6. BOP support loans	117.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
a. Multilateral	117.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b. Bilateral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
VII. Remaining finance gap (- is surplus)	0.0	13.1	168.9	111.0	137.9	134.3	155.6	-45.1	-33.7	6.9	33.0	64.7	68.2	180.5
1. Additional borrowing (gap filling) 9/	0.0	13.2	170.3	113.2	141.2	138.6	161.1	5.6	5.6	12.6	39.0	71.2	80.0	201.4
2. Total Debt Service due on gap fill loans	0.0	-0.1	-1.4	-2.2	-3.3	-4.3	-5.5	-5.6	-5.6	-5.7	-6.0	-6.5	-4.0	-20.9
Memorandum Items														
Exports volume growth (percentage change) 10/	-3.9%	10.4%	16.7%	10.3%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	7.6%	5.5%
Imports volume growth (percentage change) 10/	-12.1%	16.7%	12.3%	11.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	7.7%	5.3%
Gross Reserves (including gold)	46.1	146.2	266.6	379.6	434.5	494.8	561.0	633.6	673.5	716.0	761.1	809.1	506.7	1081.7
Gross official reserves (in months of imports) 11/	0.5	1.3	2.1	2.6	2.8	3.0	3.2	3.4	3.4	3.4	3.4	3.4	2.9	3.4

Source: EBS/00/151 (7/20/00) and IDA/SecR2000-141 (7/21/00); "Enhanced Initiative for HIPC Assistance- Preliminary Document."

1/ 2000-2002: IMF PRGF program - from 2003: assumptions described in Box 2.

2/ Exports (imports) of goods and services as defined in the IMF Balance of Payments Manual, 5th edition, 1993.

3/ After full application of traditional debt relief mechanisms - includes interests due to the IMF.

4/ Current account differs from Table 1 due to different rescheduling assumptions.

5/ New borrowing assumptions are described in Box2. Excludes new loans from the IMF.

6/ After full application of traditional debt relief mechanisms - excludes amortization of IMF loans.

7/ Disbursements minus principal repayment. Reflects disbursements under current PRGF arrangement through to March 2003.

8/ US$ 442.5 mn represents the benefits of the flow rescheduling under Naples terms simulated for the period April-December 1999.
The rescheduling of the stock-of-debt under a Naples terms is applied above the line as of 2000: interest and principal payments due are adjusted accordingly.

9/ By assumption, all gap fill loans are issued on IDA terms.

10/ Merchandize exports (imports).

11/ Imports of goods and nonfactor services.

Table 10. Zambia: Nominal and Net Present Value of External Debt Outstanding

	Nominal debt at end-99 before rescheduling 1/			NPV of debt at end-99 before rescheduling 1/			NPV of debt at end-99 after rescheduling 2/		
	Millions of U.S. dollars	Percent of total	Percent of group	Millions of U.S. dollars	Percent of total	Percent of group	Millions of U.S. dollars	Percent of total 3/	Percent of group
Total	6,458.7	100.0	…	5,154.1	100.0	…	3,990.5	100.0	…
Multilateral institutions	3,473.0	53.8	100.0	2,125.9	41.2	100.0	2,125.9	53.3	100.0
Multilateral institutions (excl IMF)	2,301.7	35.6	66.3	1,164.6	22.6	54.8	1,164.6	29.2	54.8
IMF	1,171.3	18.1	33.7	961.3	18.7	45.2	961.3	24.1	45.2
World Bank	1,740.2	26.9	50.1	787.5	15.3	37.0	787.5	19.7	37.0
Of which:									
IBRD	28.8	0.4	0.8	29.5	0.6	1.4	29.5	0.7	1.4
IDA	1,702.8	26.4	49.0	749.3	14.5	35.2	749.3	18.8	35.2
IFC	8.7	0.1	0.2	8.7	0.2	0.4	8.7	0.2	0.4
Other	561.4	8.7	16.2	377.1	7.3	17.7	377.1	9.4	17.7
Of which:									
African Development Bank	119.4	1.8	3.4	138.6	2.7	6.5	138.6	3.5	6.5
African Development Fund	210.7	3.3	6.1	94.7	1.8	4.5	94.7	2.4	4.5
BADEA	23.8	0.4	0.7	18.2	0.4	0.9	18.2	0.5	0.9
European Investment Bank	21.4	0.3	0.6	18.3	0.4	0.9	18.3	0.5	0.9
European Development Fund	116.6	1.8	3.4	71.9	1.4	3.4	71.9	1.8	3.4
EU (IDA administered)	3.5	0.1	0.1	1.9	0.0	0.1	1.9	0.0	0.1
IFAD	59.2	0.9	1.7	27.6	0.5	1.3	27.6	0.7	1.3
OPEC	6.9	0.1	0.2	5.9	0.1	0.3	5.9	0.1	0.3
Official bilateral creditors	2,948.5	45.7	…	2,991.7	58.0	…	1,828.1	45.8	…
Paris Club	2,771.3	42.9	100.0	2,830.5	54.9	100.0	1,738.8	43.6	100.0
Post-cutoff date	587.1	9.1	21.2	572.5 5/	11.1	20.2	290.7 5/	7.3	16.7
Pre-cutoff date	2,184.3	33.8	78.8	2,258.0	43.8	79.8	1,448.0	36.3	83.3
Of which: ODA	587.6	9.1	21.2	726.9	14.1	25.7	613.9	15.4	35.3
Non-ODA	1,596.7	24.7	57.6	1,531.1	29.7	54.1	834.2	20.9	48.0
Of which:									
Austria	11.4	0.2	0.4	8.3	0.2	0.3	5.1	0.1	0.3
Brazil	74.5	1.2	2.7	68.1	1.3	2.4	38.6	1.0	2.2
Canada	61.6	1.0	2.2	63.9	1.2	2.3	39.5	1.0	2.3
France	140.9	2.2	5.1	158.2	3.1	5.6	111.1	2.8	6.4
Germany	522.9	8.1	18.9	547.1	10.6	19.3	314.5	7.9	18.1
Italy	127.0	2.0	4.6	91.9	1.8	3.2	55.6	1.4	3.2
Japan	759.1 3/	11.8	27.4	937.0	18.2	33.1	796.3	20.0	45.8
Netherlands	1.1	0.0	0.0	1.1	0.0	0.0	0.4	0.0	0.0
Russia	383.3 3/	5.9	13.8	383.3	7.4	13.5	72.5	1.8	4.2
United Kingdom	409.0	6.3	14.8	348.6	6.8	12.3	168.9	4.2	9.7
United States	280.6	4.3	10.1	223.1	4.3	7.9	136.3	3.4	7.8
Non-Paris Club Official Bilateral	177.2	2.7	100.0	161.2	3.1	100.0	89.4	2.2	100.0
Post-cutoff date	80.8	1.3	45.6	69.5	1.3	43.1	69.5	1.7	77.7
Pre-cutoff date	96.3	1.5	54.4	91.7	1.8	56.9	19.9	0.5	22.3
Of which: ODA	78.7	1.2	44.4	74.0	1.4	45.9	14.0	0.4	15.7
Non-ODA	17.7	0.3	10.0	17.7	0.3	11.0	5.9	0.1	6.6
Of which:									
Bulgaria	2.1	0.0	1.2	2.1	0.0	1.3	2.1	0.1	2.4
China	126.5	2.0	71.4	110.5	2.1	68.6	51.1	1.3	57.2
Czechoslovakia	0.4 4/	0.0	0.2	0.4	0.0	0.2	0.2	0.0	0.2
India	15.6	0.2	8.8	15.6	0.3	9.7	14.8	0.4	16.5
Iraq	0.7	0.0	0.4	0.7	0.0	0.4	0.6	0.0	0.7
Romania	16.4	0.3	9.2	16.4	0.3	10.2	5.5	0.1	6.1
Saudi Arabia	0.4	0.0	0.2	0.4	0.0	0.3	0.1	0.0	0.1
Yugoslavia	15.1	0.2	8.5	15.1	0.3	9.3	15.1	0.4	16.8
Commercial loans	37.2	0.6	…	36.5	0.7	…	36.5	0.9	…

Sources: Zambian authorities; and staff estimates.

1/ Based on end-99 exchange rates.

2/ After full use of traditional debt relief mechanisms and comparable treatment by Non-Paris Club official bilateral and commercial creditors.

3/ Before consolidation under Paris Club 7.

4/ Claims on the outstanding amount are divided among the Czech and Slovak Republics in the ratio of 2:1.

5/ After application of upfront 80% discount to Russian post-cutoff date loans disbursed before January 1, 1992.

Table 11. Zambia Enhanced HIPC Initiative: Assistance Levels Under a Proportional Burden-Sharing Approach 1/

(in millions of US dollars in end-December 1999 NPV terms; unless otherwise indicated) 2/

	Total	Multilaterals	Bilaterals	Commercial Banks	Common Reduction Factor 3/ (Percent)	Memo item: Required NPV debt reduction on comparable treatment on bilateral debt based on overall exposure 4/ (Percent)
NPV of debt-to-exports target (in percent)	150					
Debt relief under baseline scenario	2,499	1,331	1,145	23	62.6	
NPV of debt at end-1999 5/	3,991	2,126	1,828	37		
Three-year export average	994					
NPV of debt-to-export ratio (percent) 6/	401					
Paris Club Creditors:	1,739					87.5
of which pre-cod non-ODA	834					110.2
Non-Paris Club Creditors:	126					87.5
of which pre-cod non-ODA	6					…

Sources: Zambian authorities; and staff estimates and projections.

1/ Assumes proportional burden-sharing as described in "HIPC Initiative: Estimated Costs and Burden-Sharing Approaches" (EBS/97/127; 7/7/97, and IDA/SEC M97-306;7/7/97), that is, after full application of traditional debt relief mechanisms (a stock-of-debt on Naples terms).

2/ Using six-month backward-looking discount rates at end-December 1999 and end-December 1999 exchange rates.

3/ Each creditors' NPV reduction at the decision point in percent of its exposure at the decision point.

4/ Includes traditional debt relief.

5/ After a hypothetical stock-of-debt operation on Naples terms at end-December 1999.

6/ Based on the three-year backward looking average of exports of goods and nonfactor services (e.g. 1997-99).

Table 12. Zambia: External Debt Indicators: Baseline Scenario and Sensitivity Analysis, 1999–2019 1/

(in millions of US dollars; unless otherwise indicated)

													Average	
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000 - 2009	2010 - 2019
Baseline scenario														
Nominal debt stock after traditional debt relief mechanisms	5425.7	5669.2	5822.5	5931.1	5955.7	5941.4	5948.9	6018.5	6059.6	6101.1	6157.8	6248.2	5960.6	7025.4
Multilateral	3473.0	3431.5	3147.4	2870.0	2587.4	2303.2	2014.5	1949.7	1886.0	1830.3	1774.6	1722.6	2379.5	1427.5
Official Bilateral	1915.5	1888.4	1861.3	1831.6	1799.4	1766.6	1733.8	1699.0	1661.8	1636.7	1607.2	1575.5	1748.6	1340.8
o/w Paris Club	1750.1	1731.6	1712.9	1691.9	1668.2	1644.0	1620.2	1594.4	1565.7	1543.4	1516.8	1486.5	1628.9	1257.5
o/w Post cutoff date	305.3	286.9	268.6	247.9	224.8	201.8	179.6	157.5	135.3	122.6	110.0	97.3	193.5	54.3
Commercial	37.2	29.6	22.0	15.7	9.7	3.8	1.7	0.8	0.0	0.0	0.0	0.0	8.3	0.0
New debt	0.0	319.7	791.8	1213.8	1559.2	1867.8	2198.9	2369.0	2511.7	2634.1	2776.0	2950.2	1824.2	4257.2
Nominal debt before traditional debt relief (including new debt)	6458.7	6545.2	6556.0	6513.3	6395.0	6263.9	6201.5	6247.0	6261.7	6260.2	6272.5	6318.7	6351.6	6964.6
NPV of debt	3990.5	4133.0	4120.1	4100.8	4013.7	3898.0	3784.7	3830.6	3852.2	3872.7	3893.3	3928.3	3949.9	4240.2
Multilateral	2125.9	2166.3	1968.8	1771.0	1560.2	1339.2	1104.3	1082.8	1062.7	1050.8	1039.1	1031.2	1414.5	929.1
Official Bilateral	1828.1	1803.3	1777.9	1750.2	1719.6	1688.7	1657.3	1624.2	1588.9	1565.2	1537.5	1507.5	1671.3	1282.2
o/w Paris Club	1738.8	1720.1	1701.0	1679.5	1655.3	1630.8	1606.4	1580.5	1551.8	1529.2	1502.7	1472.5	1615.7	1245.1
o/w Post cutoff date	290.7	272.7	254.9	234.7	212.2	189.7	168.1	146.5	125.0	113.0	101.0	89.1	181.8	49.5
Commercial	36.5	29.1	21.6	15.4	9.6	3.8	1.7	0.8	0.0	0.0	0.0	0.0	8.2	0.0
New debt	0.0	134.3	351.7	564.3	724.3	866.4	1021.4	1122.7	1200.7	1256.7	1316.7	1389.6	855.9	2028.9
NPV of debt before traditional debt relief (including new debt)	5154.1	5136.3	4977.6	4803.9	4570.8	4335.3	4149.3	4166.4	4157.2	4130.4	4101.3	4088.1	4452.9	4251.6
(in percent of exports of goods & non factor services) 2/														
NPV of debt after traditional debt-relief mechanisms	401.38	443.5	396.4	333.5	289.5	258.6	235.6	223.8	211.2	199.3	188.0	178.0	277.9	145.4
o/w multilateral	213.8	246.9	223.3	189.9	164.8	146.3	132.3	128.9	124.1	118.7	113.8	109.7	158.9	99.9
Debt service	16.2	17.0	13.2	12.5	11.4	9.2	6.0	3.6	5.1	6.3	6.5	6.3	9.1	4.3
o/w multilateral	--	0.3	0.5	0.7	0.9	1.0	1.2	1.3	1.4	1.6	1.7	1.9	1.1	2.7
NPV of debt after enhanced HIPC relief 3/	486.3	446.2	387.6	346.0	161.0	148.0	140.0	135.9	130.6	125.4	120.6	116.7	214.1	109.9
NPV of debt after unconditional delivery of enhanced HIPC relief 4/	150.0	187.0	182.8	168.1	161.0	148.0	140.0	135.9	130.6	125.4	120.6	116.7	149.9	109.9
Debt service after enhanced HIPC relief	16.2	16.3	12.8	10.5	10.1	13.2	11.8	5.2	6.2	6.3	6.2	5.7	9.9	4.1
(in percent)														
NPV of debt-to-revenue ratio (before rescheduling) 5/	1164.9	1012.8	1039.3	942.9	865.7	790.8	730.3	686.3	641.8	605.0	571.6	542.9	788.7	459.9
NPV of debt-to-revenue ratio, after enhanced HIPC relief 5/	719.7	639.5	653.2	593.6	543.3	492.1	445.7	420.8	394.8	374.3	354.8	337.5	491.2	281.1
NPV of debt-to-revenue after (unconditional) enhanced HIPC relief 4/ 5/	269.0	269.7	301.2	299.2	302.1	281.7	264.8	255.5	244.2	235.5	227.6	221.3	268.2	212.4
NPV of debt-to-GDP ratio (before rescheduling)	205.0	193.1	190.3	178.4	157.6	145.5	135.8	129.0	121.9	115.0	108.6	103.2	147.5	87.4
NPV of debt-to-GDP ratio, after enhanced HIPC relief	126.7	122.0	119.6	112.3	98.9	90.6	82.9	79.1	75.0	71.1	67.4	64.1	91.9	53.4
NPV of debt-to-GDP ratio after (unconditional) enhanced HIPC relief 4/	47.3	51.4	55.2	56.6	55.0	51.8	49.3	48.0	46.4	44.7	43.2	42.0	50.2	40.4
Grant element in total debt	26.5	27.1	29.2	30.9	32.6	34.4	36.4	36.4	36.4	36.5	36.8	37.1	33.7	39.5
Grant element in new debt	--	58.0	55.6	53.5	53.5	53.6	53.5	52.6	52.2	52.3	52.6	52.9	53.7	52.5
Lower Copper Exports scenario 6/														
NPV of debt after traditional debt-relief mechanisms	3990.5	4133.0	4126.9	4073.0	4078.8	3965.3	3875.3	3928.3	3962.1	4005.5	4048.4	4104.5	4019.7	4495.2
(in percent of exports of goods & non factor services) 2/														
NPV of debt after traditional debt-relief mechanisms	401.4	443.5	407.1	353.1	329.7	308.2	295.2	288.4	275.7	260.2	245.5	232.3	320.7	189.5
Debt service	16.2	17.0	14.1	13.9	13.4	11.4	7.9	4.8	6.6	8.1	8.3	7.9	10.5	5.5
NPV of debt after enhanced HIPC relief 3/	486.3	446.2	398.3	365.7	201.2	197.6	199.6	200.5	195.2	186.3	178.1	171.0	256.9	154.4
NPV of debt after unconditional delivery of enhanced HIPC relief 4/	150.0	187.0	193.5	187.8	201.2	197.6	199.6	200.5	195.2	186.3	178.1	171.0	192.7	154.4
Debt service after enhanced HIPC relief	16.2	16.3	13.7	12.0	12.1	15.3	13.6	6.4	7.7	8.1	8.0	7.4	11.3	5.3
(in percent)														
NPV of debt-to-revenue ratio 5/	719.7	639.5	654.2	589.6	552.1	500.6	456.4	431.6	406.1	387.1	368.9	352.7	498.6	302.3
NPV of debt-to-GDP ratio	126.7	122.0	119.8	111.5	100.5	92.1	84.9	81.1	77.2	73.6	70.1	67.0	93.3	57.4
Grant element in new debt	--	58.0	55.8	52.7	54.8	54.6	54.6	53.6	53.2	53.3	53.5	53.7	54.4	52.9

Sources: Zambian authorities; and staff estimates.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after rescheduling, unless otherwise indicated.

2/ As defined in IMF Balance of Payments Manual, 5th edition, 1993. Based on a three-year average of exports on the previous year (e.g. export average over 1997-99 for NPV of debt-to-exports ratio in 1999).

3/ Delivery of enhanced HIPC relief under Cologne terms is simulated on bilateral debt in early 2004, following delivery of interim assistance. Consequently, NPV of debt during 1999-2003 is higher when compared to the hypothetical scenario of traditional debt relief, since delivery of the latter is assumed to take place in 1999.

4/ Entire assistance assumed to be delivered unconditionally at end-December 1999 .

5/ Revenues are defined as central government revenues, excluding grants.

6/ Copper prices drop 5% from the baseline each year in 2001-2005, and gradually recover to their 2000 level by 2015. Export volumes rise 1 percentage point slower than in the baseline scenario from 2001 onward.

Table 13. Zambia: Net Present Value of External Debt After Rescheduling, 1999–2018
(in millions of US dollars)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	1999–2008	2009–2018
After traditional debt relief 1/	Actual						Projected						Average	
NPV of total debt 2/	3990.5	4133.0	4120.1	4100.8	4013.7	3898.0	3784.7	3830.6	3852.2	3872.7	3893.3	3928.3	3959.6	4165.6
NPV of old debt	3990.5	3998.7	3768.4	3536.5	3289.4	3031.6	2763.3	2707.9	2651.5	2616.0	2576.6	2538.7	3235.4	2294.7
Official bilateral and commercial	1864.7	1832.4	1799.6	1765.5	1729.1	1692.4	1659.0	1625.1	1588.9	1565.2	1537.5	1507.5	1712.2	1339.8
Paris Club	1738.8	1720.1	1701.0	1679.5	1655.3	1630.8	1606.4	1580.5	1551.8	1529.2	1502.7	1472.5	1639.3	1303.2
post-cutoff date	290.7	272.7	254.9	234.7	212.2	189.7	168.1	146.5	125.0	113.0	101.0	89.1	200.7	57.5
pre-cutoff date	1448.0	1447.4	1446.1	1444.8	1443.1	1441.1	1438.4	1434.0	1426.8	1416.3	1401.7	1383.4	1438.6	1245.7
o/w ODA	613.9	612.5	611.1	609.7	608.3	606.9	605.5	604.1	602.7	601.3	599.9	598.6	607.6	588.2
Other official bilateral	89.4	83.2	77.0	70.7	64.3	57.9	50.9	43.8	37.1	36.0	34.8	35.1	61.0	36.6
post-cutoff date	69.5	62.5	55.5	48.3	41.1	33.7	25.7	17.5	9.7	7.5	5.1	4.2	37.1	1.6
pre-cutoff date	19.9	20.7	21.5	22.3	23.2	24.2	25.2	26.2	27.3	28.5	29.6	30.8	23.9	35.0
o/w ODA	14.0	14.8	15.6	16.5	17.4	18.3	19.3	20.4	21.5	22.7	24.0	25.3	18.0	30.4
Commercial	36.5	29.1	21.6	15.4	9.6	3.8	1.7	0.8	0.0	0.0	0.0	0.0	11.8	0.0
post-cutoff date	36.5	29.1	21.6	15.4	9.6	3.8	1.7	0.8	0.0	0.0	0.0	0.0	11.8	0.0
pre-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multilateral	2125.9	2166.3	1968.8	1771.0	1560.2	1339.2	1104.3	1082.8	1062.7	1050.8	1039.1	1031.2	1523.2	954.9
o/w IMF	961.3	1009.5	831.5	643.4	444.6	234.5	12.4	7.6	3.8	1.3	0.0	0.0	415.0	0.0
o/w World Bank	787.5	805.3	810.8	823.1	832.3	841.8	848.8	851.4	851.7	852.1	850.6	849.3	830.5	794.4
o/w AfDB/AfDF	233.3	214.9	196.9	181.7	166.9	152.7	139.0	126.2	116.4	111.1	106.0	102.3	163.9	94.0
Others	143.8	136.7	129.6	122.7	116.4	110.2	104.1	97.6	90.7	86.3	82.5	79.6	113.8	66.5
NPV of new debt	0.0	134.3	351.7	564.3	724.3	866.4	1021.4	1122.7	1200.7	1256.7	1316.7	1389.6	724.2	1870.9
Memorandum items:														
Exports of goods and services 3/	841.7	1035.6	1240.8	1412.9	1505.5	1604.2	1709.4	1821.4	1940.8	2068.1	2203.6	2348.1	1518.0	2981.4
Three-year export average 4/	994.2	931.9	1039.4	1229.8	1386.4	1507.6	1606.4	1711.7	1823.9	1943.4	2070.8	2206.6	1417.5	2801.7
Central government revenue 5/	554.4	646.3	630.8	690.8	738.7	792.1	849.1	910.2	975.6	1034.7	1097.3	1163.8	782.3	1450.1
NPV of debt-to-exports ratio (percent) 6/	401.4	443.5	396.4	333.5	289.5	258.6	235.6	223.8	211.2	199.3	188.0	178.0	299.3	152.3
NPV of debt-to-revenue ratio (percent)	719.7	639.5	653.2	593.6	543.3	492.1	445.7	420.8	394.8	374.3	354.8	337.5	527.7	293.1
After enhanced HIPC Initiative assistance 7/														
NPV of total debt 2/	4835.2	4158.2	4028.5	4255.4	2231.9	2231.4	2248.4	2325.9	2382.9	2436.9	2497.2	2575.0	3113.5	3091.2
NPV of old debt	4835.2	4023.9	3676.8	3691.1	1507.6	1365.0	1227.0	1203.2	1182.2	1180.3	1180.6	1185.4	2389.2	1220.3
Official bilateral and commercial	2709.3	2404.0	2088.7	2117.6	824.2	789.4	758.6	729.0	699.9	686.8	673.6	662.0	1380.7	633.0
Paris Club	2511.7	2227.6	1994.6	2036.0	766.8	744.8	723.8	702.8	681.8	670.5	659.2	648.0	1306.0	619.5
Other official bilateral	161.2	147.3	72.5	66.2	47.8	40.8	33.2	25.4	18.1	16.3	14.4	14.0	62.9	13.5
Commercial	36.5	29.1	21.6	15.4	9.6	3.8	1.7	0.8	0.0	0.0	0.0	0.0	11.8	0.0
Multilateral	2125.9	1619.9	1588.1	1573.5	683.4	575.7	468.4	474.1	482.3	493.5	507.0	523.4	1008.5	587.3
NPV of new debt	0.0	134.3	351.7	564.3	724.3	866.4	1021.4	1122.7	1200.7	1256.7	1316.7	1389.6	724.2	1870.9
Memorandum items:														
Old Debt														
NPV of debt-to-exports ratio (percent) 6/	486.3	431.8	353.8	300.1	108.7	90.5	76.4	70.3	64.8	60.7	57.0	53.7	204.4	44.8
NPV of debt-to-revenue ratio (percent)	872.1	622.6	582.9	534.3	204.1	172.3	144.5	132.2	121.2	114.1	107.6	101.9	350.0	86.2
Total Debt														
NPV of debt-to-exports ratio (percent) 6/	486.3	446.2	387.6	346.0	161.0	148.0	140.0	135.9	130.6	125.4	120.6	116.7	250.7	111.0
NPV of debt-to-revenue ratio (percent)	872.1	643.4	638.6	616.0	302.1	281.7	264.8	255.5	244.2	235.5	227.6	221.3	435.4	213.9
After unconditional delivery of enhanced HIPC assistance 8/														
NPV of total debt 2/	1491.3	1743.0	1900.1	2067.2	2231.9	2231.4	2248.4	2325.9	2382.9	2436.9	2497.2	2575.0	2105.9	3091.2
NPV of old debt	1491.3	1608.7	1548.4	1502.9	1507.6	1365.0	1227.0	1203.2	1182.2	1180.3	1180.6	1185.4	1381.7	1220.3
Official bilateral and commercial	696.8	733.5	746.6	759.7	824.2	789.4	758.6	729.0	699.9	686.8	673.6	662.0	742.5	633.0
Paris Club	649.8	691.1	706.3	721.5	766.8	744.8	723.8	702.8	681.8	670.5	659.2	648.0	705.9	619.5
Other official bilateral	33.4	38.6	37.0	35.4	47.8	40.8	33.2	25.4	18.1	16.3	14.4	14.0	32.6	13.5
Commercial	13.6	3.7	3.3	2.9	9.6	3.8	1.7	0.8	0.0	0.0	0.0	0.0	3.9	0.0
Multilateral	794.5	875.3	801.8	743.1	683.4	575.7	468.4	474.1	482.3	493.5	507.0	523.4	639.2	587.3
NPV of new debt	0.0	134.3	351.7	564.3	724.3	866.4	1021.4	1122.7	1200.7	1256.7	1316.7	1389.6	724.2	1870.9
Memorandum items:														
Old Debt														
NPV of debt-to-exports ratio (percent) 6/	150.0	172.6	149.0	122.2	108.7	90.5	76.4	70.3	64.8	60.7	57.0	53.7	106.5	44.8
NPV of debt-to-revenue ratio (percent)	269.0	248.9	245.5	217.6	204.1	172.3	144.5	132.2	121.2	114.1	107.6	101.9	186.9	86.2
Total Debt														
NPV of debt-to-exports ratio (percent) 6/	150.0	187.0	182.8	168.1	161.0	148.0	140.0	135.9	130.6	125.4	120.6	116.7	152.9	111.0
NPV of debt-to-revenue ratio (percent)	269.0	269.7	301.2	299.2	302.1	281.7	264.8	255.5	244.2	235.5	227.6	221.3	272.3	213.9

Sources: Zambian authorities; and staff estimates and projections.

1/ Assumes a stock of debt operation on Naples terms in December 1999, with comparable treatment from non-Paris Club bilateral creditors.
2/ Discounted on the basis of a six-month average of Commercial Interest Reference Rate (CIRR) for July-December 1999. The conversion of currency-specific NPVs into U.S. dollars occurs for all years at the base date exchange rate (December 1999).
3/ As defined in IMF Balance of Payments Manual, 5th edition, 1993.
4/ Backward-looking average (e.g. average over 1997–99 for exports in 1999).
5/ Converted into U.S. dollars at the end-of-period 1999 exchange rate.
6/ NPV of debt in percent of three-year average of exports of goods and services.
7/ Most of the delivery of enhanced HIPC relief under Cologne terms is simulated on bilateral debt at the Completion Point, following delivery of interim assistance.
Consequently, NPV of debt during 1999-2003 is higher when compared to the hypothetical scenario of traditional debt relief, since delivery of the latter is assumed to take place in 1999.
Modalities of simulated HIPC assistance are explained in paragraph 64 of the Preliminary HIPC Document.
8/ Entire assistance assumed to be delivered unconditionally at end-December 1999 .

Table 14. Zambia: Debt Service Payments on Public and Publicly Guaranteed External Debt, 2000-2019

(in millions of U.S. dollars; unless otherwise indicated)

																					Average		
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2011-2013	2014-2016	2017-2019
Before debt relief																							
Debt service on outstanding debt 1/	386	606	599	588	554	501	233	262	283	294	289	295	282	270	271	286	278	267	266	275	282	278	269
Principal	233	461	465	464	440	393	125	128	124	130	128	133	142	152	156	167	154	139	134	138	142	159	137
Interest	150	138	125	112	99	89	83	79	76	73	68	64	61	57	50	45	40	36	32	29	60	45	32
New borrowing	3	6	10	13	15	18	25	54	83	92	93	98	80	61	64	74	84	92	100	109	79	74	100
After traditional debt relief mechanisms 2/	193	436	429	434	434	434	214	241	246	257	256	267	256	245	251	267	291	306	321	338	256	270	322
Principal	76	319	313	321	323	324	106	135	141	152	151	161	150	138	146	162	187	203	218	237	150	165	219
Multilateral	42	284	277	283	284	289	65	64	56	56	52	56	60	64	67	72	75	76	76	79	60	71	77
o/w IMF	0	229	230	232	233	234	5	4	3	1	0	0	0	0	0	0	0	0	0	0	0	0	0
o/w World Bank	11	25	20	24	25	28	33	36	36	38	38	43	46	51	54	59	62	63	63	65	47	58	64
o/w AfDB/AfDF	17	18	15	16	16	16	16	13	9	9	8	6	7	6	6	6	6	6	6	6	6	6	6
Others	13	13	12	11	11	11	11	11	8	7	6	6	7	7	7	7	7	7	7	7	7	7	7
Official bilateral	27	27	30	32	33	33	35	37	25	30	32	36	41	46	50	55	69	79	90	102	41	58	90
Paris Club	19	19	21	24	24	24	26	29	22	27	30	35	40	45	49	54	68	77	88	100	40	57	88
post-cutoff date	18	18	21	23	23	22	22	22	13	13	13	13	13	11	8	6	6	6	6	6	12	7	6
o/w ODA	9	9	12	14	14	13	13	13	13	13	13	13	13	11	8	6	6	6	6	6	12	7	6
pre-cutoff date	0	0	0	1	1	2	4	6	10	14	18	22	27	34	41	48	61	71	82	94	28	50	82
o/w ODA	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	7	7	8	9	0	3	8
o/w non ODA	0	0	0	1	1	2	4	6	10	14	18	22	27	33	40	47	55	64	74	85	28	47	74
Other official bilateral	9	9	9	9	9	9	9	9	3	3	1	1	1	1	1	0	1	1	2	2	1	1	2
post-cutoff date	9	9	9	9	9	9	9	8	3	3	1	1	1	1	1	0	0	0	0	0	1	0	0
Commercial	8	8	6	6	6	2	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
post-cutoff date	8	8	6	6	6	2	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New borrowing	0	0	0	0	0	0	5	33	60	67	67	69	49	28	29	36	43	48	52	57	49	36	52
Interest	117	117	115	113	111	110	108	106	105	105	105	105	105	107	105	105	104	103	102	101	106	105	102
Multilateral	33	31	28	25	22	20	17	16	15	14	14	13	13	12	12	11	11	10	9	9	13	11	9
o/w IMF	6	6	4	3	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
o/w World Bank	15	14	14	13	13	12	12	12	11	11	11	11	10	10	10	9	9	8	8	7	10	9	8
o/w AfDB/AfDF	10	9	8	7	6	5	4	3	2	2	2	1	1	1	1	1	1	1	1	1	1	1	1
Others	2	2	2	2	2	2	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Official bilateral	78	77	76	75	73	72	70	69	67	66	65	64	62	62	58	55	52	49	45	40	63	55	45
Paris Club	75	74	73	73	71	71	69	68	67	66	65	63	62	61	57	55	52	49	44	40	62	55	44
post-cutoff date	10	10	9	8	7	6	5	4	3	3	2	2	2	1	1	1	1	1	1	1	2	1	1
o/w ODA	5	5	5	5	4	4	4	3	3	3	2	2	2	1	1	1	1	1	1	1	2	1	1
pre-cutoff date	64	65	65	65	65	65	64	64	64	63	63	62	60	60	56	54	51	48	44	39	61	54	44
o/w ODA	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	15	15	15	15	15	16	15	15
o/w non ODA	49	49	49	49	49	49	49	49	49	48	47	46	45	45	41	39	36	33	29	25	45	39	29
Other official bilateral	3	3	2	2	2	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
post-cutoff date	3	2	2	2	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
pre-cutoff date	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
o/w ODA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial	2	2	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
post-cutoff date	2	2	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New borrowing	3	6	10	13	15	18	20	21	23	25	26	28	31	33	35	38	41	45	48	52	31	38	48
After enhanced HIPC Initiative assistance 3/	169	158	148	151	211	202	96	121	130	137	135	139	121	101	101	109	119	127	135	144	120	110	135
Principal	85	125	115	117	168	159	54	79	88	94	90	93	73	52	49	54	62	67	71	76	73	55	71
Multilateral	42	91	80	80	131	126	16	15	13	11	9	10	10	11	12	12	13	13	13	13	10	12	13
o/w: IMF	0	68	63	65	119	116	5	4	3	1	0	0	0	0	0	0	0	0	0	0	0	0	0
o/w World Bank	11	11	9	9	6	4	5	6	6	6	6	7	7	8	9	9	10	10	10	10	7	9	10
o/w AfDB/AfDF	17	4	3	3	3	3	3	3	2	2	2	1	1	1	1	1	1	1	1	1	1	1	1
Others	13	8	5	3	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Official bilateral	36	27	29	32	32	31	31	31	15	15	14	14	14	12	9	6	6	6	6	6	13	7	6
o/w: Paris Club	19	18	21	23	23	22	22	22	13	13	13	13	13	11	8	6	6	6	6	6	12	7	6
post-cutoff date	18	18	21	23	23	22	22	22	13	13	13	13	13	11	8	6	6	6	6	6	12	7	6
o/w ODA	9	9	12	14	14	13	13	13	13	13	13	13	13	11	8	6	6	6	6	6	12	7	6
pre-cutoff date	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
o/w ODA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
o/w non ODA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other official bilateral	17	9	9	9	9	9	9	8	3	3	1	1	1	1	1	0	0	0	0	0	1	0	0
post-cutoff date	9	9	9	9	9	9	9	8	3	3	1	1	1	1	1	0	0	0	0	0	1	0	0
Commercial	8	8	6	6	6	2	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
post-cutoff date	8	8	6	6	6	2	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New borrowing	0	0	0	0	0	0	5	33	60	67	67	69	49	28	29	36	43	48	52	57	49	36	52
Interest	84	33	33	34	43	43	42	42	42	43	44	46	48	50	52	54	57	60	64	68	48	54	64
Multilateral	33	12	10	8	6	4	3	3	3	2	2	2	2	2	2	2	2	2	2	1	2	2	2
o/w: IMF	6	6	4	3	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
o/w World Bank	15	4	3	3	2	2	2	2	2	2	2	2	2	2	2	1	1	1	1	1	2	1	1
o/w AfDB/AfDF	10	2	2	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Others	2	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Official bilateral	45	13	12	12	21	20	19	18	16	16	16	15	15	15	14	14	14	14	14	14	15	14	14
o/w: Paris Club	42	10	9	10	20	19	18	17	16	16	16	15	15	15	14	14	14	14	14	14	15	14	14
post-cutoff date	10	10	9	8	7	6	5	4	3	3	2	2	2	1	1	1	1	1	1	1	2	1	1
o/w ODA	5	5	5	5	4	4	4	3	3	3	2	2	2	1	1	1	1	1	1	1	2	1	1
pre-cutoff date	32	0	1	3	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13
o/w ODA	7	0	0	1	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13
o/w non ODA	25	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
o/w: Other official bilateral	3	3	2	2	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
post-cutoff date	3	2	2	2	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial	2	2	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
post-cutoff date	2	2	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New borrowing	3	6	10	13	15	18	20	21	23	25	26	28	31	33	35	38	41	45	48	52	31	38	48
Memorandum items:																							
Exports	1,036	1,241	1,413	1,506	1,604	1,709	1,821	1,941	2,068	2,204	2,348	2,502	2,666	2,841	3,027	3,225	3,437	3,662	3,902	4,158	2,670	3,230	3,907
Debt-service ratio before HIPC relief (percent)	19	35	30	29	27	25	12	12	12	12	11	11	10	9	8	8	8	8	8	8	10	8	8
Debt-service ratio after HIPC relief (percent)	16	13	10	10	13	12	5	6	6	6	6	6	5	4	3	3	3	3	3	3	5	3	3

Sources: Zambian authorities and staff estimates and projections.

1/ At end-99, including consolidation period under PC 7 between April and December, 1999.

2/ A stock-of-debt under Naples terms is simulated at end-December, 1999.

3/ Completion point is assumed to be reached at end-2003.

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Table 15. Zambia: Possible Delivery of IMF Assistance under the Enhanced HIPC Initiative, 2000-09 1/

(In millions of U.S. dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Delivery schedule of IMF assistance (share of total)	0.0	25.0	25.0	25.0	12.5	12.5	0.0	0.0	0.0	0.0
Total obligations falling due to the IMF 2/	5.6	218.9	219.1	219.3	219.5	219.7	5.2	3.9	2.6	1.3
Principal	0.0	213.7	215.0	216.3	217.5	218.8	5.1	3.8	2.6	1.3
Interest	5.6	5.2	4.1	3.0	2.0	0.9	0.0	0.0	0.0	0.0
IMF assistance--deposits into member's account 3/										
Interim assistance		150.5	150.5	150.5						
Completion point assistance					150.5 /3					
IMF assistance--drawdown schedule 4/	0.0	150.5	155.8	155.8	106.6	110.5	0.0	0.0	0.0	0.0
Net debt service to IMF 5/	5.6	68.4	63.3	63.5	112.9	109.2	5.2	3.9	2.6	1.3
Share of debt service to IMF covered by IMF assistance (in percent) 4/	0.0	68.8	71.1	71.0	48.6	50.3	0.0	0.0	0.0	0.0
Memorandum items:										
Proportion of each repayment falling due during the period to be paid by HIPC Initiative assistance from the principal deposited in member's account	0.0	70.4	70.0	69.6	34.6	34.4	0.0	0.0	0.0	0.0
Debt service due to the IMF based on the end-1999 US$/SDR exchange rate	6.0	234.3	234.6	234.8	235.0	235.2	5.5	4.1	2.8	1.4
Committed IMF assistance (SDR commitment converted at end-1999 US$/SDR exchange rate)	0.0	161.1	166.8	166.8	114.1	118.3	0.0	0.0	0.0	0.0
Net payment to the Fund (based on end-1999 US$/SDR exchange rate)	6.0	73.2	67.8	68.0	120.9	116.9	5.5	4.1	2.8	1.4
Share of total debt service covered by IMF assistance (in percent) 4/	0.0	35.8	37.7	37.2	25.5	26.4	0.0	0.0	0.0	0.0
Debt service to IMF after IMF assistance 4/ (in percent of exports)	0.5	5.5	4.5	4.2	7.0	6.4	0.3	0.2	0.1	0.1

Source: IMF, Treasurer's Department.

1/ Total IMF assistance under the HIPC Initiative is US$ 602 million calculated on the basis of data available at the decision point, excluding interest earned on the member's account and on committed but undisbursed amounts as described in footnotes 3 and 4.

2/ Data are as of December 31, 1999, using the US$/SDR exchange rate of November 30, 2000. Data for 2000 use the average US$/SDR exchange rate for the first 10 months of 2000. SDR charges have been excluded from the projection of interest payments.

3/ HIPC assistance is assumed to be disbursed into member's account in preceding December of the year shown. Completion point is assumed in December 2003.

4/ Includes estimated interest earnings on: (1) amounts held in member's account; and (2), up to the completion point, amounts committed but not yet disbursed. It is assumed that these amounts earn a rate of return of 5.25 percent in U.S. dollar terms; actual interest earnings may be higher or lower. Interest accrued on (1) during a calendar year will be used toward the first repayment obligation(s) falling due in the following calendar year except in the final year, when it will be used toward payment of the final obligation(s) falling due in that year. Interest accrued on (2) during the interim period will be used toward the repayment of obligations falling due during the two years after the completion point.

5/ Total obligations less HIPC Initiative assistance.

Table 16. Zambia: Possible Delivery of IDA Assistance Under the Enhanced HIPC Initiative, 2000-20
(In millions of U.S. dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
IDA debt service before HIPC relief	17.2	22.4	25.8	30.6	34.1	40.3	45.0	47.5	47.4	49.3	49.0	54.0	56.8	61.0	63.6	67.8	70.2	71.0	70.8	72.5	72.0
Principal	4.4	9.7	13.2	18.1	21.7	28.1	33.0	35.7	36.0	38.1	38.1	43.4	46.5	51.1	54.1	58.7	61.5	62.8	63.1	65.2	65.2
Interest	12.8	12.7	12.6	12.5	12.4	12.2	12.0	11.7	11.5	11.2	10.9	10.6	10.3	9.9	9.5	9.1	8.7	8.2	7.7	7.3	6.8
IDA debt service after HIPC relief	17.2	3.5	4.1	4.8	5.4	6.4	7.1	7.5	7.5	7.8	7.7	8.5	9.0	9.6	10.0	10.7	11.1	11.2	11.2	11.4	11.4
Principal	4.4	1.5	2.1	2.9	3.4	4.4	5.2	5.6	5.7	6.0	6.0	6.9	7.3	8.1	8.5	9.3	9.7	9.9	10.0	10.3	10.3
Interest	12.8	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.7	1.7	1.6	1.6	1.5	1.4	1.4	1.3	1.2	1.1	1.1
IDA assistance 1/	0.0	18.9	21.7	25.8	28.7	33.9	37.9	40.0	39.9	41.5	41.3	45.5	47.8	51.4	53.6	57.1	59.1	59.8	59.6	61.0	60.6
Principal	0.0	8.2	11.1	15.2	18.3	23.6	27.8	30.1	30.3	32.1	32.1	36.5	39.1	43.0	45.5	49.4	51.8	52.9	53.1	54.9	54.9
Interest	0.0	10.7	10.6	10.5	10.4	10.3	10.1	9.9	9.7	9.4	9.2	8.9	8.7	8.4	8.0	7.7	7.3	6.9	6.5	6.1	5.7
Memorandum item:																					
IDA debt relief as percent of IDA debt service due (in percent)	0.0	84.2	84.2	84.2	84.2	84.2	84.2	84.2	84.2	84.2	84.2	84.2	84.2	84.2	84.2	84.2	84.2	84.2	84.2	84.2	84.2
Interim assistance 2/	60.7																				
Interim relief as percent of total	12.4																				

Sources: Zambian authorities; and IDA staff estimates.

1/ Total debt service reduction of US$885 million in nominal terms corresponding to US$487.8 million in NPV terms, using end-1999 discount and exchange rates.
2/ In net present value (NPV) terms; assuming a decision point as of end-2000 and a completion point as of end-2003.

Table 17. Zambia: Discount Rate and Exchange Rate Assumptions

	Discount Rates 1/ (Percent)	Exchange Rates 2/ (Currency per U.S. dollar)
Currency		
Austrian Schilling	5.47	13.70
Belgian Franc	5.47	40.16
Bulgarian Leva	5.59	1.95
Canadian Dollar	6.67	1.44
Swiss Franc	4.27	1.60
Chinese Yuan	5.59	8.28
Deutsche Mark	5.47	1.95
Danish Kroner	5.32	7.40
Spanish Peseta	5.47	165.62
European Currency Unit/Euro	5.47	1.00
Finnish Markaa	5.47	5.92
French Franc	5.47	6.53
British Pound	6.70	0.62
Irish Pound	5.47	0.78
Indian Rupee	5.59	43.49
Iraqi Dinar	5.59	30.00
Italian Lira	5.47	1,927.40
Japanese Yen	1.98	102.20
Kuwaiti Dinar	5.59	0.30
Luxemburg Franc	5.47	40.16
Netherland Guilder	5.47	2.19
Norwegian Kroner	6.64	8.04
Saudi Arabian Riyal	5.59	3.75
Special Drawing Rights	5.59	0.73
Swedish Kronor	5.80	8.53
Russian Rouble 3/	7.04	0.60
United States Dollar	7.04	1.00
Yugoslav Dinar	5.59	11.61
Memo:		
Paris Club cutoff date: January 1, 1983		

Sources: European Central Bank; IMF, International Financial Statistics; OECD; and staff estimates.

1/ Average Commercial Interest Reference Rates for respective currencies over the six-month period prior to end-1999 (i.e., the end of the period for which actual debt and export data are available).
2/ End-of-period exchange rates as of end-December, 1999.
3/ Former Soviet debt converted at 0.6 Rouble per USD, as agreed between Russia and the Paris Club.

Table 18. HIPC Initiative: Status of Country Cases Considered Under the Initiative, December 1, 2000

Country	Decision Point	Completion Point	Target NPV of Debt-to- Export (in percent)	Target NPV of Debt-to- Gov. revenue (in percent)	Assistance Levels 1/ (In millions of U.S. dollars, present value) Total	Bilateral	Multilateral	IMF	World Bank	Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)
Completion point reached under enhanced framework											
Uganda					1,003	183	820	160	517		1,950
original framework	*Apr. 97*	*Apr. 98*	*202*		*347*	*73*	*274*	*69*	*160*	*20*	*650*
enhanced framework	*Feb. 00*	*May 00*	*150*		*656*	*110*	*546*	*91*	*357*	*37*	*1,300*
Decision point reached under enhanced framework											
Benin	Jul. 00	*Floating*	150		265	77	189	24	84	31	460
Bolivia					1,302	425	875	84	194		2,060
original framework	*Sep. 97*	*Sep. 98*	*225*		*448*	*157*	*290*	*29*	*54*	*14*	*760*
enhanced framework	*Feb. 00*	*Floating*	*150*		*854*	*268*	*585*	*55*	*140*	*30*	*1,300*
Burkina Faso					398	56	342	42	162		700
original framework	*Sep. 97*	*Jul. 00*	*205*		*229*	*32*	*196*	*22*	*91*	*27*	*400*
enhanced framework	*Jul. 00*	*Floating*	*150*		*169*	*24*	*146*	*20*	*71*	*27*	*300*
Cameroon	Oct. 00	Floating	150		1,260	874	324	37	179	27	2,000
Guyana					585	220	365	74	68		1,030
original framework	Dec. 97	May 99	107	280	256	91	165	35	27	24	440
enhanced framework	*Nov. 00*	*Floating*	*70*	*250*	*329*	*129*	*200*	*40*	*41*	*40*	590
Honduras	Jun. 00	Floating	110	250	556	215	340	30	98	18	900
Mali					523	162	361	58	182		870
original framework	*Sep. 98*	*Sep. 00*	*200*		*121*	*37*	*84*	*14*	*44*	*9*	*220*
enhanced framework	*Sep. 00*	*Floating*	*150*		*401*	*124*	*277*	*44*	*138*	*28*	*650*
Mauritania	Feb. 00	Floating	137	250	622	261	361	47	100	50	1,100
Mozambique					1,970	1,235	736	140	434		4,300
original framework	*Apr. 98*	*Jun. 99*	*200*		*1,716*	*1,076*	*641*	*125*	*381*	*63*	*3,700*
enhanced framework	*Apr. 00*	*Floating*	*150*		*254*	*159*	*95*	*16*	*53*	*9*	*600*
Senegal	Jun. 00	Floating	133	250	488	193	259	45	124	19	850
Tanzania	Apr. 00	Floating	150		2,026	1,006	1,020	120	695	54	3,000
Completion point reached under original framework											
Decision point reached under original framework											
Côte d'Ivoire	Mar. 98	Mar. 01	141	280	345	163	182	23	91	6 3/	800
Total assistance provided/committed					**11,343**	**5,070**	**6,174**	**883 4/**	**2,928**		**20,020**
Preliminary Assessments 5/											
Chad 6/	...	...	150		157	34	123	15	65	27	250
Ethiopia 6/	...	...	200		636	225	411	22	214	23	1,300
Gambia, The 7/	...	...	150		67	18	49	2	22	27	90
Guinea 7/	...	...	150		545	217	328	31	151	32	800
Guinea-Bissau 7/	...	...	200		400	198	202	11	93	85	755
Madagascar 6/	...	...	150		880	502	378	23	264	41	2,000
Malawi 6/	...	...	150		629	163	466	29	323	43	1,100
Nicaragua 6/	...	...	150		2,507	1,416	1,091	32	188	66	5,000
Niger 7/	...	...	150		521	211	309	28	170	54	890
Rwanda 6/	...	...	150		447	56	391	43	227	71	800
Sao Tome and Principe 6/	...	...	150		97	29	68	--	24	83	200
Zambia 7/	...	...	150		2,499	1,168	1,331	602	493	63	3,800

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.

2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.

3/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessional restructuring, is excluded from the NPVof debt at the completion point in the calculation of this ratio.

4/ Equivalent to SDR 677.9 million at an SDR/USD exchange rate of 0.7676.

5/ Figures are based on preliminary assessments at the time of the issuance of the preliminary HIPC document; and are subject to change. Assistance levels for Ethiopia and Guinea-Bissau were based on the original framework and applied at the completion point; for Chad, The Gambia, Guinea, Madagascar, Malawi, Nicaragua, Rwanda, and Zambia, targets are based onthe enhanced framework and assistance levels are at the assumed decision point.

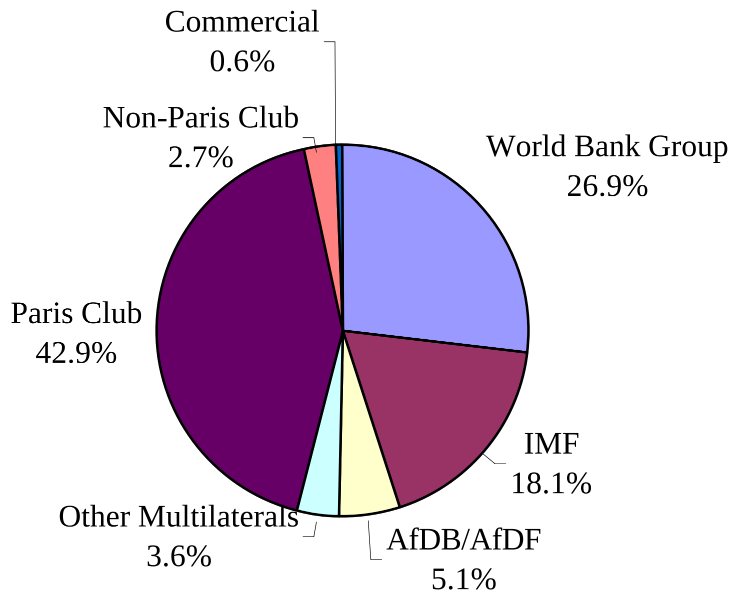
6/ Information based on preliminary HIPC documents.

7/ Figures based on on decision point documents submitted to the Board in November/December 2000, but not yet approved.

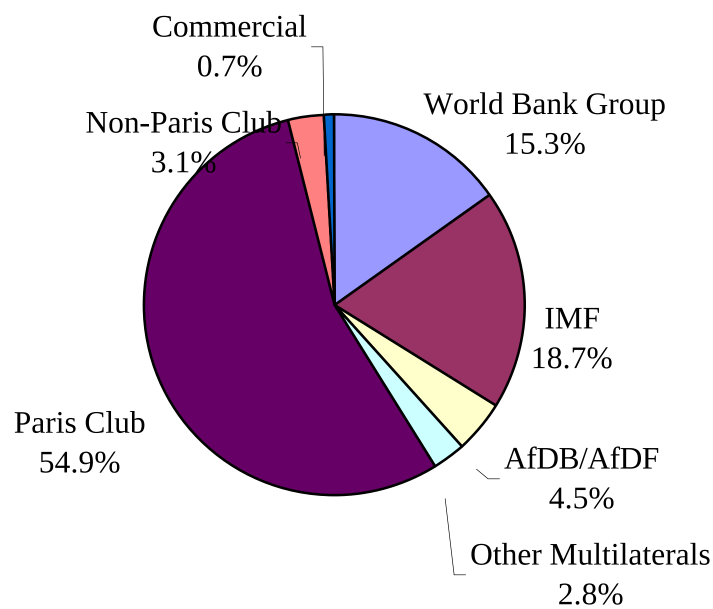
Figure 1. Zambia: Composition of Stock of External Debt, end-December, 1999

Before full use of traditional debt relief mechanisms.

Nominal Value of Debt: US $6,459 million



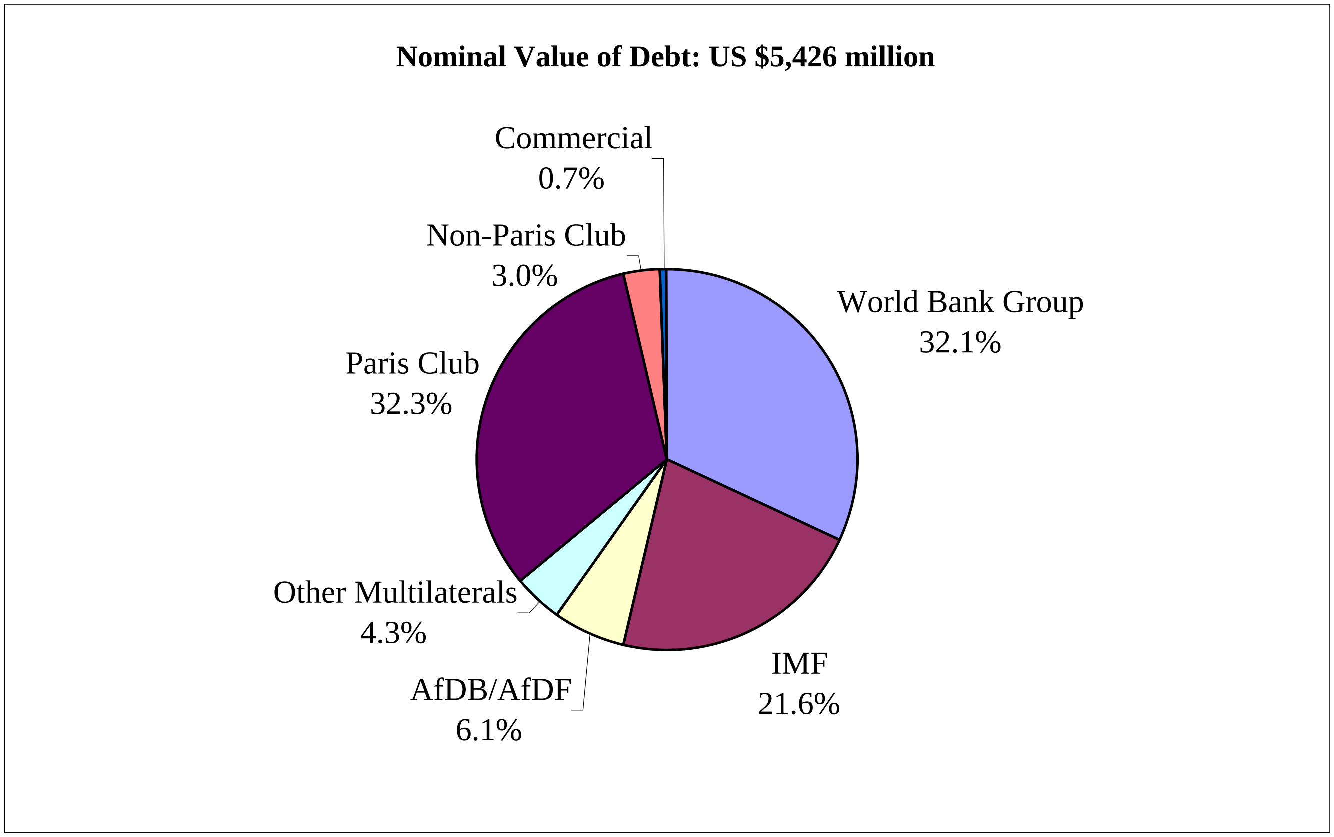
Present Value of Debt: US $5,154 million

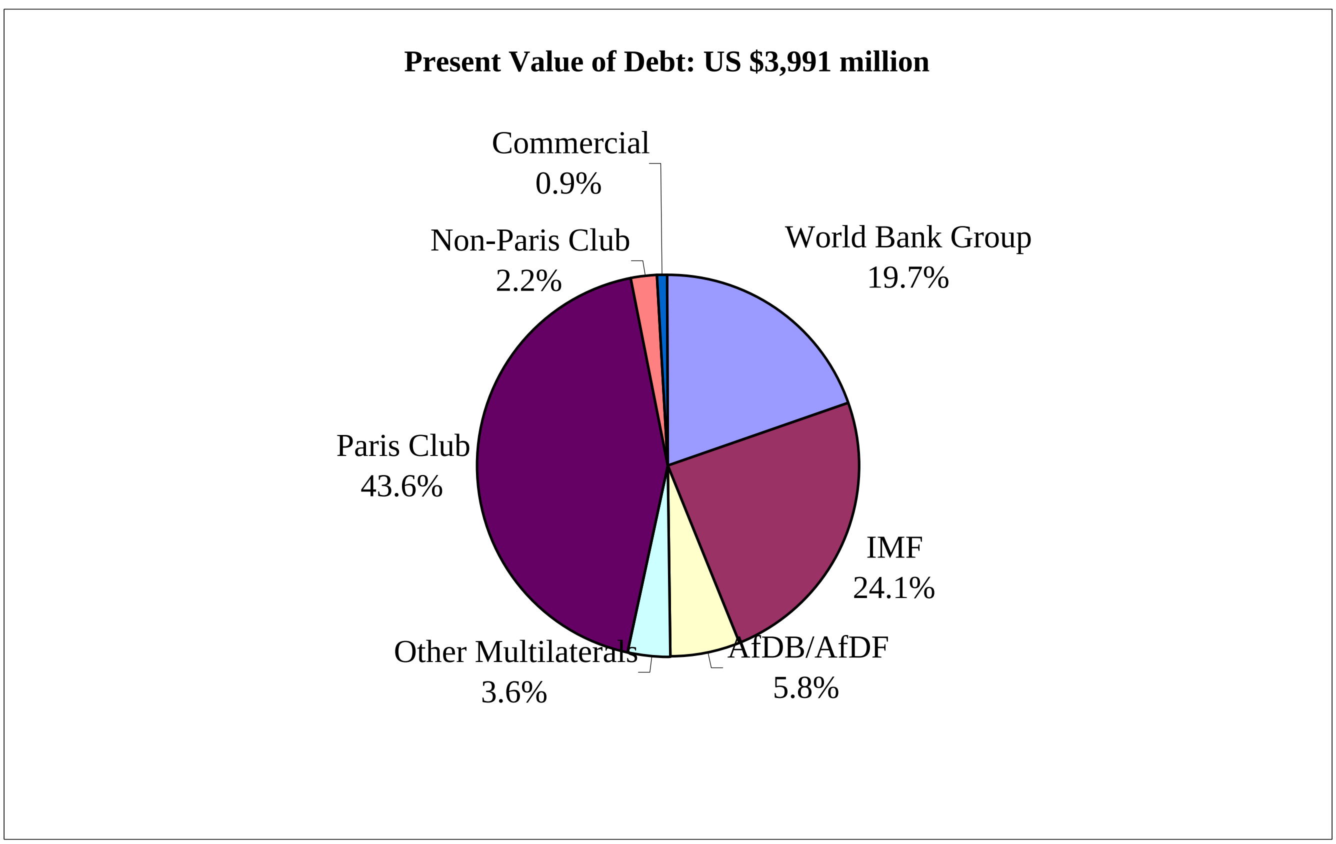


Sources: Zambian authorities; and staff estimates.

Figure 2. Zambia: Composition of Stock of External Debt, end-December, 1999

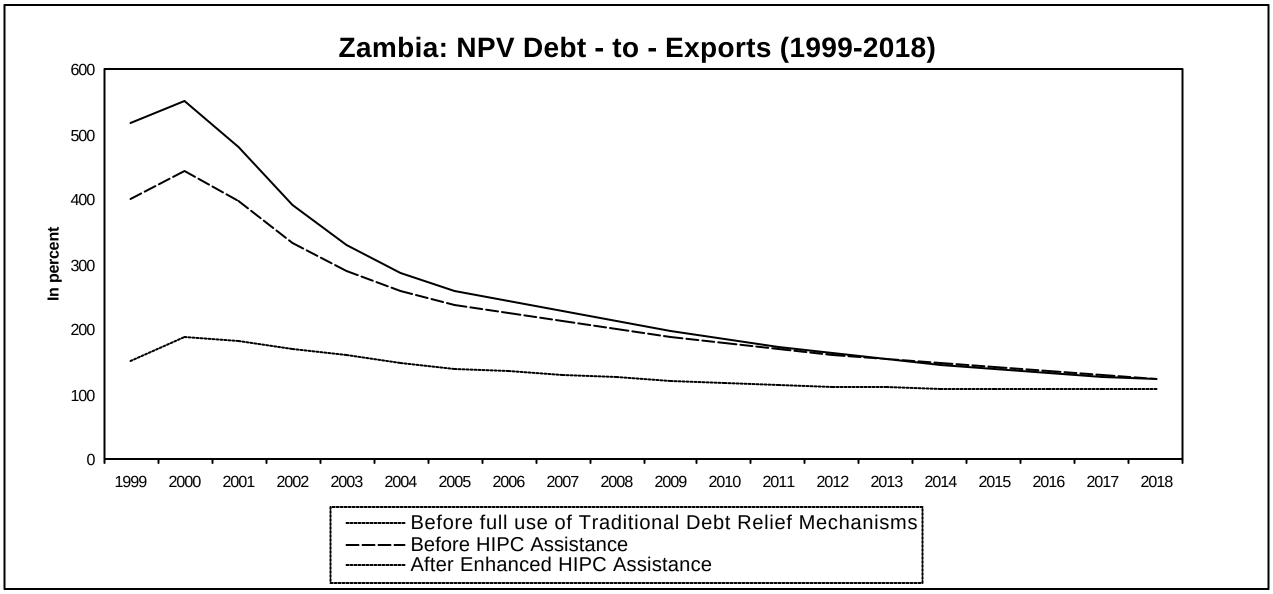
After full use of traditional debt relief mechanisms.

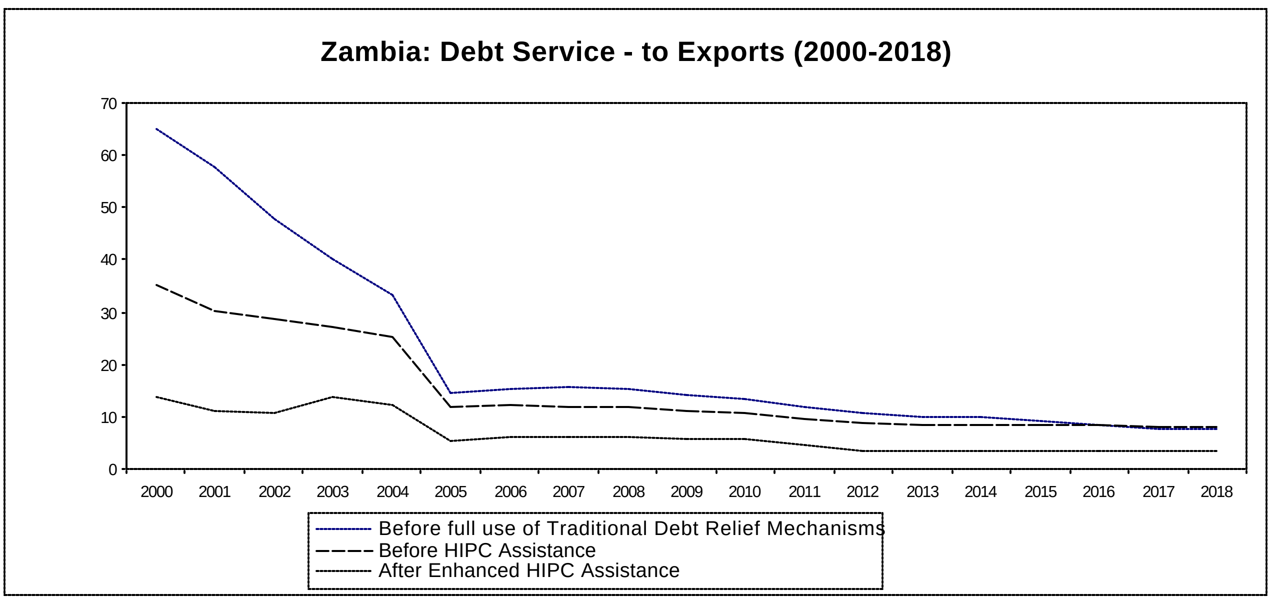




Sources: Zambian authorities; and staff estimates.

Figure 3. Zambia: Benefits from the HIPC Initiative (1999-2018)





Source: Zambian authorities; and staff estimates.

Annex 1

Zambia: Adjustment Record Under Fund Arrangements, 1986-2000

Arrangement	Approval Date	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
ESAF/PRGF 1/	March 25, 1999	March 24, 2002	254.45	10.00
ESAF 2/	December 6, 1995	December 5, 1998	701.68	661.68
SAF 3/	December 6, 1995	December 5, 1996	181.75	181.75
RAP 4/	July 1992	December 1995	0.00	0.00
Stand-By 5/	February 21, 1986	May 15, 1987	229.80	35.00

1/ Review of First Annual Program was delayed by about a year because of the nonobservance of the June, 1999 performance criteria and subsequent prior actions.
2/ Mid-term review of the first annual arrangement was completed on February 28, 1997. However, Boar presentation of the second annual arrangement could not go forward because several prior actions could n be completed. The three-year ESAF arrangement expired on December 5, 1998.
3/ Review of the SAF arrangement was completed and the full amount of program financing was disbursed
4/ The Rights Accumulation Program (RAP) was successfully completed and Zambia cleared its arrears w Fund. In completing the review, the Board granted waivers for the nonobservance of a number of perform criteria. The Executive Board also lifted Zambia's ineligibility to borrow from the Fund and approved paral SAF and ESAF arrangement on December 6, 1995.
5/ Only the initial purchase of SDR35 million was made. No review was completed and the arrangement v cancelled in May, 1987. Zambia has accumulated arrears with the Fund since 1986 and was declared ineligible to use General Resources of the Fund on September 30, 1987.