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THE INTERNATIONAL MONETARY FUND AND
THE INTERNATIONAL DEVELOPMENT ASSOCIATION

THE REPUBLIC OF ZAMBIA

Enhanced Initiative for Heavily Indebted Poor Countries Completion Point Document

Prepared by the Staffs of the International Monetary Fund and
the International Development Association

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EXECUTIVE SUMMARY

- In the opinion of the staffs of the International Monetary Fund (IMF) and International Development Association (IDA), Zambia has satisfactorily fulfilled the requirements for reaching the completion point under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative). The staffs recommend that Executive Directors agree with this assessment and commit resources for the enhanced HIPC Initiative to Zambia, as approved at the decision point, on an irrevocable basis.

- At the decision point in December 2000, Executive Directors agreed that Zambia's external public debt should be reduced by 62.6 percent (or US$2.5 billion) in 1999 net present value (NPV) terms, after the full use of traditional debt-relief mechanisms. Full delivery of this assistance would lower the ratio of Zambia's NPV of external public debt to exports to the enhanced HIPC Initiative's threshold of 150 percent, based on end-1999 parameters and debt stocks. The IMF and IDA commitments to this debt relief were US$602 million and US$488 million, respectively, in NPV terms of which US$452 million and US$98 million, respectively, were delivered as interim assistance as of March 2005.

- Zambia has met all but three of the completion point conditions, as specified in the decision point document. Zambia made satisfactory progress in implementing and monitoring its Poverty Reduction Strategy Paper (PRSP) for at least one year, and maintained a stable macroeconomic environment as evidenced by satisfactory performance under a program supported by the Poverty Reduction and Growth Facility (PRGF). Zambia has met the completion point targets in the social sectors, has undertaken important structural reforms and strengthened public expenditure management. Conditions regarding restructuring and privatization of the electricity utility (ZESCO) and the review of the implementation of an integrated financial management and information system (IFMIS), however, have not been met. In addition, the condition regarding privatization of the Zambia National Commercial Bank (ZNCB) has not fully been met, as the authorities recently terminated negotiations with the current bidders in order to restart the privatization process to allow the participation of new bidders. Based on progress achieved in the areas of restructuring ZESCO, public expenditure management, and privatization of ZNCB, it is recommended that the IMF Board grant waivers for the nonobservance of the completion point conditions regarding ZESCO, the IFMIS, and ZNCB.

- Financing assurances on the provision of assistance under the enhanced HIPC Initiative have been obtained from creditors representing 97 percent of Zambia's total debt in NPV terms. Government has requested enhanced HIPC Initiative debt relief from non-Paris Club bilateral and commercial creditors. Some non-Paris Club bilateral creditors have provided partial relief.

- An updated debt sustainability analysis based on end-2003 debt data and parameters indicates that, after full delivery of enhanced HIPC Initiative assistance and additional bilateral debt relief, the NPV of debt-to-exports ratio was 174 percent, 13 percentage points above the decision point projection. The NPV of debt-to exports ratio is estimated to have fallen to 140 percent in 2004 and is projected to decline steadily thereafter. On this basis, the staffs do not recommend a topping-up of debt relief at the completion point.

- A sensitivity analysis suggests that Zambia's debt sustainability position after the completion point should be able to withstand some severe shocks, such as a sizeable permanent fall in the price of copper, Zambia's principal export commodity, substantially slower economic growth, or a significant shortfall in donors' grants.

- Government's capacity for public sector debt management is relatively low. Zambia participates in the joint IMF/World Bank Debt Reform and Capacity Building Program. An assessment of the main challenges was undertaken in May 2004. With technical assistance from IDA and other cooperating partners, government has prepared a public debt management reform program, which is to be implemented over the next few years to remedy this situation.

I. Introduction

1. **This paper discusses Zambia's progress under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC) and seeks approval from the Executive Boards of the International Monetary Fund (IMF) and the International Development Association (IDA) of Zambia's attainment of the completion point under the Initiative.** In December 2000, the Executive Boards of the IMF and IDA agreed that Zambia had met the conditions to reach its decision point under the enhanced HIPC Initiative and defined a set of conditions for Zambia to reach the completion point, at which time the debt relief committed at the decision point would become irrevocable.[1]

2. **At the decision point, Zambia became eligible for debt relief in the amount of US$2.5 billion in net present value (NPV) terms.** Based on a debt sustainability analysis (DSA) using end-1999 data, the full delivery of this assistance would reduce the ratio of the NPV of Zambia's external public sector debt to exports to 150 percent—the threshold for sustainability under the enhanced HIPC Initiative. Employing the principle of equal burden sharing, all creditors would reduce the NPV of their claims on Zambia by a common reduction factor of 62.6 percent, after the full use of traditional debt-relief mechanisms. For the IMF and IDA, the resulting commitments amounted to US$602 million and US$488 million in NPV terms, respectively. During the interim period between the decision and completion points, the IMF provided debt relief of US$452 million in NPV terms, while IDA provided relief of US$98 million. Zambia has also benefited from interim assistance granted by the African Development Bank (AfDB), the OPEC Fund for International Development, the European Union (EU), and Paris Club creditors. Total HIPC Initiative assistance to Zambia was in excess of US$830 million in NPV terms during the interim period.[2]

3. The document is organized as follows: Section II assesses Zambia's performance in meeting the requirements for reaching the completion point under the enhanced HIPC Initiative, as set out in the decision point document. Section III reviews the status of creditor participation and the delivery of debt relief to Zambia under the enhanced HIPC Initiative and presents the results of the DSA based on end-2003 debt data and parameters, including the sensitivity of debt indicators to changes in key economic variables. Section IV outlines the present state of public sector debt management and summarizes the main challenges to be addressed in the ongoing efforts to build capacity in this area. Sections V and VI present the conclusions and issues for discussion by the Boards, respectively.

II. Assessment of Requirements for Reaching the Completion Point

4. **The conditions for reaching the completion point, as set out in the decision point document, comprised**: (i) adoption of a Poverty Reduction Strategy Paper (PRSP) to be prepared through a participatory process and satisfactory progress with implementing and

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[1] See EBS/00/233 (11/20/2000) and IDA Report No. P7410-ZA (11/20/2000).

[2] Paris Club creditors have provided additional interim relief beyond HIPC Initiative assistance.

monitoring the PRSP for at least one year; (ii) maintenance of a stable macroeconomic environment as evidenced by satisfactory performance under a program supported by an arrangement under the IMF's Poverty Reduction and Growth Facility (PRGF) (iii) specific targets in the areas of education, health, and the fight against HIV/AIDS; (iv) implementation of key structural reforms in the electricity and financial sectors; and (v) strengthening of public expenditure management.

5. **In the view of the staffs of the IMF and IDA, all but three of the completion point triggers have now been satisfied (Box 1).** The completion point triggers regarding the implementation and review of the piloting of an integrated financial management and information system (IFMIS) and restructuring and issuance of international bidding documents for Zambia Electricity Supply Company (ZESCO), however, have not been met. In addition, the condition regarding privatization of the Zambia National Commercial Bank (ZNCB) has not been fully met. The authorities recently terminated unsuccessful negotiations with the current bidders in order to restart the privatization process to allow the participation of new bidders. Based on substantial progress in implementing a broader strategy to strengthen public expenditure management and government's commitment to implement IFMIS at the earliest possible date, satisfactory progress in implementing a comprehensive commercialization strategy for ZESCO, and the authorities' commitments to advance the privatization process for ZNCB, as discussed below, **it is recommended that the Board of the IMF grant waivers for the nonobservance of the three completion point conditions regarding IFMIS, ZESCO, and ZNCB. The staffs of the IMF and IDA recommend that Executive Directors agree that Zambia has made sufficient progress to reach the completion point under the enhanced HIPC Initiative.**

A. Implementation of the Poverty Reduction Strategy

6. In **early 2002, Zambia adopted a full PRSP covering the period 2002–04, which was prepared through a participatory process.** The PRSP was endorsed by the IMF and IDA Boards in May 2002 as a credible framework for the provision of concessional assistance. Zambia's PRSP aims to promote growth and diversification in production and exports, to improve delivery of social services, and to foster appropriate policies for fighting HIV/AIDS, addressing gender inequality, and protecting the environment. In consultation with stakeholders, the period covered by the original PRSP was extended by a year to 2005 to overlap with Zambia's Transitional National Development Plan (TNDP).[3] A new PRSP will be developed during 2005 alongside a new National Development Plan for the period 2006–2010. Policies for reducing poverty during 2005 will be guided by the existing PRSP and TNDP.

7. **Implementation of the PRSP was not fully satisfactory in the first year, but has improved.** The first Annual Progress Report on the implementation of the PRSP, covering the period January 2002–June 2003, was prepared by the Government of the Republic of Zambia

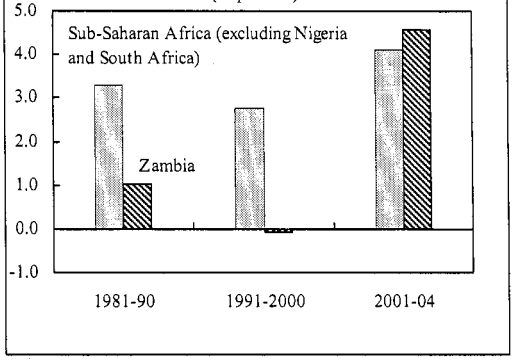
[3] The TNDP for the period 2002-2005, prepared when the current government took office in 2002, encompasses all the areas discussed in the PRSP, but also includes other areas such as the Judiciary, Law and Order, and Defense and Security.

and submitted to the IMF and IDA in March 2004. The Progress Report and the accompanying Joint Staff Assessment (JSA) were discussed by the Boards of the IMF and IDA in June 2004.[4] The JSA concluded that Zambia's strategy to reduce poverty continued to articulate a sound set of policies and programs. However, despite satisfactory economic growth and some progress on reforms related to public expenditure management, satisfactory implementation of the PRSP still needed to be established. In particular, monitoring and execution of the budget for poverty-reducing programs was poor and implementation of the PRSP was impaired by weaknesses in macroeconomic management. The second Annual Progress Report and its Addendum, covering the period July 2003-December 2004 and including a supplement on policies and objectives for 2005, was released in February 2005. This report, which was also prepared through a participatory process, and the accompanying Joint Staff Advisory Note point out that macroeconomic policy had been strengthened and priority poverty-reducing programs were fully funded in line with the budget in 2004. Moreover, an activities-based budget (ABB) classification was introduced and the financial management system (FMS) was improved and computerized to allow for substantially better monitoring of expenditure. The improved predictability of funding has led to better outcomes of PRSP programs, such as in the areas of education, HIV/AIDS, and infrastructure.[5] **Based on this performance, IMF and IDA staffs conclude that satisfactory progress with implementing and monitoring of the PRSP was achieved for a full year in 2004.**

B. Macroeconomic Stability

8. **Since the decision point in December 2000, the Zambian economy has performed relatively well, although policy implementation has been uneven and inflation has yet to be brought fully under control (Table 1).** Real GDP growth averaged 4.6 percent a year during 2001–2004, just under the 5 percent annual growth projected at decision point, but this, nevertheless, marked a turnaround from the decline in per capita income that had prevailed over the previous two decades (Figure 1). Moreover, growth has been fairly broad-based, extending beyond the recovery in the mining sector and has withstood adverse shocks and poor policy implementation, such as the severe drought in 2002 and a sharp rise in interest rates caused by excessive government

Figure 1. Average Annual Real GDP Growth, 1981–2004
(In percent)

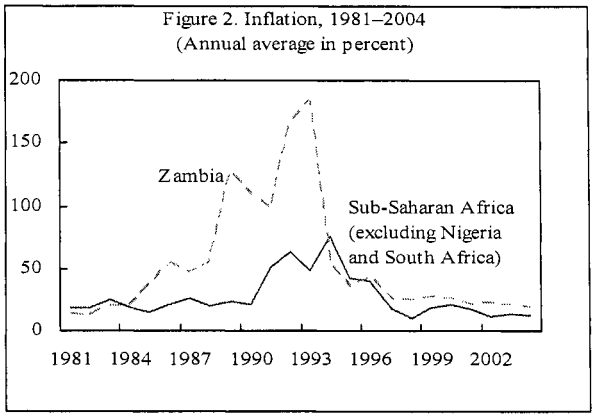


[4] EBD/04/49 (5/25/04), EBD/04/50 (5/25/04), and IDA Report No. 29048-ZA.

[5] EBD/05/21 and Supplements 1 and 2, EBD/05/22, 3/11/05; and IDA Report No. 31572-ZA.

BOX 1: KEY REFORMS AND OBJECTIVES FOR REACHING A FLOATING COMPLETION POINT	
HIPC Program	**Comments**
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.	**Implemented.** A full PRSP was received in April 2002 and endorsed by the IDA and IMF Boards in May 2002. The first progress report for the period January 2002-June 2003, was prepared. However, despite satisfactory economic growth and some progress on reforms related to public expenditure management, the Joint Staff Assessment (JSA) concluded that satisfactory implementation of the PRSP still needed to be established. A second PRSP Progress Report and its Addendum, covering the period July 2003-December 2004, provides the foundation for satisfactory progress with implementation and monitoring of the PRSP.
MACROECONOMIC PERFORMANCE	
Maintenance of a stable macroeconomic environment as evidenced by satisfactory performance under a program supported by PRGF arrangement.	**Implemented.** A new three-year PRGF arrangement was put in place on June 16, 2004. The first review of the PRGF-supported program was concluded in December. The second review is to be discussed by the IMF Board in early 2005, concurrently with the consideration of the HIPC completion point document.
SOCIAL SECTORS	
Progress in Combating AIDS	
Full staffing of secretariat for National HIV/AIDS/STD/TB Council.	**Implemented.** The original program agreement was that the National Aids Council (NAC) would improve its staffing by employing 4 managers to be able to launch the Multi Country HIV/AIDS Program. In line with this requirement, the NAC employed these managers as follows: Manager, Program (August 2001); Manager, Administration (August 2001); Manager, Management Information Systems (August 2001); and Manager, Finance (August 2001).
Integration of HIV/AIDS awareness and prevention programs in the pre-service and in-service programs for at least 10 key ministries.	**Implemented**. HIV/AIDS awareness and prevention programs have been integrated in the pre-service and in-service programs of Ministries of Health, Education, Agriculture, Science and Technology, Community Development, Tourism, Commerce, Home Affairs, Finance and National Planning and Youth, Sport and Child Development. In addition to these ten line ministries, all other line ministries have awareness programs integrated into their own programs.
Progress in Education Reforms	
Increasing the share of education in the domestic discretionary budget from 18.5 percent in 1999 to at least 20.5 percent.	**Implemented.** The discretionary budget for Education in 2004 was K 795 billion. The discretionary budget for GRZ as a whole for 2004 was K 3866 billion. Therefore, ratio for the 2004 budget turns out to be 20.6%. The budget for 2005 puts this ratio at 24.1%.
Raising the starting compensation of teachers in rural areas above the poverty line for a household, as defined by the Central Statistical Office.	**Implemented.** According to the Ministry of Education's report, the minimum monthly salary as at September 2004 for trained teachers was K 787,996. The Poverty Line was estimated at K 825,988 for August 2004. With the 20% rural hardship allowance, a trained teacher in a rural area would be above the poverty line.
An action plan for increasing student retention in Northern, Luapula, Eastern, Northwestern, and Western Provinces.	**Implemented.** The data in the Ministry of Education's Strategic Plan 2003-07 relate mainly to national totals and averages. Nevertheless, the Ministry has taken actions that have had an impact on student retention in the five lagging provinces e.g. (i) the Ministry's deployment policy that 100% of newly qualified teachers should be posted to rural areas; and (ii) the elimination of PTA fees as user fees in Grades 1-7 following the Free Education policy introduced in 2002. As a result, enrollment nationwide increased by 15% between 2001and 2003. Retention rates among the five relatively lagging provinces increased from about 95% in 2001 to about 97% in 2003. Cumulative retentions over a seven-year period increased from 73% to 83% in these provinces.

BOX 1: KEY REFORMS AND OBJECTIVES FOR REACHING A FLOATING COMPLETION POINT	
HIPC Program	**Comments**
Progress in Health Sector Reforms	
Implementation and scaling-up of an action plan for malaria.	**Implemented.** The deployment of Co-artem was scaled up in 28 districts in 2003. In 2004, the Ministry of Health carried out a countrywide inventory of functional laboratories to establish the staffing situation (April–July, 2004), conducted an evaluation exercise of RDTs (Sept, 2004), conducted training of frontline health workers in the use of Co-artem in all provinces and districts (Sept–Nov, 2004). Furthermore, the Ministry has developed a plan to increase the number of functional laboratories in years 2005 and 2006.
Procedures and mechanisms for the procurement of drugs reorganized to be fully transparent and efficient.	**Implemented.** The procurement plan for the entire health sector has been finalized and distributed to all stakeholders including Cooperating Partners. In line with the agreement with the Cooperating Partners, all procurements continue to be done by the Central Board of Health.
Timely release of complete, detailed, annual health expenditure data.	**Implemented.** The Income and Expenditure Reports for 2001 and 2002 have been released. The 2003 report was released in early 2005.
Actual cash release to District Health Management Boards to be at least 80 ercent of the amount budgeted.	**Implemented.** For 2004, actual cash releases to District Health Management Boards stood at an average of 88.2% of the amount budgeted.
KEY STRUCTURAL REFORMS	
Restructuring and issuance of international bidding documents for the sale of a majority (controlling) interest in the power company, ZESCO.	**Not Implemented.** An understanding was reached in April 2003 between the Government of the Republic of Zambia, IDA, and the IMF that commercialization of ZESCO would be pursued in lieu of restructuring and privatization as originally envisaged. Satisfactory progress has been made in implementing this alternative strategy
Issuance of international bidding documents for the sale of a majority (controlling) interest in the Zambia National Commercial Bank (ZNCB).	**Not Fully Implemented.** International bidding documents were issued in May 2002 for the sale of a 51 percent share of ZNCB; Revised bidding documents were issued in March 2003 to reflect the fact that GRZ decided to alter the structure of the proposed privatization transaction to divest a 49 percent share with management control. Government selected a preferred bidder and a reserve bidder in May 2003. Negotiations with the preferred bidder were substantially concluded in August 2004, however, the preferred bidder's negotiating team was unable to secure approval of the agreement from its board. No agreement was reached with the reserve bidder. Given preliminary interest expressed by other parties to participate in the divestiture of ZNCB, ZPA terminated negotiations with the preferred and reserve bidders on March 15, 2005, and will promptly issue a new invitation to bid (by late March or early April 2005).
PUBLIC EXPENDITURE MANAGEMENT	
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	**Not Implemented.** Although the IFMIS pilot implementation trigger has not been met, most preparations for pilot implementation have been completed. For example, IFMIS management and technical committees have been constituted, the IFMIS design has been completed, preparation of sites has almost been completed as well, and the Local Area Network (LAN) infrastructure at the MoFNP has been revamped for the IFMIS pilot. Partly for reasons beyond Government's control, the contract for the installation of IFMIS hardware and software has not been concluded.
Implementation of a Medium-Term Expenditure Framework (MTEF) prepared by MoFED and approved by Cabinet	**Implemented.** The processes that constitute a MTEF have been introduced over the last two years. The release of the medium-term budget framework paper (the Green Paper) in October 2004, which included indicative sectoral ceilings, indicates that the processes are being implemented in practice.



borrowing in 2003. Investment has been strong in recent years, particularly in the mining, agricultural, and tourism sectors, suggesting a favorable outlook for continued economic growth. Inflation, which stood at 17.5 percent in 2004, however, remains well above the low single-digirange that was targeted at the decision point, mainly reflecting an initial lack of fiscal support for the programmed lowering of inflation (Figure 2). Program slippages in 2002-03 and shortfalls in donor budget support resulted in excessive domestic borrowing by government, which to some extent was monetized with central bank financing. Of particular importance in this regard is that government did not adequately control its wage bill during 2000–03, which rose by 3 percentage points of GDP, to 8.4 percent.[6]

9. **Macroeconomic policy implementation improved substantially in 2004, as evidenced by satisfactory performances under an IMF staff monitored program during the first half of 2004 and under a new PRGF-supported program during the second half of the year.** The first review[7] of the program supported by the PRGF arrangement approved on June 16, 2004, was completed on December 15, 2004, and it is expected that the second review[8] will be completed concurrently with the IMF Board's consideration of Zambia's attainment of the enhanced HIPC Initiative completion point. The principal achievement of the authorities' 2004 program was the large fiscal adjustment, which narrowed domestic borrowing by more than 4 percentage points of GDP from the previous year. Government exercised restraint on its wage bill, which was held to 7.8 percent of GDP, while revenues were strengthened (by 0.5 percent of GDP) and other expenditures were trimmed.

10. **The large reduction in government borrowing in 2004 allowed a substantial reduction in interest rates and expansion in credit to the private sector.** Much of this credit expansion was directed to the productive sectors, notably agriculture and manufacturing. Broad money and reserve money growth exceeded program targets in 2004, partly because of large end-year transfers to commercial bank accounts by government from its accounts in the Bank of Zambia (BoZ) and by private corporations from abroad.[9]

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[6] See Zambia—Ex Post Assessment of Performance Under Fund-Supported Programs (SM/04/97, 3/22/2004).

[7] EBS/04/166, 12/01/04.

[8] EBS/05/[__], 3/[__]/05.

[9] By end-January 2005, the BoZ had mopped up much of the excess in reserve money, mainly through open-market operations.

11. **Export performance during 2000–03 was weaker than projected at the decision point but Zambia's external position improved markedly in 2004, with the recovery in copper prices and healthy growth of nontraditional exports.** Owing mainly to lower-than-projected copper prices during 2001–03, export earnings fell short of the decision point projections (by about 20 percent). This situation was reversed in 2004, as copper prices rose in excess of 50 percent. As a result, the external current account deficit (excluding grants) narrowed from 16.2 percent of GDP in 2003, to 11.9 percent of GDP in 2004. However, this level was still higher than the decision point projection of 10.6 percent of GDP, because imports also exceeded projections. At end-2004, the import cover of gross international reserves stood at 1.2 months, only slightly higher than at end-2000, and well below the decision point target of a buildup in gross international reserves to 3.0 months of imports by end 2004.

12. **IMF and IDA staffs conclude that Zambia met the trigger on the maintenance of a stable macroeconomic environment as evidenced by satisfactory performance under a program supported by a PRGF arrangement.** Growth performance has improved significantly. Policy slippages, which were also reflected in a significant rise in the wage bill and domestic financing of the budget, have prevented a sharper decline in inflation. However, policy implementation improved substantially in 2004 under both a staff monitored program and the new PRGF arrangement approved in June 2004. Completion of the second review will establish the minimum of six months of satisfactory performance under a PRGF arrangement required immediately before reaching the completion point under the enhanced HIPC Initiative for countries with extended interruptions in their PRGF-supported programs.

C. Social Sector Policies

Progress in Combating HIV/AIDS

13. Zambia's population has been severely affected by the HIV/AIDS epidemic. With an adult HIV prevalence rate of 20 percent based on sentinel surveillance, it was recognized at the time of the decision point that several priority actions needed to be supported under the HIPC program. The first trigger gave prominence to the need to have a ***fully staffed secretariat for the National HIV/AIDS/STD/TB Council (NAC)*** to be able to effectively launch Zambia's national HIV/AIDS program. In line with this requirement, the NAC employed four managers in 2001. In 2004, a new organizational structure for the NAC was developed to enable it to better coordinate and monitor the national HIV/AIDS program. Currently, the NAC is in the process of recruiting according to this new organizational structure. While full staffing under the new structure is yet to be achieved, significant progress has been made and the office is currently fully operational.[10] This trigger was therefore met.

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[10] The Council is now being served by an Acting Director General, three Directors (Programs, Administration and MIS), an Acting Program Manager, an Internal Auditor, an Information and Communication Specialist, a Management Information System Specialist, and several support staff. In addition, the Council has conducted recruitment interviews for the following positions: Donor Coordinator and Public Relations Manager, Administrative Officer, Procurement Officer,

(continued)

14. The second milestone focuses on ***integrating HIV/AIDS awareness and prevention programs in the pre-service and in-service programs of at least ten key ministries.*** These programs have been integrated in the pre-service and in-service programs of the Ministries of Health, Education, Agriculture, Science and Technology, Community Development, Tourism, Commerce, Home Affairs, Finance and National Planning, and Youth, Sport and Child Development. In addition to these ten ministries, all other line ministries have awareness programs integrated into their own programs. This trigger was therefore met.

15. Given the magnitude of the HIV/AIDS epidemic, the fight against HIV/AIDS is one of the important crosscutting themes of Zambia's PRSP. Several programs supported under the PRSP umbrella have demonstrated progress in the multi-sector response to HIV/AIDS. There have been improvements in outreach, knowledge sharing and communication, and access to services such as voluntary counseling and testing and therapy with anti-retroviral drugs (ARVs). There is now evidence that suggests positive behavioral changes are occurring among sub-populations, even though there is scope for further improvement. For example, young males are delaying the start of sexual intercourse. Condom use has increased significantly among males from 28 percent in 1998 to 43 percent in 2003 and among females from 24 percent to 34 percent. In addition, the number of people receiving ARVs is currently reported to be increasing by approximately 2000 a month. Although it is still relatively early to say, these behavioral changes that have taken place over the last few years are promising and have the potential to halt the spread of the pandemic and mitigate some of its impact.

Progress in Education Sector Reform

16. Given that government was devoting a lower share of its budget to the education sector than other African countries, and would need to increase the share of its budget allocated to the education sector in order to achieve its stated objective of universal completion of primary education, the milestone of ***increasing the share of education in the discretionary budget from 18.5 percent in 1999, to at least 20.5 percent***[11] was included in the HIPC program as a trigger. Based on data from the Ministry of Finance and National Planning (MoFNP), this share was 21.4 percent (actual outturn) in 2003. The share of discretionary budget that went to the education sector in 2004 was equal to 20.6 percent and the share of the Ministry of Education in the domestic discretionary budget is to be 24.1 percent in 2005. This trigger was therefore met.

17. The second HIPC program trigger in the area of education, ***raising the starting compensation of teachers in rural areas above the poverty line for a household, as defined by the Central Statistical Office,*** was derived from the observations that in 1998, teachers' starting compensation was below the poverty line, which contributed to shortages of teachers in rural areas. At the same time, there were surpluses of teachers in urban areas such as Lusaka and the towns in the Copperbelt. Therefore, it was necessary to improve teachers' compensation in the

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Monitoring, Evaluation and Research Specialist, Care and Support Specialist, IEC/BCC Specialist, Provincial and Multi-sectoral Response Specialist, accountants and secretaries.

[11] The trigger is intended to refer to the "domestically financed discretionary budget".

rural areas. According to Zambia's central statistical office (CSO), the poverty line stood at K825,988 in August 2004. The minimum monthly salary at September 2004 for trained teachers stood at K787,996, which together with the 20 percent rural hardship allowance puts the starting compensation for a trained teacher above the poverty line for a household. This trigger was therefore met.

18. Low retention rates—or, equivalently, high dropout rates—in five predominantly rural provinces in the eastern and western "wings" of the country led to primary completion rates substantially below the national average in these provinces. It was therefore agreed to include a HIPC program trigger that would call for ***an action plan for increasing student retention in Northern, Luapula, Eastern, Northwestern, and Western Provinces.*** Since 2000, the Ministry of Education has taken numerous actions, which have had a positive impact on student retention in these five lagging provinces. These measures include the Ministry's deployment policy that mandates that 100 percent of the newly qualified teachers should be posted to rural areas and the elimination of user fees in Grades 1-7 following the Free Education policy introduced in 2002. As a result, enrollment nationwide surged by 15 percent between 2001 and 2003, and retention rates among the five relatively lagging provinces increased from about 95 percent in 2001 to about 97 percent in 2003. The cumulative full-cycle retention rate,[12] corresponding to the observed annual rates, increased from 73 percent to 83 percent in these provinces. This trigger was therefore met.

19. The education sector has seen increased enrollment at all levels of education since 2000. This resulted in an increase in pupil/teacher ratios, partly because the hiring of new teachers (to replace those retiring) was constrained as the Ministry of Education had not removed many retired teachers from its payroll during the last few years. However, this issue has been addressed in the 2005 budget[13] creating fiscal space to incorporate 7000 additional teachers in Zambia's schools, effectively dealing with the shortfall registered since 2003 and improving Zambia's pupil/teacher ratios.

Progress in Health Sector Reform

20. The health service has suffered from weaknesses in public expenditure management at the sector level, which has seriously hampered service delivery. To address budget execution, procurement and transparency in the health sector three HIPC program triggers were agreed upon with government. First, to strengthen budget execution and to ensure that resources would indeed flow to the districts, it was agreed that ***actual cash releases to District Health Management Boards shall be at least 80 percent of the amount budgeted.*** This measure has been implemented and continues to be observed. For 2004, actual cash releases to District Health

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[12] Accumulation assumes that the observed annual retention rate prevails for the next six years (to Grade 7 of the seven-year cycle).

[13] The Dutch government has made available a grant in the amount of Euro 9.2 million to settle the backlog of retirement and associated repatriation allowances and to provide for part of the settling in allowances of the new teachers. The budget for 2005 also includes an additional allocation for substantial teacher hiring.

Management Boards as of December 2004 stood at an average of 84.4 percent of the budgeted amount for the year, which is well above the required percentage. This trigger was therefore met.

21. Second, to improve accountability for resource use it was agreed with government that ***procedures and mechanisms for the procurement of drugs should be reorganized to be fully transparent and efficient.*** The procurement plan for the entire health sector has been reevaluated and a revised set of procurement procedures finalized and distributed to all stakeholders. In line with the agreement with the Cooperating Partners, all procurement is being done by the Central Board of Health.[14] The tender for the Medical Stores Limited has been completed and the contract has been awarded to Crown Agents, whose procedures would assure transparent and more efficient procurement procedures for the procurement of drugs. This process was concluded on October 1, 2004. A Business Plan was presented to the Health Sector on September 30, 2004, and Cooperating Partners agreed in principle to fund the plan on condition that Medical Stores Limited divides the plan into quarters, indicating quarterly activities and budgets. This trigger was therefore met.

22. Third, to improve transparency and access to information on expenditure allocation, government agreed to the ***timely release of complete, detailed, annual health expenditure data.*** The Income and Expenditure Reports for 2001 and 2002 were finalized in 2004; this was the first time that such detailed data on public health sector activities have been released to the public. The 2003 report was released in early 2005. This trigger was therefore met.

23. In addition to the HIPC program triggers related to a more transparent and accountable public expenditure management system for the sector, it was important to improve service delivery in the fight against malaria, which has remained a major cause of morbidity and mortality in Zambia. Therefore, it was agreed at the time of the decision point that government would ***implement and scale up an action plan for malaria.*** The deployment of Co-artem®, an effective anti-malarial medicine, has been scaled up in selected 28 pilot districts.[15] In 2004, the Ministry carried out a nationwide inventory of functional laboratories to establish the staffing situation, and conducted an evaluation exercise of its Rapid Diagnostic Tests (RDTs).[16] Currently, 34 percent of malaria cases are diagnosed through such laboratory tests.

24. Additionally, the Ministry increased the distribution of Insecticide Treated Nets in all districts throughout the country, and introduced an Indoor Residual Spraying System in 5 districts (Livingstone, Ndola, Kitwe, Kabwe and Lusaka) during the 2003/2004 transmission season. Looking forward, the Ministry has developed a plan to increase the number of functional laboratories in 2005 and 2006 by training staff for RDTs in 28 districts by the end of 2004/2005 transmission season, and by scaling up of the Indoor Residual Spraying project during the

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[14] The public health sector is currently being restructured and the Ministry of Health will absorb the Central Board of Health. This is not to affect the procurement procedures.

[15] In 2003, the Ministry of Health conducted training of Health Worker in Co-artem® use (January), introduced Co-artem® in 7 sentinel districts (February), trained front line health workers in the use of Co-artem® in 28 districts (July), and deployed Co-artem® in 28 districts (November).

[16] The use of RDTs is to be introduced to supplement microscopy.

2004/2005 transmission season to cover 8 districts from the initial 5 districts (Kitwe, Ndola, Kabwe, Lusaka and Livingstone). This trigger was therefore met.

25. In order to improve the prospects of meeting the health targets under the MDGs, government is restructuring the health ministry. A revised and, most likely, increased establishment (payroll) for the Ministry is to be agreed upon during 2005 and implemented in a phased manner over the next few years taking into account the human capacity and budgetary constraints that Zambia faces.

D. Key Structural Reforms

26. Two structural reform triggers in the area of divestiture were identified for the HIPC program, aimed at reducing the fiscal burden of public enterprises and extending the provision and quality of essential services in the electricity and financial sectors. Privatization of the state-owned energy utility, ZESCO, and the remaining state-owned commercial bank, Zambia National Commercial Bank (ZNCB), were seen as particularly important. With regard to ZESCO, an understanding was reached in 2003 between the Government of the Republic of Zambia, the staffs of IDA and the IMF that the objectives of restructuring and privatization as originally envisaged could be pursued by the commercialization of ZESCO, whereby government would retain ownership while ZESCO would operate on an independent and commercial basis. An understanding was also reached on the modalities for monitoring implementation of this strategy, which would be reviewed at three distinct points in time (Box 2)—entry point (December 2003), interim point (June 2004), and evaluation point (June 2005). If ZESCO has not met the understood performance targets at the evaluation point, government would be committed to implementing a strategy that is consistent with the original objectives of restructuring and privatization.

27. In the context of the commercialization strategy, a possible alternative for the completion point trigger on ZESCO was identified as: ***completion of all interim point actions specified in the commercialization strategy and preparation, approval, and adoption by ZESCO's Board of Directors of a satisfactory annual business plan***. Despite government's strong ownership of the commercialization strategy, there have been delays to its implementation, most notably in the preparation of a business plan that properly addressed risks, pricing strategy, and ZESCO's planned tariff requests. In consultation with IDA and IMF staffs, ZESCO's management revised its original business plan to address these issues. The revised business plan for the financial year starting April 1, 2005, was then approved by ZESCO's Board in late December 2004. In addition, all actions for the interim point had been met by December 2004—including the contracting of an expert to strengthen the capacity of the Energy Regulatory Board (ERB), which had delayed the interim point somewhat with respect to the strategy's timetable—and actions taken under the entry point have been sustained. The staffs therefore consider that satisfactory progress has been made in implementing the alternative strategy of commercialization of ZESCO. The delay in the preparation of the business plan, however, will delay the evaluation point, so that the it can encompass an assessment of a full year's performance under the plan. Based on the progress achieved to date in the restructuring of ZESCO, **it is recommended that the IMF Board grants a waiver for the nonobservance of the HIPC completion point conditions regarding the restructuring and privatization of ZESCO.**

28. Parallel to the commercialization of ZESCO, government has embarked on the development of a new national energy policy. The new policy will better clarify the roles of government as policy maker, the ERB, and the private sector and introduce measures to promote competition and efficiency, in particular through private sector participation. The new policy is expected to be submitted to cabinet for review and adoption by end-June 2005.

29. In 2000 government implemented much needed measures that improved ZNCB's financial position. To ensure that ZNCB's operations would not become a costly contingent liability once again, government agreed to the ***issuance of international bidding documents for the sale of a majority (controlling) interest in the Zambia National Commercial Bank*** as a HIPC completion point trigger. International bidding documents were issued in March 2003. However, the prolonged negotiations with the selected preferred and reserve bidders could not be successfully concluded and the board of Zambia's Privatization Agency (ZPA) terminated the negotiations on March 15, 2005, for the purpose of issuing a new invitation to bid for the sale of 49 percent equity in ZNCB with management control as soon as possible (by late March or early April 2005). In addition, government plans to offer a 26 percent share of ZNBC on the Lusaka Stock Exchange, following an agreement with a strategic investor, which would reduce government's ownership to 25 percent, the maximum share allowed by a single entity under the Banking and Financial Services Act. This trigger was therefore not fully met. Based on the authorities' commitment to restart the privatization process expeditiously, **it is recommended that the IMF Board grants a waiver for the nonobservance of the HIPC completion point condition regarding the issuing of bidding documents for the sale of the ZNCB.**

30. To further strengthen the role of the financial sector in Zambia, the authorities prepared a comprehensive financial sector development plan (FSDP) in 2004 drawing on the recommendations of the IMF/IDA Financial Sector Assessment Program mission that was undertaken in 2003. The implementation of the FSDP is supported by the cooperating partners and should provide significant benefits to the economy through more efficient financial intermediation and a deepening of the sector. The FSDP includes initiatives that should facilitate increased access to financial services by the rural and urban poor.

E. Public Expenditure Management Reforms

31. Zambia's public expenditure management system contained serious weaknesses at the time of the decision point. Government recognized that to be able to direct resources towards priority poverty-reducing programs a serious reform effort was called for. As a result, two triggers were included in the HIPC program. First, ***implementation of a Medium-Term Expenditure Framework prepared by MoFED and approved by the Cabinet.*** And second, ***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.***

32. **Government, with support from the donor community, has made substantial progress with its broad strategy to strengthen public expenditure management and financial accountability** (PEMFA), in line with the recommendations of IDA's PEMFA

Review[17] and the December 2003 joint IMF/IDA HIPC assessment and action plan to track poverty-reducing spending. Government has agreed with the donor community on a reform program that will improve Zambia's PEMFA systems significantly. Meanwhile, government has (i) put in place a Commitment Control System (CCS); (ii) introduced an activity-based budgeting

Box 2. Commercialization of Zambia Energy Supply Company (ZESCO)—Understandings and Status of Implementation

In April 2003, the Zambian authorities adopted a strategy of commercialization of ZESCO's operations, which is intended to achieve the same objectives as privatization. Understandings were reached with IDA and IMF staffs in September 2003 on the strategy and on the modalities for monitoring its implementation. Among these understandings, the strategy is to be reviewed by June 2005 and, if by that time, ZESCO does not meet the agreed performance targets, the government is fully committed to implementing a strategy that is consistent with the original objectives of privatization (i.e., extending the provision and quality of service without risk of a fiscal burden).

The commercialization strategy encompasses four broad areas:

- **The revision of legal provisions relating to ZESCO**, including: (i) an amendment to ZESCO's Articles of Association and the composition of its Board to ensure independence from political interference and to provide a mandate to operate on commercial principles; (ii) revisions to the Electricity Act and to the Energy Regulatory Board (ERB) Act to revise ZESCO's regulatory environment, including to give greater independence to the ERB; (iii) a separate act to permit ZESCO to enter into private as well as public partnerships.
- **Commercial operations**: ZESCO is required to operate on a commercial basis and to provide evidence of its capacity to do so—including the formulation and implementation of a business plan and the collection of amounts owed by government; the absence of financial support from government; and tight constraints on government concessional debt guarantees.
- **Outstanding obligations**: Outstanding obligations are to be settled (including those owed by the mining company, RAMCOZ, and central and local government arrears) and ZESCO's outstanding tax liabilities are to be clarified.
- **Concessional borrowing**: In order to provide ZESCO some breathing space to build a track record of credit worthiness, new borrowing on concessional terms (mainly from the World Bank) guaranteed by the government is permitted up to US$40 million until the end of 2005.

The strategy for commercialization envisages its implementation in three stages:

- **Entry point—December 2003**. Before approval of the new strategy by IDA and IMF staff, government was to implement ten measures. These included (i) reduction of technical and non-technical losses; (ii-v) 4 specific measures dealing with outstanding obligations; (vi) ZESCO board approval for amending the Articles of Association; (vii) the constitution of a new ZESCO Board with 9 members, of whom only 2 are from the public sector; (viii) preparation of amendments to the ERB and Electricity Acts; (ix) ERB resolution with respect to electricity tariff adjustment for 2003; and (x) strengthening of ERB's capacity. **All actions were implemented by December 2003 and have been sustained.**
- **Interim point—June 2004**. The strategy envisaged the implementation of four measures: (i-ii) the amendment of the ERB and the Electricity Acts; (iii) the contracting of an international regulatory expert to assist the ERB; and (iv) government approval of a proposal by the Ministry of Energy and Water Development for separate legal acts for private and public partnership. **All actions were implemented by December 2004.**
- **Evaluation point—June 2005**. The framework envisages the implementation of three further measures prior to a final assessment of the viability of the strategy. These are: (i-ii) completed implementation of settlement plans for arrears owed by government agencies and by RAMCOZ; and (iii) ex-post evaluation of the ZESCO business plan preparation process, implementation results, and management performance. **Forthcoming measure.**

[17] IDA Report No. 26162-ZA.

(ABB), which allowed for improved analysis of links between budgets and programs, and facilitates more detailed and comprehensive prioritization and monitoring of expenditures, particularly poverty-related spending, and (iii) upgraded and modified the main accounting and reporting system—the Financial Management System (FMS)—to enable it to produce timely quarterly reports using the ABB classification. The FMS was also computerized.

Medium-Term Expenditure Framework

33. The first Medium-Term Expenditure Framework (MTEF) covered 2004–06 and was prepared as background for the 2004 budget proposal. The aim was to enhance transparency and planning in the budget process and to achieve greater efficiency in budget allocations. In October 2003, government issued its first consultative "Green Paper" on the 2004–06 MTEF, which outlined both the macroeconomic framework—including projections on economic growth, inflation, the exchange rate, balance of payments, and domestic and foreign debt-service payments—and the fiscal framework which outlined the expected resources available to government and their allocation by type of expenditure.

34. The Green Paper was also subject to a broad consultative process, which included the president, the cabinet, members of parliament, and stakeholders at the provincial level. These consultations promoted transparency, enhanced the realism of budget preparation and increased

understanding and ownership of the budget by all stakeholders. As such, the Green Paper was an important step in the effort to link budgets to the national priorities as espoused in Zambia's PRSP/TNDP.

35. The 2005–07 MTEF presented in the Green Paper issued in October 2004 was much improved over the previous year's and was distributed to parliament and stakeholders for discussion. This Green Paper, unlike the first one, contained sectoral budget ceilings, which allowed for greater scrutiny of budget priorities and inter-sectoral allocations and was the outcome of intensive cabinet deliberations. Based on the ceilings, line ministries, provinces, and spending agencies prepared an activity-based and bottom-up budget for 2005–07. The MTEF was submitted to cabinet for approval and formed the basis for the 2005 budget proposal submitted to parliament in January 2005. Based on these developments, the trigger with respect to the MTEF was met and has been sustained.

IFMIS Implementation

36. The objective of the IFMIS project is to implement a computerized financial management information system for the Zambian Government, which will aid strategic management of public financial resources for enhanced accountability, transparency, and cost-effective public service delivery. The main expected outputs of IFMIS include timely and accurate financial reports, improved monitoring of public expenditure, and strengthened financial management and controls. **This trigger has not been met due to weak implementation capacity of government and protracted procurement difficulties partly outside of the authorities' control.** Key steps have been taken to prepare for the initiation of the IFMIS pilot. In particular (i) IFMIS management and technical committees have been constituted; (ii) the IFMIS design has been completed; (iii) the preparation of sites has almost been completed; (iv) an ABB software that

can accommodate a 3-year planning horizon has been deployed; (v) the FMS has been upgraded so that it can report using the ABB classification; and (vi) the Local Area Network (LAN) at the MoFNP has been revamped to accommodate the new ABB and FMS data, and in due course, the IFMIS pilot. While the trigger on the IFMIS has not been met, IMF and IDA staffs are of the view that substantive progress has been achieved in the broader reform of public expenditure management and that the authorities remain committed to initiating the IFMIS pilot as soon as possible. Based on this commitment and the progress achieved in public expenditure management more broadly, **it is recommended that the IMF Board grants a waiver for the nonobservance of the HIPC completion point conditions regarding the initiation and review of the IFMIS pilot.**

F. Use of HIPC Initiative Interim Assistance

37. **Budgetary savings from interim HIPC debt relief have been used broadly in line with the criteria set forth at the decision point** (Table 2). Given that the Bank of Zambia faced large debt service obligations, whose nonpayment could have resulted in a curtailment of non-HIPC donor assistance, HIPC interim debt relief accruing to the Bank of Zambia was designated for debt service payments. The remainder has mostly been allocated to priority poverty-reducing programs, which focused on investments in infrastructure, support for small-scale farmers and food security, and increased expenditures in the social sectors, in particular, education.

38. **Government, in consultation with staff of the IMF and IDA, developed an expenditure tracking system that allows for explicit identification of savings from interim HIPC debt relief.** Under this arrangement savings of debt service accruing to the government were allocated to priority poverty-reducing programs. To facilitate monitoring, funding for these programs was channeled through a special account at the BoZ. Government ministries and agencies executing these priority programs using HIPC debt relief were required to submit their request for resources to the MoFNP, which would then authorize the BoZ to release these resources.

39. **Looking ahead, government is committed under the MTEF to increasing spending on priority poverty-reducing programs (PRPs)** by at least 1.6 percentage points of GDP between 2004 and 2006. As a result of improvements in budgeting, including the introduction of ABB, the 2005 budget now includes a wider definition of poverty-reducing expenditures that will also be used in quarterly budget execution reports. With this comprehensive reporting on poverty related expenditure, which includes expenditures financed from all sources, the previous procedures operating with a special account in the BOZ have been discontinued.

III. Debt Relief and Debt Sustainability Analysis Update

A. Updated Data Reconciliation for the Decision Point

40. **An updated reconciliation of debt data conducted by the staffs of IDA and the IMF, together with the Zambian authorities, indicates that a revision to the amount of HIPC Initiative assistance calculated at decision point is not necessary.** New creditor information and revisions to the terms of loans for some multilateral creditors result in an upward revision of less than 1 percent of the overall NPV of debt as of end-1999, after traditional debt relief. In

accordance with enhanced HIPC Initiative guidelines,[18] staffs have, therefore, not changed their assessment of the required debt relief at decision point or the corresponding common reduction factor. The main revisions are as follows:

- **Multilateral Creditors**. A revision to the terms of the loans of the AfDB Group, the OPEC Fund, and the IFAD leads to a US$14.9 million increase in the NPV of debt owed to these creditors. The NPV of debt to the EEC was revised downward by US$0.93 million due to a revised debt service profile provided by the creditor, while the NPV of debt to the EIB was revised upward by US$0.33 million for the same reason. The reclassification of European Economic Community-IDA administered loans from multilateral credits to Paris Club bilateral credits results in a downward revision of US$1.9 million. The net addition to the debt owed to multilateral creditors is US$12.4 million in NPV terms.

- **Bilateral Creditors.** The NPV of bilateral debt has been increased by US$11.7 million because of the addition of loans from the United States, Brazil, and France that were not captured during the reconciliation exercise at decision point, as well as the reclassification of IDA-administered EEC loans (described above). However, loans amounting to US$6.1 million in NPV terms were subtracted for Italy, as these loans arose out of a prior Paris Club rescheduling agreement, but were subsequently not made effective. The net addition to bilateral debt is, therefore, US$5.6 million in NPV terms.

41. **The revised end-1999 NPV of debt, after full implementation of traditional debt relief mechanisms, amounts to US$4,002.6 million compared to US$3,990.5 million estimated at the decision point.**[19] Since the upward adjustment is less than 1 percent of the NPV of debt outstanding after HIPC Initiative relief, staffs have maintained the estimate of required HIPC Initiative relief of US$2,499 million in NPV terms and the corresponding common reduction factor of 62.6 percent calculated at decision point (Table 3).

B. Status of Creditor Participation

42. **Creditors representing 97 percent (US$2,416 million in end-1999 NPV terms) of HIPC Initiative debt relief estimated to be required at the decision point have given satisfactory financing assurances (Table 4).** Based on these financing assurances, multilateral creditors account for 53 percent of total committed HIPC Initiative assistance, while bilateral creditors account for 44 percent. Paris Club and most multilateral creditors have provided interim assistance. The Zambian authorities are making an effort to obtain HIPC Initiative debt relief from creditors that have yet to participate in the Initiative.

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[18] EBS/02/36.

[19] The total net increase in the NPV of debt is US$18.8 million, but falls to US$12.1 million after traditional debt relief.

C. Multilateral Creditors

43. **Debt relief from multilateral creditors under the enhanced HIPC Initiative amounts to US$1,331 million in 1999 NPV terms.** IDA, the IMF, the AfDB, the EU, and the OPEC Fund have granted interim assistance. The IFAD and the Arab Bank for African Economic Development (BADEA) have committed to provide the assistance required under the enhanced HIPC Initiative once Zambia reaches the completion point.

44. **Assistance from IDA (Table 5).** Debt relief from IDA, approved at the decision point, amounts to $488 million in 1999 NPV terms. This assistance is being delivered through a reduction of 84 percent of the debt service falling due to IDA until 2003 and an average of 64 percent thereafter on debt service on disbursed and outstanding credits to IDA as of end-December 1999. Over 2001–20, this mechanism is projected to provide cumulative nominal assistance of US$885 million. Of this amount, US$98 million is delivered as interim assistance.

45. **Assistance from the IMF (Table 6).** Debt relief from the IMF amounts to SDR 469 million (US$602 million) in 1999 NPV terms. IMF assistance is being delivered through grants from the PRGF-HIPC Trust to Zambia's Umbrella Account. At the decision point, the Executive Board of the IMF decided that, on an exceptional basis, IMF interim assistance should amount to 75 percent of total IMF HIPC Initiative assistance to Zambia. As a result, a total of SDR351 million was provided as interim assistance through end-2003. Interim assistance covered approximately 69 percent of Zambia's principal repayments falling due to the IMF during 2001-03. Remaining assistance would nearly cover the large principal repayments to the IMF in 2005, with smaller amounts available for 2006-07 when repayment obligations decline sharply.

46. **Assistance from the AfDB Group.** Debt relief from the AfDB Group amounts to US$146 million in 1999 NPV terms. AfDB group assistance provided to Zambia since January 2001 amounted to US$61 million in nominal terms. Interim assistance was halted in October 2003 when the cumulative limit for interim assistance of 40 percent of the total NPV of debt relief committed was reached. AfDB's interim assistance was provided through a reduction of 76.8 percent in debt service payments to the AfDB Group over the period January 2001 to October 2003 and will resume after the completion point is reached through an 80 percent reduction in debt-service payments due until 2014.

Bilateral and commercial creditors

47. **Paris Club creditors** have agreed in principle to provide assistance to Zambia under the enhanced HIPC Initiative on Cologne terms, amounting to almost US$1.1 billion in 1999 NPV terms. In order to provide interim assistance under the enhanced HIPC Initiative, the Paris Club provided flow relief under Cologne terms (a debt reduction of 90 percent in NPV terms). Provided Zambia has maintained satisfactory relations with participating creditor countries, the Paris Club has agreed to a goodwill clause stating that participating countries will, at the completion point, make the necessary effort to enable Zambia to reach the HIPC Initiative threshold in the context of equitable burden sharing among creditors. The remaining amount of assistance required from the Paris Club at the completion point (that is after factoring in the interim assistance provided) would be delivered through a stock-of-debt operation on Cologne terms to ensure that the NPV assistance pledged at decision point is delivered in full. Most Paris

Club creditors have indicated their intention to provide debt relief beyond that required under the enhanced HIPC Initiative, estimated at US$87 million in NPV terms as of end-2003. The willingness of Paris Club creditors to deliver debt relief beyond that required under the HIPC Initiative, and the modalities of such delivery, are summarized in Table 7.

48. **Non-Paris Club bilateral and commercial creditors are expected to provide treatment comparable to that of the Paris Club.** Under the enhanced HIPC Initiative, this assistance amounts to US$79 million in 1999 NPV terms. Of these creditors, India has provided full relief on official debt, as well as a 50 percent write-off of commercial debt; China wrote off selected loans (without bilateral reconciliation) at the decision point. The Czech Republic has received a settlement of its claims through a buyback priced at 11 U.S. cents to the U.S. dollar. Romanian debt, now held by a commercial entity, has been reduced by 67 percent. Other non-Paris Club countries and commercial creditors have yet to signal their willingness to provide debt relief to Zambia. The Zambian authorities are continuing their efforts to obtain comparable treatment from official bilateral and commercial creditors.

D. Updated Debt Sustainability Analysis

External Debt at End-2003

49. **The DSA included in the decision point document has been updated jointly by the Zambian authorities and the staffs of IDA and the IMF**. The stock of debt disbursed and outstanding was updated on the basis of end-2003 loan-by-loan information provided by the authorities. This information has been reconciled with creditor statements from all multilateral and Paris Club creditors, as well as with statements from several non–Paris Club creditors. The reconciliation rate is in excess of 94 percent of the total debt outstanding and disbursed as of end-2003. The exchange rates and discount rates used for calculating Zambia's nominal and NPV debt as of end-2003 are presented in Table 8.

50. **Based on the reconciled debt data, Zambia's nominal stock of disbursed and outstanding external debt reached US$7,000 million at end-2003, compared with US$6,459 million at end-1999**. Of the end-2003 total, 56 percent was owed to multilateral creditors, 43 percent to bilateral creditors, and less than 1 percent to commercial creditors. Zambia's largest official creditor at end-2003 was IDA, accounting for 34 percent of total debt in nominal terms (Table 9).

51. **The NPV of Zambia's debt at end-2003, after full application of traditional debt relief mechanisms, is estimated at US$4,872 million, equivalent to 432 percent of exports of goods and non-factor services (three-year average)**. After full delivery of HIPC Initiative debt relief, the NPV of external debt would be reduced to US$2,078 million, equivalent to 184 percent of exports, 34 percentage points higher than the 150 percent debt sustainability threshold and 23 percentage points higher than the decision point projection for end-2003. Taking into account additional bilateral debt relief, the NPV of external debt would be reduced to US$1,958 million, equivalent to 174 percent of exports (Table 10).

Factors explaining the increase in the NPV of debt-to-exports ratio between end-1999 and end-2003

52. **Zambia's NPV of debt-to-exports ratio, assuming the full delivery of HIPC assistance, increased by 34 percentage points between end-1999 and end-2003, to 184 percent.** Of this increase, 23 percentage points represent the change in the ratio that was not anticipated at decision point. Changes in the exchange rates and discount rates that are used in the calculation of the U.S. dollar value of the NPV of external debt and new borrowing are the key factors behind the overall increase in the ratio. Although the growth of exports over the 1999-2003 period lowered the ratio significantly, export growth was considerably slower than projected at the time of the decision point. On the other hand, new borrowing during 1999-2003 was lower than projected. The relative contributions of each factor to the increase in the NPV of debt-to- exports ratio is presented in the text table, below.

53. **At the time of the decision point, new borrowing was projected to increase significantly from 1999** due in part to the approval of a new PRGF arrangement with the IMF in 1999. Because export growth was not expected to keep pace with the projected increase in new borrowing, staffs projected a rise in the NPV of debt-to-exports ratio to 161 percent at end-2003. However, actual new borrowing was less than expected, due in part to the PRGF arrangement going off-track in 2003 and the country falling into the low case lending scenario under IDA's 1999-2003 Country Assistance Strategy. Consequently, the unanticipated shortfall of new borrowing acted to reduce the actual debt-to-exports ratio at end-2003.

54. **Export growth during 2000–03 fell well short of the decision point projection.** The weaker export outturn (by about 20 percent on average) than anticipated at decision point was in large measure due to a substantial shortfall in metals export receipts. Although copper export volumes expanded at a strong pace, after an initial dip in 2000, copper prices remained relatively soft through 2003. Other metals exports experienced an even weaker performance. The shortfall in export earnings added 35 percentage points to the end-2003 NPV of debt-to-exports ratio relative to the decision point projection (Table 11).

55. **The increase in the end-2003 debt-to-exports ratio due to changes in the parameters used to update the DSA is fully offset by the revision in the assumed delivery of HIPC Initiative assistance.** The depreciation of the U.S. dollar against major international currencies and the decline in discount rates from end-1999 to end-2003 increased the NPV of debt-to-exports ratio by 28 percentage points.[20] Staffs revised the delivery modality of HIPC Initiative debt relief based on updated information from creditors, which results in a more back-loaded delivery of assistance than projected at the decision point. While the total amount of HIPC Initiative assistance in end-1999 NPV terms does not change, the effect of the back-loading of relief is to proportionately increase the share of HIPC Initiative assistance relative to additional

[20] The contribution to this increase from exchange rates is less pronounced in the case of Zambia than is typical in other HIPC countries given the large share of Japanese Yen in the total stock of debt and the depreciation of the Yen against the U.S. dollar over the 2000–03 period.

bilateral assistance beyond the HIPC Initiative. The latter is estimated to lower the end-2003 debt-to exports ratio by 8 percentage points.

Change in the NPV of Debt-to-Exports Ratio from Decision Point to Completion Point

	Anticipated Change in Ratio from end-1999 to end-2003 2/	Unanticipated Change in the end-2003 Ratio	Total Change in Ratio
	Percentage points		
End-1999 NPV of debt-to-exports ratio	**150.0**		**150.0** 2/
End-2003 NPV of debt-to-exports ratio		2/	
Factors contributing to changes in ratios			
New borrowing (2000-03)	74.5	-7.4	67.1
Export growth (2000-03)	-63.5	34.5	-29.1
Changes in parameters		27.5	27.5
of which			
Due to changes in the discount rates		19.8	19.8
Due to changes in the exchange rates		7.8	7.8
Change in HIPC relief delivery assumptions 3/		-28.4	-28.4
Other factors 4/		-2.8	-2.8
End-2003 NPV of debt-to-exports ratio	**161.0**	**184.4** 5/	**184.4** 5/
Memorandum Item:			
End-2003 NPV of debt-to-exports ratio after bilateral debt relief beyond HIPC			**173.7** 5/

Source: Staff estimates.

1/ All figures assume the full delivery of debt relief under the HIPC Initiative.

2/ End-1999 data and projections at the time of the decision point.

4/ Includes revisions in the end-1999 database.

5/ Based on actual end-2003 debt stocks, discount rates, exchange rates and the three-year backward-looking average of exports of good and services.

External Debt Outlook, 2004–23

56. **The long-term external debt outlook is set against a macroeconomic framework based upon the PRGF- supported program that is elaborated in the authorities' medium-term expenditure framework (MTEF) prepared for the 2005 budget and extended along current trends (Table 12 and Box 3).** Annual real GDP growth is assumed to hold steady at 5 percent per year over the projection period, 2004–23, while inflation, after being reduced to 5 percent per year by 2007, also holds steady thereafter. Investment is assumed to be maintained at 22½ percent of GDP, which, based on recent experience, would support this rate of economic growth. In line with the MTEF, government domestic borrowing needs would be reduced to about ½ percent of GDP by 2007, led by continued spending discipline and donor support. Over the long term, government revenues are assumed to increase gradually (to 20 percent of GDP by

2016). Following a strong export performance over the medium term, mainly reflecting recent and ongoing investments in mining, agriculture, and tourism, export volumes are expected to grow at a more moderate pace of 4 percent a year over the long term. New external borrowing by government is projected to remain in line with current program trends, partly reflecting a shift to greater donor assistance in the form of grants.

57. **Zambia's debt-to-export ratio is projected to fall steadily from the end-2003 level (Tables 13-15 and Figure 3).** Based on preliminary data, the NPV of debt-to-exports ratio is estimated to have fallen to 140 percent at end-2004, after the full delivery of HIPC Initiative and additional bilateral debt relief. The very strong increase in export receipts in 2004 is the main factor behind this sharp drop in the debt-to-exports ratio,[21] while substantial repayments to the IMF in 2004 also contribute.[22] Staffs' projections indicate that the ratio would fall further over the medium term and remain well below the HIPC Initiative threshold of 150 percent for the entire projection period, reaching 90 percent by 2010 and 53 percent by 2023. The average level of the ratio over the 2003-13 period is projected to be 105 percent, considerably less than the average for non-HIPC low-income countries (143 percent).

58. **External debt service after full delivery of HIPC Initiative and additional bilateral relief is expected to remain well below 10 percent of exports after 2004.** The debt service-to-export ratio in 2004 is estimated at 22 percent (mainly because of large repayments to the Fund before falling sharply to 5 percent in 2005.[23] The estimated average debt service-to-exports ratio over the 2004-13 period is 7 percent (6 percent during 2005-13) reflecting the impact of debt relief and the high concessionality of new debt. This average is also well below the average for non-HIPC low-income countries (15 percent).

Sensitivity Analysis

59. **Based on a sensitivity analysis of three relatively severe shocks, it appears that Zambia's debt after HIPC Initiative assistance would remain well within a manageable range.** This is primarily the result of the favorable starting position that Zambia achieves under the baseline scenario where the amounts of new external borrowing are quite modest and exports, which staged a strong recovery in 2004, are projected to maintain a high level, given the ongoing investments in the export sectors (Table 16 and Figure 4).

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[21] The denominator in the NPV of debt-to-exports ratio is the 3-year average of export earnings ending in the current year. As a result, while the growth in export earnings is projected to moderate over the medium term, a strong reduction in this ratio is expected again in 2005 and, to a lesser extent, in 2006.

[22] The NPV of disbursements under the PRGF arrangement approved in June 2004 is lower than that of the repayments.

[23] Large PRGF repayments account for more than half of total debt service in 2004.

Box 3. Zambia: Macroeconomic Assumptions Underlying the Debt Sustainability Analysis Over the Period 2004–2023

Real GDP growth, is projected to remain steady at 5 percent a year, in line with recent performance. This is also consistent with the assumption used in the decision point DSA.

Inflation is expected to fall to 5 percent over the medium term (by 2007), the same level as targeted at the decision point.

Real effective exchange rate is assumed to remain largely unchanged over the long term.

Export volume is projected to show strong growth over the medium term, reflecting major investments in mining and agriculture, before slowing down to 4 percent annual growth over the long term, when mining exports are assumed to expand at about 2 percent a year, while other (nontraditional) exports grow at about 7 percent a year.

Current account deficit, including official transfers, is forecast to decline gradually from nearly 5 percent of GDP in 2004 before leveling-off at just over 2 percent by 2014–23.

Fiscal policy. The 3-year PRGF-supported program is anchored on reducing government's domestic borrowing to 0.6 percent of GDP in 2007, before falling to near zero over the long term. Government revenues are projected to rise gradually to 19 percent of GDP by 2011 and continue growing to 20 percent of GDP by 2016, before holding steady at that level. Government spending, excluding externally financed projects, is expected to gradually fall to about 1 percentage point of GDP above government revenues, with the balance financed by budget support grants and loans. Externally financed projects are projected to decline gradually to 3–4 percent of GDP over the long term, with grants making up an increasing share of the total.

Saving and investment. Gross domestic investment is projected to hold steady at about 22½ percent of GDP, down 2–3 percentage points from present levels, but still a few percentage points higher than historical levels. Gross national saving (after official transfers and debt relief) is projected to remain in the range of 18–19 percent of GDP.

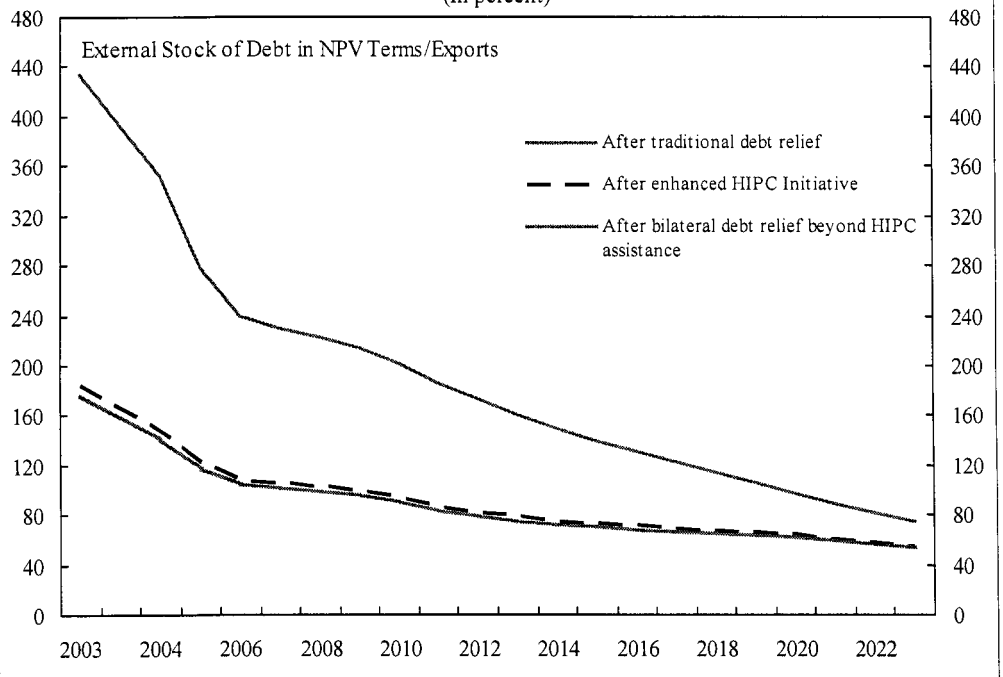
Foreign direct investment is projected to fall off from its current high of 5–7 percent of GDP to about 5 percent of GDP a year.

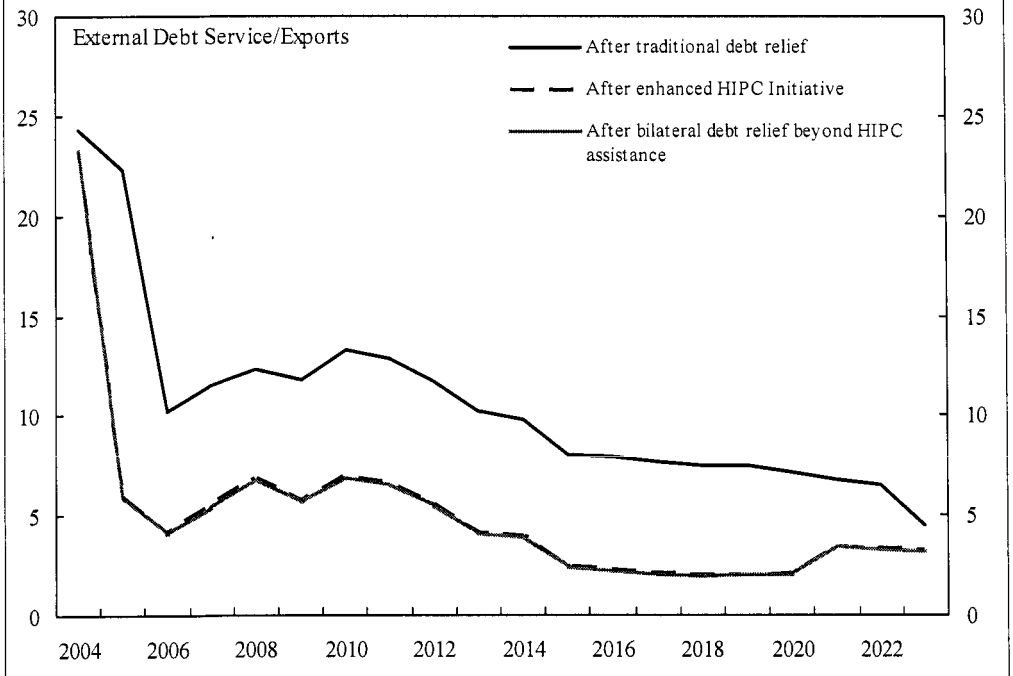
New external borrowing, excluding IMF disbursements, is assumed to be about US$120 million a year over the medium term, mostly from IDA and the African Development Bank. This figure would fall to US$105 million in 2009, as a greater share of donor assistance comes in the form of grants. From this level, new external borrowing would remain constant in real terms.

Gross official reserves, expressed in months of imports of goods and services, are expected to grow gradually to nearly 6 months of imports by the end of the projection period.

Figure 3. External Debt and Debt-Service Indicators for Medium-and Long-Term Public Sector Debt, 2004-2023

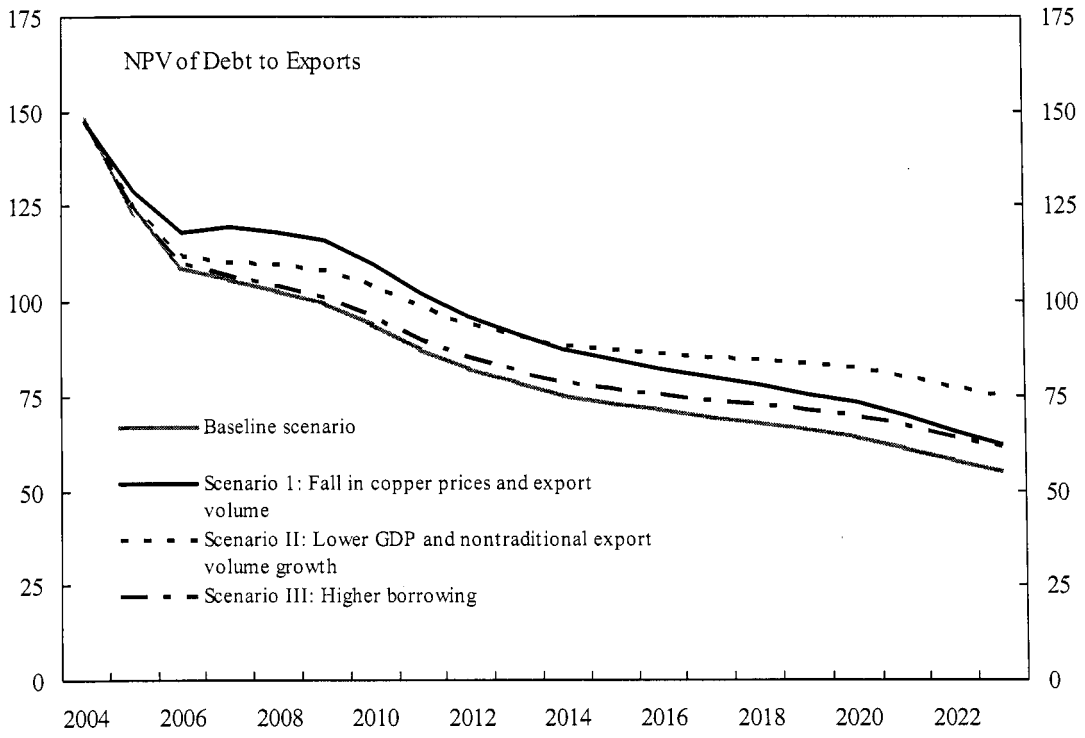
(In percent)

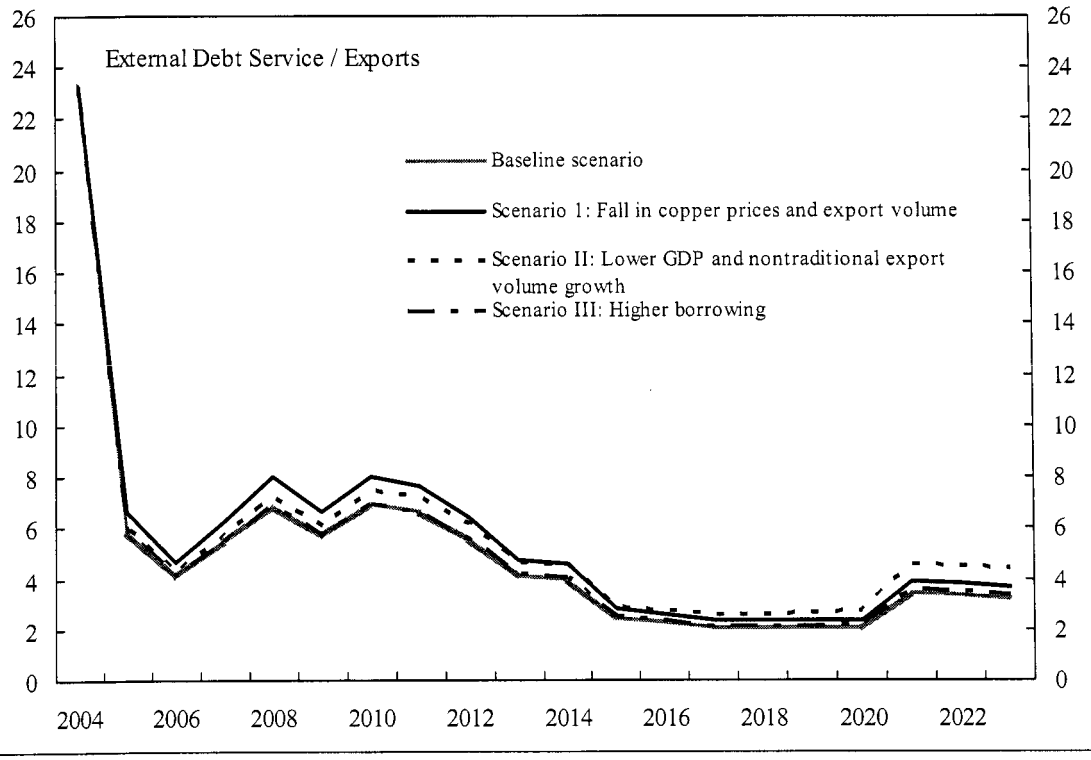




Sources: Zambian authorities; and staff estimates and projections.

Figure 4. Sensitivity Analysis, 2004–2023
(In percent)





Sensitivity scenario 1: Lower copper prices and lower copper export volumes

60. This scenario assumes that, beginning in 2005, there is a permanent 20 percent decline in the price of copper relative to the baseline projection, which already incorporates a 29 percent drop in copper prices by 2007. Over a three-year adjustment period, copper production falls permanently by 10 percent in response to the additional price decrease and, for a five-year period, government borrows additional funds to maintain spending levels in the face of a shortfall in revenues that arises from slightly lower GDP growth. By the end of the projection period, exports are 16 percent lower than in the baseline, while the stock of debt and debt service falling due is only slightly higher. As a result, the NPV of debt-to-exports at end-2010 is projected to be 110 percent, or about 20 percentage points above the baseline, well below the enhanced HIPC Initiative threshold of 150 percent. For 2023, the debt-to exports ratio is projected to be 62 percent, or 7 percentage points higher than in the baseline.

Sensitivity scenario 2: Lower real GDP growth and lower non-traditional export growth

61. This scenario assumes that, beginning in 2005, real GDP growth and nontraditional export volume growth are only 3 percent a year (compared with 5 percent and 7 percent, respectively, in the baseline). Government revenues fall in line with the lower GDP figures and for a six-year period, government borrows additional funds (totaling $192 million) to maintain spending levels in the face of a shortfall in revenues that arises from the lower GDP growth. The NPV of debt-to-exports ratio for 2010 is projected to be 104 percent, or 14 percentage points higher than in the baseline. By the end of the projection period, exports are 28 percent lower than in the baseline, giving a debt-to-exports ratio of 75 percent, or 20 percentage points higher than in the baseline.

Sensitivity scenario 3: Increased borrowing to meet a shortfall (25 percent) in grants.

62. This scenario assumes that real GDP growth and exports remain unchanged from the baseline, but that, beginning in 2005, disbursements of budget support grants fall short of projections by 25 percent. This shortfall is made up with additional borrowing throughout the projection period (totaling US$628 million). By 2010, this gives a projected NPV of debt-to-exports ratio of 96 percent, only marginally higher than the baseline (94 percent) By the end of the projection period, the projected debt-to-exports ratio is 62 percent, or 7 percentage points higher than in the baseline.

Topping-up

63. **The staffs of the IMF and IDA are of the view that there is not a case for Zambia to be granted topping up assistance at the completion point**. The enhanced HIPC Initiative provides for the possibility of granting additional debt relief at the completion point if the deterioration in a country's debt sustainability is primarily attributable to a fundamental change in the country's economic circumstances due to exogenous factors. The NPV of Zambia's debt-to-exports ratio of 174 percent at end-2003, after full delivery of HIPC Initiative assistance and additional bilateral debt relief is 24 percentage points higher than HIPC Initiative debt sustainability threshold of 150 percent and 13 percentage points higher than projected at the decision point. This deterioration in the debt sustainability indicators is also primarily due to

exogenous factors, namely changes in the discount and exchange rate parameters between the decision and completion points and the shortfall in export receipts during 2001-03, relative to decision point projections, owing mainly to weak world market prices for copper in this period. However, the staffs do not consider that that these developments reflects a fundamental change in Zambia's economic circumstances, given that the debt-to-exports ratio has already fallen sharply in 2004 (by 35 percentage points) and is projected to decline steadily thereafter, owing to the recovery in exports and increased share of grants in external financing. The resilience of the debt-to-exports ratio projections to some severe shocks or sustained poorer export performance than assumed in the baseline supports this view.

64. **Zambia's projected debt service-to-exports ratio (well below 10 percent after 2004) is also consistent with the view that adverse developments in exogenous factors have not caused a fundamental change in the country's economic circumstances that would unduly compromise its chances for long-term debt sustainability**. In the baseline, as well as in all the scenarios described in the sensitivity analysis, the debt service-to-exports ratio is projected to average well below 10 percent during 2004-13. Other indicators of Zambia's debt burden also support this view. The debt-service-to-fiscal revenues ratio remains below 10 percent for the entire projection period, while the NPV of debt-to-fiscal revenues ratio also remains below the HIPC Initiative fiscal threshold of 250 percent for the projection period.

IV. Public Debt Management

65. **While reaching the completion point will ease the burden of Zambia's external public debt, there will continue to be risks to government's budget and the economy arising from overall public debt.** In addition to foreign currency exposure typical of a HIPC country with large external debt portfolios, significant risks from rollover and interest rate exposure have built up as a result of the accumulation of short-term domestic borrowing. At the same time, capacity in debt management is relatively low, and therefore there is an urgent need to strengthen basic debt management functions, and support the development of domestic debt markets.

66. To address weaknesses in public debt management Zambia has participated in the Joint IMF/World Bank Debt Reform and Capacity Building Program. An assessment identifying the main challenges in Zambia's public debt management and government debt markets was undertaken in May 2004 (Box 4). As a result, the authorities have prepared a public debt management reform program which is to be implemented over the next 3-5 years with support from IDA and cooperating partners.

Box 4: Main Challenges in Public Debt Management

Improving Zambia's debt management requires actions on governance, strategy and risk management, and debt market development, for which capacity building is indispensable. Given current practices, efforts should focus first on establishing an institutional framework and capacity that ensure the continuous maintenance of an updated debt database, and then on developing a strategy for overall debt management including post-HIPC debt relief. The Bank of Zambia (BoZ) could focus on addressing some debt market shortcomings in the short run, and reforming the financial market structure in the medium term.

The strengthening of a back office function is the most imminent need to ensure the accuracy and comprehensiveness of debt transaction records, and punctual payments on outstanding debt based on a reliable debt recording system. A critical step in this direction includes the building of a consolidated database, which has commenced. Subsequently, or even in parallel if circumstances permit, government is advised to strengthen the Investment and Debt Management Department's (IDM) capacity to conduct basic risk analysis so as to formulate a debt management strategy and provide input to post-HIPC credit negotiations, such that the MoFNP can play a more active role in strategy formulation.

Contingent liabilities, on-lending, and sub-national debt also need serious attention as part of the country's overall debt management. Government is recommended to set up a general policy for providing guarantees and include information on these liabilities in its consolidated database. The policy on contingent liabilities may be technically separate from the debt management strategy. However, it is desirable to integrate it in the overall debt management strategy as issuing a guarantee creates similar risks as borrowing and on-lending by government.

Government is advised to merge the laws governing public borrowing into a comprehensive new law that would govern all borrowing by the Republic of Zambia and centralizes the ability to borrow in the name of the Republic with the Minister of Finance and National Planning. Furthermore, the law should specify how the Minister should be accountable to the National Assembly and the public.

The organizational structure of debt management functions in Zambia does not function well. Debt management responsibilities are split between the IDM and the BoZ. The coordination and exchange of information between the ministry and the central bank are deficient. The current governance arrangements make it difficult to formulate a consolidated debt management strategy. In the area of domestic debt MoFNP has in practice handed over the responsibility to BoZ. While this arrangement seems to have worked relatively well, the MoFNP should play a more active role when it comes to the policy and management of the domestic debt. One important reason for this is to make possible a clear separation of monetary policy and debt management as such a separation would be supportive of the development of the domestic debt markets.

Zambia lacks a comprehensive strategy for managing its debt. Over the last few years, domestic debt has increased its share in the total as a shortfall in external resource inflows has led government to fill the gap in the domestic market. Since room for discretion in debt management centers on the domestic debt, government needs a clear policy to manage its liability portfolio especially with regard to refinancing maturing debt and the exposure to domestic interest rate risk. The formulation of a successful debt strategy to address the portfolio risks is vital to maintain Zambia on a fiscally sustainable path. The strategy should be guided by clear debt management objectives and expressed

Box 4: Main Challenges in Public Debt Management

in a law governing all borrowing in the name of the Republic. In addition to funding government with due regard to cost and risk implications, it is crucial to give the MoFNP a clear mandate to promote the development of the domestic debt market.

Zambia's domestic debt market is an emergent one. The BoZ has substantially improved the market, but the market has yet to allow government to achieve debt management objectives while facilitating monetary policy operations. The market is characterized by a concentration of government securities ownership in the banking sector, an illiquid secondary market, and short-maturities of government securities. These market characteristics build up systemic risk in the banking sector, constrain the economy's capacity for absorbing government securities, and prevent government from lowering funding costs and managing risks such as interest and refinancing risks. Conversely, the absence of a debt management strategy and the inadequacy of cash management hinder the central bank's monetary operations significantly.

The authorities are advised to take a series of policy measures to develop debt markets. Short-term measures include activating interbank and customer repo markets, introducing market making obligations, and permitting OTC transactions. In the medium- and long-term, government is recommended, among other things, to ensure competition in the financial sector, to encourage NBFIs' intermediation, to consolidate NBFI regulators, and to reform clearing, settlement and custody systems.

V. Conclusions

67. **The staffs of the IMF and IDA are of the view that Zambia's performance relative to the conditions for reaching the completion point under the enhanced HIPC Initiative has been satisfactory.** The full PRSP was prepared and implemented satisfactorily for at least one full year, a satisfactory track record under a PRGF-supported program has been re-established, and most key structural reforms and social measures have been implemented. Given the overall progress in structural reforms, including a broad strategy to strengthen public expenditure management, the staffs consider that adequate progress has been made in implementing the completion point triggers.

68. **Zambia's debt-to-export profile remains robust under a number of different sensitivity scenarios owing to debt relief provided at completion point, including the delivery of additional bilateral assistance, and the expectation that prudent macroeconomic policies and structural reforms are maintained.** The authorities would also need to improve debt management and continue to borrow on concessional terms. The NPV of debt-to-exports ratio under the baseline and the sensitivity scenarios presented remains below the HIPC threshold of 150 percent for the entire projection period. In the staffs' view, Zambia is not a candidate for topping up of debt relief at completion point under the enhanced HIPC Initiative.

69. **The staffs of the IMF and IDA therefore recommend that the Executive Directors determine that Zambia has reached the completion point under the enhanced HIPC Initiative.**

VI. Issues for Discussion

70. Executive Directors are asked to provide guidance on the following questions:

Do Directors agree that Zambia has met the conditions for reaching the completion point under the enhanced HIPC Initiative framework, as established at the time of the decision point?

Do Directors agree that sufficient assurances have been given by Zambia's other creditors to commit enhanced HIPC Initiative resources to Zambia, as approved at the decision point, on an irrevocable basis?

Proposed Decision

1. The Fund, as Trustee ("the Trustee") of the Trust for Special PRGF Operations for the Heavily Indebted Poor Countries and Interim PRGF Subsidy Operations ("the Trust") established by Decision No. 11436-(97/10), adopted February 4, 1997, decides that Zambia has reached the completion point, notwithstanding that the conditions with respect to:

a) the implementation by the Ministry of Finance and Economic Development of an Integrated Financial Management Information System (IFMIS) on a pilot basis for at least three ministries and a mid-term review of the program;

(b) the restructuring and issuance of international bidding documents for the sale of a majority (controlling) interest in the power company, ZESCO; and

(c) the issuance of bidding documents for the sale of a majority (controlling) interest in the Zambian National Commercial Bank,

as referenced in paragraph 1(ii)(a) of Decision No. 12348 (00/118), adopted December 1, 2000, have not been fully met.

2. Accordingly, the Trustee confirms that, in accordance with Section III, paragraphs 3(e) and 3(f) of the PRGF-HIPC Trust Instrument, the balance of the grant committed at the decision point in an amount equivalent to SDR 468.80 million, less any amounts that have been disbursed as interim assistance, together with interest calculated at the average rate of return per annum on investment of the resources held by or for the benefit of the Trust, shall be made available to Zambia in the form of a grant to an account for the benefit of Zambia established and administered by the Trustee in accordance with Section III, paragraph 5(b) of the PRGF-HIPC Trust Instrument. The proceeds shall be used by the Trustee to meet Zambia's debt-service payments on its existing debt to the Fund as they fall due, in accordance with the schedule specified in Table 6 of the Completion Point Document.

3. Paragraphs 1 and 2 above shall become effective on the date on which the Fund decides that the World Bank has concluded that Zambia has reached the completion point under the enhanced HIPC Initiative.

Table 1. Zambia: Selected Economic and Financial Indicators, 2000-04

	2000	2001	2002	2003	2004 Prel.
	(Annual percentage change, unless otherwise indicated)				
National income and prices					
Real GDP	3.6	4.9	3.3	5.1	5.0
GDP deflator	30.0	24.3	19.9	19.8	20.0
Consumer prices (annual average)	26.1	21.7	22.2	21.5	18.0
Consumer prices (end of period)	30.1	18.7	26.7	17.2	17.5
External sector					
U.S. dollar value of exports of goods and services	2.3	19.4	2.4	15.7	49.4
U.S. dollar value of imports of goods and services	12.8	23.3	-2.5	13.3	23.3
Export volume (goods)	-5.7	26.2	11.2	1.8	5.6
Import volume (goods)	2.7	34.3	-3.9	6.9	4.3
Copper export volume	-2.5	26.9	11.3	7.1	8.7
Nonmetal export volume	-9.4	22.0	20.3	-3.7	17.7
Copper export prices (average, U S. dollars per pound)	0.82	0.77	0.70	0.78	1.16
Nominal effective exchange rate (annual average)	-16.5	-7.7	-19.3	-14.1	-2.2
Real effective exchange rate (annual average)	1.2	8.5	-5.8	-1.7	8.3
Terms of trade	-4.2	-1.7	-6.7	4.2	20.3
Money and credit (change in percent of beginning-of-year M2)					
Net foreign assets	63.8	-53.5	68.5	-9.0	13.9
Net domestic assets	10.3	64.3	-37 0	32.5	16.3
Net domestic credit	18.7	33 0	-29.4	36.6	16 4
Net claims on government	18.1	36.0	3.1	27.0	1.0
Claims on nongovernment	28.6	6.7	6.1	9.6	15.4
Broad money	74.1	10.8	31.5	23.4	30.2
Velocity	4.1	4.7	4.5	4.6	4.4
Central government budget					
Revenue (excluding grants)	47.5	28.4	16.0	26.5	28.8
Grants	-3.7	31.1	79.0	5.5	0.6
Expenditures 1/	42.2	34.9	20.7	24.6	9.2
Domestic expenditures 1/ 2/	52.9	38.0	11.5	26.8	18.6
	(In percent of GDP)				
Investment and savings					
Gross national savings 3/	6.1	8.2	15.5	18.1	19.5
Gross foreign savings 4/	11.4	10.8	6.5	7.5	4.8
Gross domestic investment	17.4	19.0	22.0	25.6	24.3
Of which: public investment	10.0	11.9	11.8	11.4	8.8
Central government budget					
Revenue and grants	25.1	24.9	26.2	24.9	23.9
Revenue (excluding grants)	19.4	19.2	17.9	17.9	18.4
Expenditures (excluding interest) 1/	31.0	32.2	27.2	27.0	23.3
Interest due	3.0	2.5	4.1	3.9	3.5
Domestic expenditures 1/ 2/	21.7	23.0	20.7	20.9	19.6
Overall balance, cash basis	-7.0	-8.1	-6.3	-6.6	-1.7
Domestic financing	1.8	4.5	2.1	5.1	0.8
External sector					
Current account balance, excluding grants	-19.2	-20.8	-17.3	-16.2	-11.9
Current account balance, including grants and debt relief 4/	-11.4	-10.8	-6.5	-7.5	-4.8
	(In percent of exports of goods and services)				
External debt					
External official debt service	15.9	13.5	11.4	15.4	20.0 5/
External program assistance	21.5	7.3	13.1	4.5	3.6
	(In millions of U.S. dollars, unless otherwise indicated)				
Current account balance, including grants and debt relief 4/	-369	-394	-246	-323	-260
Overall balance of payments	-309	-399	-383	-321	-285
Gross official reserves (end of period)	114	114	283	194	222
In months of imports of goods and services	1.0	0.9	2.2	1 3	1.2

Sources: Zambian authorities; and IMF staff estimates.

1/ Includes contingency reserve and payments of domestic arrears.

2/ Excludes external interest payments and foreign-financed capital expenditure.

3/ After enhanced HIPC Initiative debt relief.

4/ Includes program and budget grants and debt relief on interest payments.

5/ This figure is based on actual debt service payments and differs by a small amount from the DSA projection for debt service in 2004 (Table 15). The difference mainly reflects lower actual payments to Paris Club creditors than projected in the DSA, in part because a scheduled payment to Russia in 2004 was delayed to 2005 but also because the DSA projection uses conservative assumptions regarding flow relief during the interim period.

Table 2. Zambia: HIPC Initiative Interim Debt Relief and Selected Poverty Reducing Spending

	2000	2001	2002	2003	2004 Est.	2005 Proj.
	(In millions of U.S. dollars)					
HIPC Initiative interim debt relief	...	266	266	237	156	338
of which						
IMF	...	150	153	171	0	225
IDA	...	19	22	26	29	34
	(In percent of GDP, unless otherwise noted)					
HIPC Initiative interim debt relief	...	7.3	7.1	5.5	2.9	5.9
of which						
On debt service under the government's budget 1/	...	3.2	3.0	1.5	2.9	2.3
Priority poverty reducing program expenditures	...	1.4	0.9	1.0	2.1	2.2
of which						
HIPC-financed capital expenditures	...	0.6	0.5	1.0	1.2	1.3
(In percent of total government capital expenditures)	...	4.7	4.1	9.1	14.2	14.8
	(In percent of domestic discretionary budget)					
Education	23.0	20.2	20.8	18.1	20.6	24.1
Memorandum items						
External debt service due (millions of U.S. dollars) 2/	277	419	422	462	470	475
(In percent of GDP)	8.6	11.5	11.2	10.7	8.8	8.3
GDP (millions of U.S. dollars)	3,238	3,640	3,776	4,318	5,409	6,222

Sources: Zambian authorities; and staff estimates and projections.

1/ Excludes debt relief provided by the IMF, which accrues to the Bank of Zambia.
2/ Before HIPC Initiative debt relief; after debt relief available under traditional mechanisms.

Table 3. 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					513.4

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).
2/ Using six-month discount and end-of-period exchange rates as of end-December 1999.
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 4. Zambia: Status of Creditor Participation Under the Enhanced HIPC Initiative

	Debt Relief in NPV Terms (US$ million) 1/	Percentage of Total Assistance	Satisfactory Reply	Modalities To Deliver Debt Relief
IDA/IBRD/IFC	493.0	19.7	Yes	IDA assistance is being delivered equal to 84.2% of IDA debt service until 2003 and on average 64% thereafter. Total debt relief is to be provided over 20 years, ending 2020. The IFC has provided its full share of HIPC relief in the interim period.
AfDB Group	146.1	5.8	Yes	Interim assistance was provided equal to 76.8% debt service reduction until October 2003 when the 40% of total NPV of relief limit was reached. Remaining assistance will be delivered at completion point equal to an 80% debt service reduction until 2014.
IMF	602.0	24.1	Yes	The IMF provided interim assistance (75% of total) until end- December 2003 when the interim relief limit was met.The remaining relief will be provided through grants from the PRGF/HIPC Trust to an Umbrella Account until 2007.
EU	57.7	2.3	Yes	Debt-service relief on selected loans during the interim period, supplemented with grants to pay off loans at completion point.
BADEA	11.4	0.5	Yes	Has agreed in principle to provide debt relief, but must agree on a specific modality of delivery for Zambia.
IFAD	17.3	0.7	Yes	Assistance will be delivered at completion point, through a reduction of debt service payments on eligible debt by up to 100% until the target in NPV terms is reached.
OPEC Fund	3.6	0.1	Yes	A portion of total assistance (US$2.4 million) will be provided through a concessional loan and the remaining relief (US$1.2 million) will be delivered at completion point.
Total multilateral	1331.1	53.3	52.7	
Paris Club creditors	1089.0	43.6	43.6	Cologne flow provided during interim period. Stock-of-debt operation under Cologne terms is expected at completion point.
Non-Paris Club creditors	56.0	2.24	0.4	
Bulgaria			No	Being contacted by Zambia.
China			Partial	Some obligations have been written off without reconciliation at decision point.
Czech Republic			Partial	Fully repaid via a debt buyback operation at 11 percent of face value.
India			Yes	100% of bilateral debt waived, along with 50% of commercial debt.
Iraq			No	Being contacted by Zambia.
Kuwait			No	Obligations sold to commercial firm (Camdex), which recovered full value via litigation.
Romania			Partial	Sold to commercial firm (Debt Advisory International) at 33 percent of face value.
Saudi Arabia			No	Fully repaid.
Yugoslavia			No	Settlement of obligations via litigation at 53 percent of face value.
Commercial creditors	22.9	0.9	No	Being contacted by Zambia.
Total bilateral and commercial	1,167.8	46.7	44.0	
Total	2,499.2	100.0	96.7	

Source: Zambian authorities; and staff estimates

1/ The amount of assistance is estimated using the exchange rates and creditor exposure at the decision point.

Table 5. Zambia: Delivery of IDA Assistance Under the Enhanced HIPC Initiative, 2001-2020
(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	2001-10	2011-20
																						Averages	
IDA debt service before HIPC relief	17.3	22.4	25.8	30.6	41.5	49.0	54.3	58.0	60.0	63.6	66.4	74.8	77.8	82.6	85.4	90.7	93.4	95.2	96.9	100.2	102.7	49.7	90.0
Principal	4.6	9.7	13.2	18.1	23.4	31.1	36.6	40.6	42.9	46.9	50.0	58.9	62.3	67.6	70.9	76.7	80.0	82.4	84.7	88.7	91.8	33.8	76.4
Interest	12.8	12.7	12.6	12.5	18.1	17.9	17.6	17.4	17.0	16.7	16.4	16.0	15.5	15.0	14.5	14.0	13.4	12.8	12.2	11.5	10.9	15.9	13.6
IDA debt service after HIPC relief	17.3	3.5	4.1	4.8	12.8	15.1	16.4	18.0	20.0	22.1	25.1	29.3	30.0	31.2	31.9	33.6	34.2	35.4	37.3	39.2	42.1	15.6	34.4
Principal	4.6	0.6	0.8	1.1	3.0	4.5	5.3	6.8	8.8	10.3	13.5	17.4	18.1	19.1	19.7	21.4	22.1	23.4	25.7	28.0	31.4	6.6	22.6
Interest	12.8	2.9	3.3	3.8	9.8	10.6	11.0	11.2	11.2	11.8	11.6	11.9	12.0	12.1	12.1	12.2	12.1	11.9	11.6	11.2	10.7	9.0	11.8
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	34.1	55.6
Principal	0.0	9.1	12.4	17.0	20.4	26.6	31.3	33.9	34.1	36.6	36.6	41.4	44.2	48.4	51.2	55.3	57.9	59.0	59.0	60.7	60.4	27.2	53.7
Interest	0.0	9.8	9.4	8.8	8.3	7.3	6.6	6.1	5.8	5.0	4.7	4.1	3.6	2.9	2.4	1.8	1.3	0.9	0.6	0.4	0.2	6.9	1.8
Memorandum items:																							
IDA debt relief as percent of IDA debt service due (in percent)	0.0	84.2	84.2	84.2	69.2	69.2	69.9	68.9	66.6	65.3	62.2	60.8	61.4	62.2	62.7	62.9	63.3	62.8	61.5	60.9	59.0	71.3	61.8
Interim assistance 2/		97.6																					
Interim relief as percent of total		20																					

Source: IDA staff estimates.

1/ From 2004 principal and interest payments correspond to prorated projections based on debt outstanding and disbursed as of end-December 2003, converted into U.S. dollars using exchange rates as of end-December 2003.
2/ In end-1999 NPV terms.

Table 6. Zambia: Delivery of IMF Assistance under the Enhanced HIPC Initiative, 2000-2009 1/

(In millions of SDRs, unless otherwise indicated)

	Actual									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Delivery schedule of IMF assistance (share of total)	-	25.0	25.0	25.0	0.0	25.0	-	-	-	-
Total obligations falling due to the IMF 2/	2.2	172.7	171.6	172.8	173.6	174.3	9.0	7.9	6.9	5.9
Principal	-	166.7	167.7	168.7	169.7	170.7	6.0	5.0	4.0	3.0
Interest	2.2	6.0	4.0	4.1	3.9	3.6	3.0	2.9	2.9	2.9
IMF assistance--deposits into member's account		117.2	117.2	117.2						
Interim assistance						117.2				
Completion point assistance 3/										
IMF assistance--drawdown schedule 4/	-	117.5	119.8	118.1	1.6	169.3	4.8	2.5	0.0	0.0
Of which: IMF assistance without interest	-	117.2	117.0	117.2	0.1 6/	117.2	-	-	-	-
Estimated interest earnings	-	0.3	2.8	0.9	1.5	52.1	4.8	2.5	0.0	0.0
Net debt service to IMF 5/	2.2	55.2	51.8	54.6	172.0	4.9	4.1	5.4	6.9	5.9
Share of debt service to IMF covered by IMF assistance (in percent) 4/	-	68.0	69.8	68.4	0.9	97.2	54.1	31.8	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	-	70.4	69.8	69.5	11.8 6/	69.5	-	-	-	-
Total debt service due 7/	264.8	596.2	585.1	591.4	615.6	613.5	292.7	335.3	363.0	367.8
Based on the end-1999 US$/SDR exchange rate	286.7	645.5	633.5	640.2	666.5	664.3	316.9	363.0	393.1	398.2
Based on the current US$/SDR exchange rate										
Share of total debt service covered by IMF assistance (in percent) 4/	-	10.5	11.0	10.7	0.1	14.6	17.1	8.8	0.0	0.0
Debt service to IMF after IMF assistance 4/		3.0	2.5	2.4	7.2	0.2	0.2	0.2	0.2	0.2
(in percent of exports)										

1/ Total IMF assistance under the HIPC Initiative is SDR 468.8 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 footnote 4.

2/ Actual debt service for 2000 is for December only. Forthcoming obligations estimated based on rates and principal schedules in effect at decision point in December 2000. Interest obligations include net SDR charges and assessments.

3/ A final disbursement of SDR 117.2 million (plus accrued interest) assumed to be deposited into Zambia's account at the completion point in April 2005.

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 percent in SDR 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 three years after the completion point.

5/ Total obligations less HIPC Initiative assistance.

6/ The remaining balance of interim HIPC assistance was applied to the first principal repayment obligation falling due in 2004.

7/ After traditional debt relief mechanisms.

Table 7. Paris Club Creditors' Delivery of Debt Relief Under Bilateral Initiatives Beyond the HIPC Initiative 1/

	Countries covered	ODA (in percent)		Non-ODA (in percent)		Provision of relief	
		Pre-cutoff date debt	Post-cutoff date debt	Pre-cutoff date debt	Post-cutoff date debt	Decision point (In percent)	Completion point
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Australia	HIPCs	100	100	100	100 2/ 2/	2/	
Austria	HIPCs	100	-	100	-	Case-by-case, flow	Stock
Belgium	HIPCs	100	100	100	-	100 flow	Stock
Canada	HIPCs 3/	- 4/	- 4/	100	100	100 flow	Stock
Denmark	HIPCs	100	100 5/	100	100 5/	100 flow	Stock
France	HIPCs	100	100	100	-	100 flow 6/	Stock
Finland	HIPCs	100	- 7/	100	- 7/	-	-
Germany	HIPCs	100	100	100	- 8/	100 flow	Stock
Ireland	-	-	-	-	-	-	-
Italy	HIPCs	100	100 9/	100	100 9/	100 flow	Stock
Japan	HIPCs	100	100	100	-	-	Stock
Netherlands, the	HIPCs	100 10/	100	100	-	90-100 flow 10/	Stock
Norway	HIPCs	11/	11/	12/	12/	-	-
Russia	Case-by-case	-	-	-	-	-	Stock
Spain	HIPCs	100	Case-by-case	100	Case-by-case	-	Stock
Sweden	HIPCs	-	- 13/	100 (Case-by case)	-	-	Stock
Switzerland	HIPCs	100		100	Case-by-case	100, flow 14/	Stock
United Kingdom	HIPCs	100	100	100	100 15/	100 flow 15/	Stock
United States	HIPCs	100	100	100	100 16/	100 flow	Stock

Source: Paris Club Secretariat.

1/ Columns (1) to (7) describe the additional debt relief provided following a specific methodology under bilateral initiatives and need to be read as a whole for each creditor. In column (1), "HIPCs" stands for eligible countries effectively qualifying for the HIPC process. A "100 percent" mention in the table indicates that the debt relief provided under the enhanced HIPC Initiative framework will be topped up to 100 percent through a bilateral initiative.

2/ Australia: post-cutoff date non-ODA relief to apply to debts incurred before a date to be finalized; timing details for both flow and stock relief are to be finalized.

3/ Canada: including Bangladesh. Canada has granted a moratorium of debt service as of January 2001 on all debt disbursed before end-March 1999 for 13 out of 17 HIPCs with debt service due to Canada. Eligible countries are Benin, Bolivia, Cameroon, Dem. Rep. Of Congo, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Rwanda, Senegal, Tanzania, and Zambia. 100% cancellation will be granted at completion point. As of July 2004, Canada has provided completion point stock of debt cancellation for Benin, Bolivia, Guyana, Senegal and Tanzania.

4/ 100 percent of ODA claims have already been cancelled on HIPCs, with the exception of Myanmar's debt to Canada.

5/ Denmark provides 100 percent cancellation of ODA loans and non-ODA credits contracted and disbursed before September 27, 1999.

6/ France: cancellation of 100 percent of debt service on pre-cutoff date commercial claims on the government as they fall due starting at the decision point. Once countries have reached their completion point, debt relief on ODA claims on the government will go to a special account and will be used for specific development projects.

7/ Finland: no post-COD claims

8/ Germany proposes to cancel all debts incurred before June 20, 1999 depending on a consensus within Paris Club creditors

9/ Italy: cancellation of 100 percent of all debts (pre- and post-cutoff date, ODA and non-ODA) incurred before June 20, 1999 (the Cologne Summit). At decision point, cancellation of the related amounts falling due in the interim period. At completion point, cancellation of the stock of remaining debt.

10/ The Netherlands: 100 percent ODA (pre- and post-cutoff date debt will be cancelled at decision point); for non-ODA: in some particular cases (Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Mali, Mozambique, Nicaragua, Rwanda, Tanzania, Uganda and Zambia), the Netherlands will write off 100 percent of the consolidated amounts on the flow at decision point; all other HIPCs will receive interim relief up to 90 percent reduction of the consolidated amounts. At completion point, all HIPCs will receive 100 per cent cancellation of the remaining stock of the pre-cutoff date debt.

11/ Norway has cancelled all ODA claims.

12/ Due to the current World Bank/IMF methodology for recalculating debt reduction needs at HIPC completion point, Norway has postponed the decisions on whether or not to grant 100% debt reduction until after the completion point.

13/ Sweden has no ODA claims. Sweden provides 100 percent debt cancellation only after completion point and on a case-by-case basis.

14/ Switzerland: In principle 100 percent cancellation of Pre-cutoff date non-ODA debt. However, Switzerland claims the right at the decision point to forgive only 90 percent in case of major political and/or political weaknesses.

15/ United Kingdom: "beyond 100 percent" full write-off of all debts of HIPCs as of their decision points, and reimbursement at the decision point of any debt service paid before the decision point.

16/ United States: 100 percent post-cutoff date non-ODA treated on debt assumed prior to June 20, 1999 (the Cologne Summit).

Table 8. Comparison of Discount Rate and Exchange Rate Assumptions at end-1999 and end-2003

	Discount Rates 1/ 2/ (In percent per annum)		Exchange Rates (Currency per U.S. dollar)	
	At Decision Point	At Completion Point	At Decision Point	At Completion Point
Currency				
Austrian Schilling	5.47	4.63	13.70	10.89
Belgian Franc	5.47	4.63	40.16	31.94
Bulgarian Leva	5.59	4.20	1.95	1.55
Canadian Dollar	6.67	5.18	1.44	1.29
Swiss Franc	4.27	3.21	1.60	1.24
Chinese Yuan	5.59	4.20	8.28	8.28
Deutsche Mark	5.47	4.63	1.95	1.55
Danish Kroner	5.32	4.77	7.40	5.96
Spanish Peseta	5.47	4.63	165.62	131.74
European Currency Unit/Euro	5.47	4.63	1.00	0.79
Finnish Markaa	5.47	4.63	5.92	4.71
French Franc	5.47	4.63	6.53	5.19
British Pound	6.70	5.37	0.62	0.56
Irish Pound	5.47	4.63	0.78	0.62
Indian Rupee	5.59	4.20	43.49	45.61
Iraqi Dinar	5.59	4.20	30.00	30.00
Italian Lira	5.47	4.63	1,927.40	1,533.07
Japanese Yen	1.98	1.70	102.20	107.11
Kuwaiti Dinar	5.59	4.20	0.30	0.29
Luxemburg Franc	5.47	4.63	40.16	31.94
Netherland Guilder	5.47	4.63	2.19	1.74
Norwegian Kroner	6.64	5.30	8.04	6.68
Saudi Arabian Riyal	5.59	4.20	3.75	3.75
Special Drawing Rights	5.59	4.20	0.73	0.67
Swedish Kronor	5.80	5.00	8.53	7.20
Russian Rouble 3/	7.04	4.47	0.60	0.60
United States Dollar	7.04	4.47	1.00	1.00
Yugoslav Dinar	5.59	...	11.61	...

Sources: OECD; and IMF, *International Financial Statistics.*

1/ The discount rates used are the average commercial interest reference rates (CIRRs) for the respective currencies over the six-month period ending in December 2003 for the completion point and in December 1999 for the decision point.

2/ For all Euro area currencies, the Euro CIRR is used. For all other currencies for which the CIRRs are not available (except the Kuwaiti Dinar at completion point, for which the USD discount rate is used), the SDR discount rate is used as a proxy.

3/ Former Soviet Union debt converted at 0.6 roubles per USD, as agreed between Russia and the Paris Club.

Table 9. Zambia: Nominal and Net Present Value of External Debt at Completion Point, End-2003 1/
(In millions of US dollars)

	Legal Situation 3/		Net Present Value 4/	
	Nominal Debt	NPV of Debt	After enhanced HIPC	After additional bilateral assistance
Total	**6,999.6**	**5,726.7**	**2,078.1**	**1,958.2**
Multilateral	3,924.7	2,581.6	1,619.5	1,619.5
IDA	2,414.4	1,397.7	845.0	845.0
IBRD	3.3	3.2	3.2	3.2
AfDF	298.0	175.1	136.2	136.2
AfDB	71.8	82.1	19.7	19.7
IMF	858.7	761.4	518.1	518.1
EU 2/	170.8	87.7	65.0	65.0
IFAD	73.8	46.1	21.1	21.1
BADEA	18.3	15.8	3.2	3.2
OPEC Fund	10.0	9.0	4.5	4.5
NDF	5.6	3.5	3.5	3.5
Paris Club bilateral	2,752.3	2,832.3	292.6 5/	172.7
Austria	6.8	4.9	...	...
Belgium	0.1	0.1	...	...
Brazil	77.7	51.8	...	...
Canada	61.2	74.2	...	...
Denmark	0.1	0.1	...	...
France	235.6	342.3	...	...
Germany	627.9	727.8	...	...
Ireland	0.0	0.0	...	...
Italy	115.0	103.9	...	...
Japan	692.3	780.9	...	...
Luxembourg	0.0	0.0	...	...
Netherlands	0.4	0.2	...	...
Russia	146.9	156.9	...	...
United Kingdom	419.2	259.3	...	...
United States	369.1	330.0	...	...
Non Paris Club bilateral	247.9	239.1	123.0	123.0
Bulgaria	2.7	2.7	0.9	0.9
China	212.8	206.7	92.5	92.5
India	8.0	7.5	7.5	7.5
Iraq	0.7	0.7	0.5	0.5
Kuwait	7.6	6.2	6.2	6.2
Yugoslavia	16.1	15.2	15.2	15.2
Commercial	74.7	73.7	43.0	43.0

Sources: Zambian authorities; and staff estimates.

1/ Figures are based on data as of end December 2003.
2/ European Economic Commission loans administered by IDA classified as multilateral loans at decision point have been reclassified as Paris Club bilateral loans at completion point.
3/ Reflects the external debt situation as of end-2003, including a flow rescheduling under Cologne terms under Paris Club 8, and additional assistance from the Paris Club on a voluntary basis.
4/ Assumed delivered unconditionally.
5/ Debt relief for Paris Club countries is expected to be delivered collectively under the enhanced HIPC Initiative.

Table 10. Zambia: Comparison of Net Present Value of External Public Debt Between Decision Point and Completion Point
(In millions of U.S. dollars; unless otherwise indicated)

	Stock at end-2003			
	Decision Point DSA (Projection) 1/	Completion Point DSA 2/		
	After enhanced debt relief	After traditional debt relief	After enhanced debt relief	After additional bilateral relief 3/
NPV of debt using end-1999 parameters				
Multilateral	2,232	4,161	1,696	1,588
Official bilateral and commercial	1,408	2,119	1,269	1,269
	824	2,042	428	320
NPV of debt using end-2003 parameters				
Multilateral	...	4,872	2,078	1,958
Official bilateral and commercial	...	2,624	1,620	1,620
	...	2,247	459	339
NPV of debt-to-exports ratio (in percent) 4/				
Using end-1999 parameters	161	...	...	...
Using end-2003 parameters	...	432	184	174
Exports of goods and services 4/				
Decision point				
Completion point	1,386	...	...	...
	...	1,127	1,127	1,127

Sources: Zambian authorities; and staff estimates.

1/ Debt sustainability analysis (DSA) based on stock of debt reconciled as of end-December 1999 assuming full (hypothetical) delivery of enhanced HIPC assistance.
2/ Based on stock of debt reconciled as of end-December 2003 assuming full (hypothetical) delivery of enhanced HIPC assistance.
3/ After debt relief beyond HIPC offered by some of the Paris Club creditors on a voluntary basis.
4/ Based on the average of three consecutive years of exports of goods and services ending in the current year.

Table 11: Zambia: Comparison of Macroeconomic Assumptions at Decision Point and Outturns 1999-2004 1/

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

	1999	2000	2001	2002	2003	2004
Decision Point						
Economic growth						
Real GDP (percentage change)	2.4%	4.0%	5.0%	5.0%	5.0%	5.0%
GDP Deflator (in percent)	21.7%	25.9%	10.5%	9.2%	1.0%	1.0%
GDP in Kwachas bn.	7,522	9,853	11,431	13,108	13,902	14,744
GDP in US$ mn.	3,150	3,389	3,445	3,652	4,059	4,305
Outturn						
Real GDP (percentage change)	...	3.6%	4.9%	3.3%	5.1%	5.0%
GDP Deflator (in percent)	...	30.0%	24.3%	19.9%	19.8%	20.0%
GDP in Kwachas bn.	...	10,075	13,133	16,260	20,481	25,814
GDP in US$ mn.	...	3,239	3,640	3,776	4,318	5,409
Government Revenues						
Government Revenues (percent of GDP)	17.6%	18.8%	17.7%	18.0%	18.2%	18.4%
Outturn						
Government Revenues (percent of GDP)	17.7%	19.4%	19.2%	17.9%	17.9%	18.4%
Prices						
International Inflation	0.0	0.0	0.0	0 0	1.0%	1.0%
Average Exchange Rate (Kwachas per 1 US$)	2,388	2,861	3,215	3,425	3,425	3,425
Terms of Trade (percentage change) (- deterioration)	-5.7%	13.3%	0.4%	2.5%	0.0%	0.0%
Outturn						
International Inflation (trading partners)	...	4 3%	3.3%	4.5%	3.2%	1.4%
Average Exchange Rate (Kwachas per 1 US$)	...	3,111	3,608	4,307	4,743	4,772
Terms of Trade (percentage change) (- deterioration)	...	-4.2%	-1.7%	-6.7%	4.2%	20.3%
Balance of Payments						
Exports of goods and services	842	1,036	1,241	1,413	1,506	1,604
(3-year average)	994	932	1,039	1,230	1,386	1,508
Copper export receipts	371	506	587	681	793	912
Copper price (US$ per pound)	0.70	0.82	0.86	0.91	0.94	0.97
Copper export volume (in 000's of metric tonnes)	240	280	310	340	383	427
Imports of goods and services	-1,169	-1,333	-1,554	-1,749	-1,859	-1,976
Outturn						
Exports of goods and services	842	861	1,028	1,052	1,217	1,820
(3-year average)	...	874	910	981	1,099	1,363
Copper export receipts	...	424	506	509	606	982
Copper price (US$ per pound)	...	0.82	0.77	0.70	0.78	1.16
Copper export volume (in 000's of metric tonnes)	...	234	297	330	353	384
Imports of goods and services	...	-1,318	-1,625	-1,585	-1,796	-2,213
Disbursements						
Total	166	299	265	272	195	170
Outturn						
Total	...	273	274	353	111	375
Remaining finance gap (- is surplus)	0	13	169	111	138	134
Additional borrowing (gap filling) 9/	0	13	170	113	141	139
Total Debt Service due on gap fill loans	0	0	-1	-2	-3	-4
Outturn						
Remaining finance gap (- is surplus)	...	0	0	0	0	0
Memorandum Items						
Exports volume growth (percentage change)	-3.9%	10.4%	16.7%	10.3%	5.5%	5.5%
Imports volume growth (percentage change)	-12.1%	16.7%	12.3%	11.3%	5.3%	5.3%
Gross Reserves (including gold)	46	146	267	380	435	495
Gross official reserves (in months of imports)	0.5	1 3	2.1	2.6	2.8	3.0
Outturn						
Exports volume growth (percentage change)	...	-5.7%	26.2%	11.2%	1.8%	5.6%
Imports volume growth (percentage change)	...	2.7%	34.3%	-3.9%	6.9%	4.3%
Gross Reserves (including gold)	...	114	114	283	197	222
Gross official reserves (in months of imports)	...	1.0	0.9	2.2	1.3	1.2

Sources: Zambian authorities; and staff estimates.

Table 12: Zambia: Macroeconomic Assumptions 2003-2023
DSA - Baseline Scenario
(In millions of U.S. dollars, unless otherwise indicated)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2018	2023	2004-2013	2014-2023
	est.													Average	
Economic growth															
Real GDP (percentage change)	5.1%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Real GDP per capita (percentage change)	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.6%	2.6%	2.6%	2.7%	2.8%	3.0%	2.6%	2.8%
GDP deflator (in percent)	19.8%	20.0%	15.2%	9.3%	6.0%	5.6%	5.2%	5.2%	5.0%	5.0%	5.0%	5.0%	5.0%	8.2%	5.0%
GDP	4,318	5,409	6,222	6,517	6,921	7,500	8,110	8,761	9,443	10,178	10,970	15,959	23,216	8,003	16,955
Government Revenues															
Government revenues, excluding grants	776	993	1,144	1,205	1,283	1,402	1,526	1,662	1,810	1,972	2,147	3,224	4,690	1,514	3,417
Government revenues, excluding grants (percent of GDI	18.0%	18.4%	18.4%	18.4%	18.4%	18.5%	18.6%	18.8%	19.0%	19.2%	19.4%	20.0%	20.0%	18.7%	19.9%
Prices															
Terms of Trade (percentage change) (- deterioration)	4.2%	20.3%	-1.0%	-6.8%	-2.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	0.0%
Balance of Payments															
I. Current account, excluding official transfers	-700	-642	-642	-733	-788	-819	-799	-838	-828	-854	-874	-1,087	-1,387	-781	-1,128
(in percent of GDP)	*-16.2*	*-11.9*	*-10.3*	*-11.2*	*-11.3*	*-10.8*	*-9.8*	*-9.5*	*-8.7*	*-8.3*	*-7.9*	*-6.7*	*-5.9*	*-9.8*	*-6.7*
1. Exports of goods and services	1,246	1,850	2,009	2,087	2,120	2,149	2,271	2,402	2,541	2,690	2,850	3,810	5,092	2,297	3,977
2. Imports of goods and services	-1,796	-2,213	-2,275	-2,484	-2,495	-2,645	-2,803	-2,971	-3,150	-3,339	-3,539	-4,736	-6,338	-2,791	-4,945
3. Net factor income (excluding interest payments)	-17	-182	-326	-253	-309	-194	-218	-179	-186	-186	-190	-201	-214	-222	-203
4. Interest payments	-131	-121	-110	-101	-95	-89	-84	-80	-76	-72	-68	-49	-35	-90	-48
5. Net current transfers	-3	25	-31	-36	-39	-41	-42	-44	-46	-48	-51	-75	-109	-35	-79
Official transfers (grants and other)	377	382	465	536	547	561	582	618	641	668	685	787	919	568	804
II. Current account, including official transfers	-323	-260	-268	-252	-272	-238	-255	-210	-213	-206	-227	-353	-539	-240	-379
(in percent of GDP)	*-7.5*	*-4.8*	*-4.3*	*-3.9*	*-3.9*	*-3.1*	*-3.1*	*-2.4*	*-2.2*	*-2.0*	*-2.1*	*-2.2*	*-2.3*	*-3.0%*	*-2.2%*
III. Long-term Capital Inflows	79	33	131	70	97	123	114	138	147	153	160	224	268	116	220
1. Net foreign direct investment	172	344	250	158	187	210	220	230	240	250	260	310	360	235	315
2. Net long-term borrowing	-141	-221	-136	-77	-80	-77	-96	-82	-83	-87	-90	-76	-82	-103	-85
a. Disbursements	101	110	89	90	93	97	70	77	84	88	90	99	108	89	100
b. Repayments due	-242	-331	-225	-167	-174	-174	-166	-159	-168	-175	-180	-175	-190	-192	-185
3. Other net L-T flows (change in net foreign assets)	48	-90	17	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-15	-10
Errors and omissions and net short-term capital	-2	95	15	0	0	0	0	0	0	0	0	0	0	11	0
IV. Overall balance	-321	-287	-325	-368	-317	-271	-295	-255	-249	-249	-164	-196	-310	-278	-223
VI. Financing	321	287	325	251	207	103	112	121	102	91	129	118	-47	173	69
1. Change in net international reserves of Bank of Zambia (- incr)	-164	-41	-266	-48	-66	-161	-165	-176	-203	-229	-198	-175	-270	-155	-213
2. IMF (net)	-244	-10	-235	17	-23	-68	-67	-113	-110	-91	-63	0	0	-76	-9
3. Debt relief	391	264	480	197	191	184	188	186	186	189	193	146	62	226	134
5. BOP support grants	45	44	89	66	44	46	54	76	84	96	98	108	118	70	109
6. BOP support loans	10	21	44	35	38	33	35	35	35	35	36	39	43	35	40
VII. Remaining finance gap (- is surplus)	0	0	0	117	109	169	183	134	147	158	34	78	357	105	153
Memorandum Items															
Gross international reserves	197	222	246	310	353	446	543	607	700	839	973	1,776	3,010	524	1,953
Gross official reserves (in months of imports)	1.3	1.2	1.3	1.5	1.7	2.0	2.3	2.5	2.7	3.0	3.3	4.5	5.7	2.2	4.6

Sources: Zambian authorities; and staff estimates and projections.

Table 13. Zambia: Net Present Value of External Debt, 2003 - 2023

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2003 - 2013	2014 - 2023
	Actuals	Projections																				Averages	
I. After traditional debt-relief mechanisms 1/																							
1. NPV of total debt (2+6) 2/	4871.6	4847.3	4663.5	4700.9	4700.3	4667.2	4618.0	4520.0	4413.7	4316.8	4239.9	4157.0	4110.0	4050.7	3983.2	3903.6	3806.2	3703.4	3595.4	3475.2	3437.6	4596.3	3822.2
2. NPV of outstanding debt (3+4)	4871.6	4601.4	4323.0	4268.4	4182.1	4073.4	3957.7	3837.5	3712.0	3600.4	3510.8	3414.2	3305.7	3177.8	3034.9	2875.8	2698.0	2513.3	2321.9	2116.9	1993.0	4085.3	2745.1
3. Official bilateral and commercial	2247.3	2215.0	2185.9	2156.0	2123.2	2093.5	2059.1	2021.7	1979.4	1931.1	1875.5	1817.0	1752.9	1674.0	1584.1	1482.3	1367.4	1250.3	1130.7	998.7	949.0	2080.7	1400.6
Paris Club	2164.7	2144.9	2125.0	2103.1	2077.9	2049.4	2016.3	1978.7	1936.1	1887.7	1831.8	1773.2	1707.8	1628.3	1538.1	1436.0	1321.0	1204.0	1084.8	953.2	903.3	2028.7	1355.0
Other official bilateral and commercial	82.7	70.1	60.9	52.8	45.2	44.0	42.8	43.0	43.2	43.5	43.7	43.8	45.2	45.7	46.0	46.3	46.4	46.3	46.0	45.4	45.7	52.0	45.7
4. Multilateral	2624.2	2386.3	2137.1	2112.5	2059.0	1979.9	1898.6	1815.8	1732.7	1669.3	1635.3	1597.2	1552.7	1503.8	1450.8	1393.6	1330.7	1263.0	1191.1	1118.2	1044.0	2004.6	1344.5
IDA	1397.7	1414.9	1425.4	1431.1	1433.2	1433.5	1430.2	1423.9	1408.9	1390.3	1366.1	1338.1	1303.7	1265.1	1223.1	1177.6	1126.9	1071.5	1011.5	949.5	885.3	1414.1	1135.2
IMF	761.4	537.2	303.3	298.7	269.6	209.0	147.6	85.6	30.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	240.3	0.0
African Development Bank Group	257.2	240.0	223.3	207.3	194.6	187.7	182.3	177.9	174.9	171.8	168.5	165.0	161.5	158.0	154.0	149.6	144.9	139.8	134.4	128.8	122.9	198.7	145.9
Others	207.9	194.2	185.0	175.5	161.5	149.7	138.4	128.4	118.0	107.1	100.7	94.0	87.5	80.7	73.7	66.4	58.9	51.6	45.2	40.0	35.8	27.1	23.2
5. Nominal stock of total debt (incl. new loans)	6151.9	6187.3	6010.6	6054.9	6056.7	6019.6	5952.1	5839.9	5724.6	5623.2	5546.5	5463.6	5418.8	5362.0	5297.4	5220.7	5126.3	5026.7	4922.5	4806.7	4775.6	5924.3	5142.1
Multilateral	3924.7	3611.8	3294.3	3208.8	3093.5	2952.8	2811.7	2671.2	2532.6	2416.2	2331.0	2242.3	2148.3	2050.9	1950.6	1847.7	1740.6	1630.6	1518.3	1407.2	1297.0	2986.2	1783.3
Bilateral and Commercial	2227.2	2197.4	2171.2	2143.9	2113.9	2087.5	2056.1	2022.0	1982.5	1937.0	1885.9	1829.7	1767.6	1690.3	1601.7	1500.5	1385.8	1268.3	1147.9	1014.3	964.3	2075.0	1417.0
New Debt		378.2	545.1	702.1	849.3	979.3	1084.2	1146.7	1209.5	1270.0	1329.6	1391.6	1502.9	1620.9	1745.1	1872.5	1999.9	2127.9	2256.3	2385.2	2514.4	989.6	2002.8
II. After conditional delivery of enhanced HIPC assistance																							
1. NPV of total debt (2+6) 2/	4979.4	4986.1	2092.8	2157.7	2185.9	2173.2	2169.4	2134.9	2103.5	2093.5	2117.2	2140.2	2206.7	2279.8	2358.5	2439.2	2518.9	2597.6	2613.0	2626.1	2638.3	2654.0	2441.8
NPV of total debt after full delivery 3/	2078.1	2052.2	2092.8	2157.7	2185.9	2173.2	2169.4	2134.9	2103.5	2093.5	2117.2	2140.2	2206.7	2279.8	2358.5	2439.2	2518.9	2597.6	2613.0	2626.1	2638.3	2123.5	2441.8
2. NPV of outstanding debt (3+4)	4979.4	4740.1	1752.4	1725.1	1667.7	1579.4	1509.2	1452.4	1401.9	1377.2	1388.1	1397.4	1402.4	1406.9	1410.2	1411.4	1410.8	1407.6	1339.5	1267.8	1193.7	2143.0	1364.8
3. Official bilateral and commercial	2480.3	2427.5	277.3	242.4	210.5	181.8	168.1	166.5	165.0	163.4	161.8	160.2	159.7	159.3	158.9	158.4	157.9	157.9	157.4	156.3	155.0	604.1	158.1
Paris Club	2167.5	2160.4	185.2	158.2	132.2	107.3	95.1	95.2	95.3	95.4	95.5	95.5	95.6	95.6	95.7	95.7	95.7	95.8	95.3	94.2	92.9	489.8	95.2
Other official bilateral and commercial	312.8	267.1	92.1	84.3	78.3	74.6	73.0	71.3	69.7	68.0	66.3	64.6	64.2	63.7	63.2	62.7	62.2	62.2	62.1	62.1	62.1	114.3	62.9
4. Multilateral	2499.1	2312.7	1475.1	1482.7	1457.2	1397.5	1341.1	1285.8	1236.9	1213.7	1226.3	1237.2	1242.7	1247.6	1251.3	1253.0	1252.9	1249.6	1182.1	1111.5	1038.7	1538.9	1206.7
IDA	1362.8	1407.3	889.1	910.1	930.3	949.4	967.2	982.8	994.7	1006.5	1017.6	1028.4	1038.1	1047.4	1056.1	1063.2	1068.7	1071.5	1011.5	949.5	885.3	1038.0	1022.0
IMF	701.4	477.1	348.2	338.8	300.8	228.8	158.7	90.4	32.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	243.3	0.0
African Development Bank Group	234.6	235.6	153.2	152.2	151.7	152.5	154.7	156.9	159.2	161.7	163.9	164.6	161.2	157.6	153.7	149.3	144.6	139.6	134.2	128.6	122.8	170.6	145.6
Others	200.3	192.7	84.6	81.7	74.4	66.8	60.4	55.7	50.8	45.5	44.8	44.2	43.4	42.5	41.6	40.6	39.5	38.5	36.5	33.5	30.6	87.1	39.1
III. After unconditional delivery of enhanced HIPC assistance 3/																							
1. NPV of total debt (2+6) 2/	2078.1	2052.2	2092.8	2157.7	2185.9	2173.2	2169.4	2134.9	2103.5	2093.5	2117.2	2140.2	2206.7	2279.8	2358.5	2439.2	2518.9	2597.6	2613.0	2626.1	2638.3	2123.5	2441.8
2. NPV of outstanding debt (3+4)	2078.1	1806.3	1752.4	1725.1	1667.7	1579.4	1509.2	1452.4	1401.9	1377.2	1388.1	1397.4	1402.4	1406.9	1410.2	1411.4	1410.8	1407.6	1339.5	1267.8	1193.7	1612.5	1364.8
3. Official bilateral and commercial	458.6	341.7	277.3	242.4	210.5	181.8	168.1	166.5	165.0	163.4	161.8	160.2	159.7	159.3	158.9	158.4	157.9	157.9	157.4	156.3	155.0	230.7	158.1
4. Multilateral	1619.5	1464.6	1475.1	1482.7	1457.2	1397.5	1341.1	1285.8	1236.9	1213.7	1226.3	1237.2	1242.7	1247.6	1251.3	1253.0	1252.9	1249.6	1182.1	1111.5	1038.7	1381.9	1206.7
IDA	845.0	867.7	889.1	910.1	930.3	949.4	967.2	982.8	994.7	1006.5	1017.6	1028.4	1038.1	1047.4	1056.1	1063.2	1068.7	1071.5	1011.5	949.5	885.3	941.9	1022.0
IMF	518.1	354.0	348.2	338.8	300.8	228.8	158.7	90.4	32.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	215.5	0.0
African Development Bank Group	155.9	154.4	153.2	152.2	151.7	152.5	154.7	156.9	159.2	161.7	163.9	164.6	161.2	157.6	153.7	149.3	144.6	139.6	134.2	128.6	122.8	156.0	145.6
Others	100.5	88.4	84.6	81.7	74.4	66.8	60.4	55.7	50.8	45.5	44.8	44.2	43.4	42.5	41.6	40.6	39.5	38.5	36.5	33.5	30.6	24.7	22.0
IV. After bilateral debt relief beyond HIPC assistance 4/																							
1. NPV of total debt (2+6) 2/	4483.4	4496.0	1998.9	2063.5	2091.6	2078.7	2074.8	2040.2	2008.7	1998.6	2022.2	2045.1	2111.6	2184.5	2263.2	2343.8	2423.5	2502.1	2518.0	2532.1	2545.5	2486.9	2346.9
NPV of total debt after full delivery 3/	1958.2	1951.5	1998.9	2063.5	2091.6	2078.7	2074.8	2040.2	2008.7	1998.6	2022.2	2045.1	2111.6	2184.5	2263.2	2343.8	2423.5	2502.1	2518.0	2532.1	2545.5	2026.1	2346.9
Multilateral	1619.5	1464.6	1475.1	1482.7	1457.2	1397.5	1341.1	1285.8	1236.9	1213.7	1226.3	1237.2	1242.7	1247.6	1251.3	1253.0	1252.9	1249.6	1182.1	1111.5	1038.7	1381.9	1206.7
Bilateral	338.7	241.0	183.3	148.3	116.2	87.3	73.4	71.8	70.2	68.5	66.8	65.1	64.6	64.1	63.6	63.0	62.5	62.4	62.3	62.3	62.1	133.2	63.2
2. NPV of outstanding debt (3+4)	4483.4	4250.1	1658.4	1631.0	1573.4	1484.9	1414.5	1357.6	1307.0	1282.2	1293.1	1302.3	1307.2	1311.7	1314.9	1316.1	1315.4	1312.1	1244.5	1173.7	1100.8	1976.0	1269.9
3. Official bilateral and commercial	1984.3	1937.4	183.3	148.3	116.2	87.3	73.4	71.8	70.2	68.5	66.8	65.1	64.6	64.1	63.6	63.0	62.5	62.4	62.3	62.3	62.1	437.0	63.2
Paris Club	1671.5	1670.3	91.2	64.0	37.8	12.8	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.1	322.7	0.3
Other official bilateral and commercial	312.8	267.1	92.1	84.3	78.3	74.6	73.0	71.3	69.7	68.0	66.3	64.6	64.2	63.7	63.2	62.7	62.2	62.2	62.1	62.1	62.1	114.3	62.9
4. Multilateral	2499.1	2312.7	1475.1	1482.7	1457.2	1397.5	1341.1	1285.8	1236.9	1213.7	1226.3	1237.2	1242.7	1247.6	1251.3	1253.0	1252.9	1249.6	1182.1	1111.5	1038.7	1538.9	1206.7
Memorandum items:																							
6. NPV of new borrowing	0.0	245.9	340.5	432.5	518.2	593.8	660.3	682.5	701.6	716.4	729.1	742.8	804.3	872.9	948.3	1027.7	1108.1	1190.1	1273.5	1358.3	1444.6	562.1	1077.1
Official 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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multilateral	0.0	245.9	340.5	432.5	518.2	593.8	660.3	682.5	701.6	716.4	729.1	742.8	804.3	872.9	948.3	1027.7	1108.1	1190.1	1273.5	1358.3	1444.6	511.0	1077.1
Grant element in new borrowing (in percer	0.0	35.0	37.5	38.4	39.0	39.4	39.1	40.5	42.0	43.6	45.2	46.6	46.5	46.1	45.7	45.1	44.6	44.1	43.6	43.1	42.5	40.0	44.8

Sources: Zambian authorities; and staff estimates and projections.

1/ Refers to public and publicly guaranteed external debt only and assumes a stock-of-debt operation on Naples terms (67 percent NPV reduction) at end-1999, and at least comparable action by other official bilateral creditors.

2/ Discounted on the basis of the average six-month commercial interest reference rate for the respective currency as of end-December 2003.

The conversion of currency-specific NPVs into U.S. dollars occurs for all years at the base date exchange rate (December 2003).

3/ NPV of total debt assuming the entire HIPC Initiative assistance is fully delivered as of end-December 2003.

4/ After debt relief beyond HIPC offered by some of the Paris Club creditors on a voluntary basis.

Table 14. Zambia: External Debt Service After Full Implementation of Debt-Relief Mechanisms, 2004-2023
(In millions of U.S. dollars)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2004 - 2013 Averages	2014 - 2023 Averages
Total debt service (incl. new debt)	448.6	447.0	213.3	244.3	264.5	268.0	318.1	326.1	314.1	291.3	295.3	257.0	268.4	275.2	285.7	301.2	303.6	305.7	314.5	227.9	313.5	283.5
After traditional debt-relief mechanisms 1/	446.3	443.6	208.8	238.7	258.0	260.7	260.6	261.1	242.1	215.6	218.9	226.8	241.5	251.2	261.2	273.2	272.5	271.3	276.8	186.8	283.6	248.0
Multilateral	346.7	348.3	113.5	141.5	165.0	164.0	162.1	158.9	135.7	103.6	106.3	111.1	113.6	115.7	117.6	120.9	123.0	124.4	122.5	120.6	183.9	117.6
IDA	41.5	49.0	54.3	58.0	60.0	63.6	66.4	74.8	77.8	82.6	85.4	90.7	93.4	95.2	96.9	100.2	102.7	105.1	104.5	104.1	62.8	97.8
IMF	256.2	256.5	17.3	41.7	72.0	70.1	68.3	58.3	32.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	87.2	0.0
African Development Bank	25.9	24.9	24.0	20.1	14.0	12.3	11.2	9.6	9.6	9.8	9.7	9.7	9.6	9.9	10.2	10.3	10.5	10.7	10.7	10.7	16.1	10.2
Others	23.1	17.9	17.9	21.8	19.1	18.0	16.2	16.2	16.1	11.2	11.2	10.7	10.6	10.6	10.6	10.4	9.8	8.7	7.3	5.9	17.7	9.6
Official bilateral	99.6	95.3	95.3	97.2	93.0	96.7	98.5	102.2	106.5	112.0	112.6	115.7	127.9	135.4	143.6	152.3	149.5	146.9	154.3	66.2	99.6	130.4
Paris Club	83.5	83.1	84.6	87.3	89.9	93.6	96.9	100.5	104.8	110.3	110.9	115.2	126.4	133.8	141.8	150.3	147.4	144.6	151.8	64.4	93.4	128.7
Other official bilateral and commercial	16.1	12.3	10.7	9.9	3.1	3.2	1.6	1.6	1.7	1.7	1.7	0.6	1.5	1.6	1.8	1.9	2.1	2.3	2.5	1.8	6.2	1.8
Total debt service (incl. new debt)	429.9	118.6	86.3	116.7	147.7	129.5	166.2	167.9	149.4	117.7	120.5	79.0	76.5	75.0	77.6	83.2	88.8	156.6	160.9	163.7	163.0	108.2
After enhanced HIPC assistance	427.7	115.2	81.8	111.2	141.2	122.2	108.7	102.9	77.4	42.0	44.1	48.8	49.5	51.0	53.1	55.1	57.7	122.3	123.2	122.6	133.0	72.7
Multilateral	290.3	35.5	39.1	73.0	107.7	105.0	104.3	98.5	73.1	37.8	39.9	45.9	46.7	48.1	50.2	52.2	55.3	119.4	119.8	119.0	96.4	69.7
IDA	12.8	15.1	16.4	18.0	20.0	22.1	25.1	29.3	30.0	31.2	31.9	33.6	34.2	35.4	37.3	39.2	42.1	105.1	104.5	104.1	22.0	56.7
IMF	253.8	5.8	9.4	38.0	72.0	70.1	68.3	58.3	32.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	60.8	0.0
African Development Bank	7.1	6.8	6.6	6.0	4.8	3.4	3.6	3.5	3.4	3.9	5.4	9.7	9.6	9.9	10.2	10.3	10.5	10.7	10.7	10.7	4.9	9.8
Others	16.6	7.8	6.7	11.0	10.9	9.4	7.4	7.4	7.6	2.7	2.6	2.6	2.8	2.8	2.8	2.8	2.7	3.7	4.6	4.2	8.7	3.2
Official bilateral	137.4	79.7	42.7	38.2	33.5	17.2	4.4	4.3	4.3	4.3	4.2	2.9	2.9	2.9	2.9	2.9	2.4	2.8	3.5	3.6	36.6	3.1
Paris Club	85.6	44.8	33.5	31.3	29.0	15.1	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.8	3.4	3.5	24.8	2.6
Other official bilateral and commercial	51.8	34.9	9.2	6.9	4.5	2.2	2.1	2.1	2.0	2.0	1.9	0.6	0.6	0.6	0.6	0.6	0.0	0.1	0.1	0.1	11.8	0.5
Total debt service (incl. new debt)	405.3	107.4	84.1	114.5	145.5	127.2	164.0	165.6	147.1	115.5	118.2	76.7	74.2	72.8	75.3	80.9	86.5	153.9	157.6	160.2	157.6	105.6
After bilateral debt relief beyond HIPC 2/	403.1	104.0	79.6	108.9	139.0	119.9	106.5	100.6	75.2	39.8	41.9	46.5	47.3	48.7	50.8	52.8	55.4	119.6	119.9	119.1	127.7	70.2
Multilateral	290.3	35.5	39.1	73.0	107.7	105.0	104.3	98.5	73.1	37.8	39.9	45.9	46.7	48.1	50.2	52.2	55.3	119.4	119.8	119.0	96.4	69.7
Official bilateral	112.8	68.5	40.4	35.9	31.3	15.0	2.1	2.1	2.0	2.0	2.0	0.6	0.6	0.6	0.6	0.6	0.1	0.1	0.1	0.1	31.2	0.5
Paris Club	61.0	33.5	31.3	29.0	26.8	12.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	19.5	0.1
Other official bilateral and commercial	51.8	34.9	9.2	6.9	4.5	2.2	2.1	2.1	2.0	2.0	1.9	0.6	0.6	0.6	0.6	0.6	0.0	0.1	0.1	0.1	11.8	0.5
Memorandum items:																						
Debt service of new debt	2.2	3.4	4.5	5.5	6.5	7.3	57.5	65.0	71.9	75.7	76.3	30.2	26.9	24.1	24.5	28.1	31.1	34.3	37.7	41.1	30.0	35.4
Multilateral	2.2	3.4	4.5	5.5	6.5	7.3	57.5	65.0	71.9	75.7	76.3	30.2	26.9	24.1	24.5	28.1	31.1	34.3	37.7	41.1	30.0	35.4
IDA	0.8	1.5	2.2	2.9	3.6	4.2	4.7	5.3	5.9	6.6	7.2	9.8	12.4	14.9	17.5	20.1	22.1	24.2	26.5	28.8	3.8	18.3
IMF	1.2	1.4	1.6	1.6	1.6	1.6	51.0	57.6	63.6	66.4	66.1	16.4	9.5	3.2	0.0	0.0	0.0	0.0	0.0	0.0	24.8	9.5
Others	0.2	0.5	0.7	1.0	1.2	1.5	1.8	2.1	2.4	2.7	3.0	4.0	5.1	6.0	7.0	8.0	9.0	10.1	11.2	12.4	1.4	7.6

Sources: Zambian authorities; and staff estimates and projections.

1/ Assumes a stock-of-debt operation on Naples terms (67 percent NPV reduction) at end-December 2003, and at least comparable action by other bilateral creditors.
2/ After debt relief beyond HIPC offered by some of the Paris Club creditors.

Table 15. Zambia: External Debt Indicators, 2003-2023 1/

(In percent, unless otherwise indicated)

	2003 Actuals	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2003 - 2013 Averages	2014 - 2023 Averages
											Projections												
After traditional debt relief mechanisms 2/																							
NPV of debt-to-GDP ratio	112.8	89.6	75.0	71.9	67.5	61.6	56.4	51.1	46.3	42.0	38.3	34.8	31.9	29.2	26.6	24.2	21.9	19.8	17.8	16.0	14.7	64.8	23.7
NPV of debt-to-exports ratio 3/ 4/	432.2	348.2	274.0	237.2	226.9	220.3	211.8	198.8	183.6	169.7	157.4	145.7	135.9	126.4	117.3	108.5	99.8	91.6	83.9	76.6	71.5	241.8	105.7
NPV of debt-to-revenue ratio 5/	627.9	488.0	407.6	392.9	369.0	330.1	302.0	270.9	242.9	218.1	196.7	177.1	160.8	146.0	133.2	121.1	109.5	98.9	89.1	79.9	73.3	349.7	118.9
Debt service-to-exports ratio	...	24.25	22.25	10.22	11.53	12.31	11.80	13.25	12.83	11.68	10.22	9.77	8.03	7.91	7.66	7.50	7.46	7.10	6.74	6.55	4.48	14.0	7.3
Debt service-to-revenue ratio 5/	...	45.16	39.07	17.82	19.18	18.71	17.53	19.07	17.94	15.87	13.52	12.58	10.06	9.67	9.20	8.86	8.67	8.11	7.57	7.23	4.86	22.4	8.7
After conditional delivery of enhanced HIPC assistance																							
NPV of debt-to-GDP ratio	115.3	92.2	33.6	33.0	31.4	28.7	26.5	24.1	22.1	20.4	19.1	17.9	17.1	16.4	15.8	15.1	14.5	13.9	12.9	12.1	11.3	40.6	14.7
NPV of debt-to-exports ratio 3/ 4/	441.7	358.1	123.0	108.9	105.5	102.6	99.5	93.9	87.5	82.3	78.6	75.0	73.0	71.1	69.4	67.8	66.0	64.3	61.0	57.9	54.8	152.9	66.0
NPV of debt-to-exports ratio (existing debt only)	441.7	340.5	103.0	87.0	80.5	74.6	69.2	63.9	58.3	54.1	51.5	49.0	46.4	43.9	41.5	39.2	37.0	34.8	31.3	27.9	24.8	129.5	37.6
NPV of debt-to-revenue ratio 5/	641.8	502.0	182.9	180.3	171.6	153.7	141.9	128.0	115.8	105.8	98.2	91.2	86.3	82.1	78.8	75.7	72.5	69.4	64.7	60.4	56.3	220.2	73.7
Debt service-to-exports ratio	...	23.2	5.9	4.1	5.5	6.9	5.7	6.9	6.6	5.6	4.1	4.0	2.5	2.3	2.1	2.0	2.1	2.1	3.5	3.3	3.2	7.5	2.7
Debt service-to-revenue ratio 5/	...	43.3	10.4	7.2	9.2	10.4	8.5	10.0	9.2	7.5	5.5	5.1	3.1	2.8	2.5	2.4	2.4	2.4	3.9	3.7	3.5	12.1	3.2
After unconditional delivery of enhanced HIPC assistance																							
NPV of debt-to-GDP ratio	48.1	37.9	33.6	33.0	31.4	28.7	26.5	24.1	22.1	20.4	19.1	17.9	17.1	16.4	15.8	15.1	14.5	13.9	12.9	12.1	11.3	29.5	14.7
NPV of debt-to-exports ratio 3/ 4/	184.3	147.4	123.0	108.9	105.5	102.6	99.5	93.9	87.5	82.3	78.6	75.0	73.0	71.1	69.4	67.8	66.0	64.3	61.0	57.9	54.8	110.3	66.0
NPV of debt-to-revenue ratio 5/	267.9	206.6	182.9	180.3	171.6	153.7	141.9	128.0	115.8	105.8	98.2	91.2	86.3	82.1	78.8	75.7	72.5	69.4	64.7	60.4	56.3	159.3	73.7
After conditional delivery of bilateral debt relief beyond HIPC assistance 7/																							
NPV of debt-to-GDP ratio	103.8	83.1	32.1	31.6	30.0	27.4	25.3	23.1	21.1	19.4	18.2	17.1	16.4	15.7	15.1	14.5	13.9	13.4	12.5	11.6	10.9	37.7	14.1
NPV of debt-to-exports ratio 3/ 4/	397.7	322.9	117.5	104.1	101.0	98.1	95.2	89.7	83.5	78.6	75.1	71.7	69.8	68.2	66.6	65.1	63.5	61.9	58.8	55.8	52.9	142.1	63.4
NPV of debt-to-exports ratio (existing debt only)	397.7	305.3	97.5	82.3	75.9	70.1	64.9	59.7	54.4	50.4	48.0	45.6	43.2	40.9	38.7	36.6	34.5	32.5	29.1	25.9	22.9	118.7	35.0
NPV of debt-to-revenue ratio 5/	577.9	427.9	145.0	136.3	123.5	105.0	92.5	81.4	71.9	64.8	60.0	55.5	51.2	47.3	44.0	40.8	37.9	35.0	30.8	27.0	23.5	171.5	39.3
Debt service-to-exports ratio	...	21.9	5.3	4.0	5.4	6.8	5.6	6.8	6.5	5.5	4.1	3.9	2.4	2.2	2.0	2.0	2.0	2.0	3.4	3.3	3.1	7.2	2.6
Debt service-to-revenue ratio 5/	...	40.8	9.4	7.0	9.0	10.3	8.3	9.8	9.1	7.4	5.4	5.0	3.0	2.7	2.4	2.3	2.3	2.3	3.8	3.6	3.4	11.7	3.1
After unconditional delivery of bilateral debt relief beyond HIPC assistance 7/																							
NPV of debt-to-GDP ratio	45.3	36.1	32.1	31.6	30.0	27.4	25.3	23.1	21.1	19.4	18.2	17.1	16.4	15.7	15.1	14.5	13.9	13.4	12.5	11.6	10.9	28.2	14.1
NPV of debt-to-exports ratio 3/ 4/	173.7	140.2	117.5	104.1	101.0	98.1	95.2	89.7	83.5	78.6	75.1	71.7	69.8	68.2	66.6	65.1	63.5	61.9	58.8	55.8	52.9	105.1	63.4
NPV of debt-to-revenue ratio 5/	252.4	196.5	174.7	172.5	164.2	147.0	135.7	122.3	110.5	101.0	93.8	87.1	82.6	78.7	75.7	72.7	69.7	66.8	62.4	58.2	54.3	151.9	70.8
Memorandum items (in millions of U.S. dollars):																							
NPV of debt after enhanced HIPC assistance	4979.4	4986.1	2092.8	2157.7	2185.9	2173.2	2169.4	2134.9	2103.5	2093.5	2117.2	2140.2	2206.7	2279.8	2358.5	2439.2	2518.9	2597.6	2613.0	2626.1	2638.3	2654.0	2441.8
Of which: existing debt only	4979.4	4740.1	1752.4	1725.1	1667.7	1579.4	1509.2	1452.4	1401.9	1377.2	1388.1	1397.4	1402.4	1406.9	1410.2	1411.4	1410.8	1407.6	1339.5	1267.8	1193.7	2143.0	1364.8
Debt service after enhanced HIPC assistance 6/	...	429.9	118.6	86.3	116.7	147.7	129.5	166.2	167.9	149.4	117.7	120.5	79.0	76.5	75.0	77.6	83.2	88.8	156.6	160.9	163.7	163.0	108.2
GDP	4317.9	5409.1	6221.8	6539.2	6967.2	7575.3	8192.2	8849.5	9538.4	10280.9	11081.2	11943.8	12873.5	13875.6	14955.8	16120.0	17374.8	18727.3	20185.1	21756.4	23450.0	7724.8	17126.2
Exports of goods and services 3/	1246.5	1850.0	2008.8	2086.6	2119.6	2149.2	2271.0	2401.6	2540.9	2689.8	2850.5	3020.8	3201.2	3392.4	3595.0	3809.7	4037.3	4278.5	4534.0	4804.8	5091.8	2201.3	3976.5
Exports of goods and services (three-year avg.) 3/ 4/	1127.3	1392.3	1701.8	1981.8	2071.7	2118.5	2179.9	2273.9	2404.5	2544.1	2693.8	2853.7	3024.1	3204.8	3396.2	3599.1	3814.0	4041.8	4283.3	4539.1	4810.2	2044.5	3756.6
Government revenue 5/	775.8	993.3	1144.1	1196.5	1273.8	1413.9	1529.0	1668.3	1817.2	1979.2	2155.5	2347.1	2555.6	2775.1	2991.2	3224.0	3475.0	3745.5	4037.0	4351.3	4690.0	1449.7	3419.2

Sources: Zambian authorities; and staff estimates and projections.

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

2/ Reflect a hypothetical stock-of-debt operation on Naples terms at end-1999 for Paris Club creditors as calculated in the HIPC decision point document.

3/ Exports of goods and services as defined in IMF, *Balance of Payments Manual*, 5th edition, 1993.

4/ Based on a three-year average of exports on the previous year (e.g., export average over 2001-2003 for NPV of debt-to-exports ratio in 2003).

5/ Revenue is defined as central government revenue, excluding grants.

6/ Assuming full delivery of HIPC assistance in April 2005.

Table 16. Zambia: Sensitivity Analysis, 2003 - 2023 1/

(In percent; unless otherwise indicated)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2003 - 2013	2014 - 2023
											Projections											Averages	
Baseline scenario																							
NPV of debt-to-exports ratio 2/	184.3	147.4	123.0	108.9	105.5	102.6	99.5	93.9	87.5	82.3	78.6	75.0	73.0	71.1	69.4	67.8	66.0	64.3	61.0	57.9	54.8	102.9	66.0
Debt service-to-exports ratio 2/	...	23.2	5.9	4.1	5.5	6.9	5.7	6.9	6.6	5.6	4.1	4.0	2.5	2.3	2.1	2.0	2.1	2.1	3.5	3.3	3.2	7.5	2.7
Debt service-to-revenue ratio 2/ 3/	...	43.3	10.4	7.2	9.2	10.4	8.5	10.0	9.2	7.5	5.5	5.1	3.1	2.8	2.5	2.4	2.4	2.4	3.9	3.7	3.5	12.1	3.2
Memorandum items (in millions of U.S. dollars):																							
NPV of debt	2,078.1	2,052.2	2,092.8	2,157.7	2,185.9	2,173.2	2,169.4	2,134.9	2,103.5	2,093.5	2,117.2	2,140.2	2,206.7	2,279.8	2,358.5	2,439.2	2,518.9	2,597.6	2,613.0	2,626.1	2,638.3	2128.0	2441.8
Of which: new debt	0.0	245.9	340.5	432.5	518.2	593.8	660.3	682.5	701.6	716.4	729.1	742.8	804.3	872.9	948.3	1,027.7	1,108.1	1,190.1	1,273.5	1,358.3	1,444.6	562.1	1077.1
Debt service	...	429.9	118.6	86.3	116.7	147.7	129.5	166.2	167.9	149.4	117.7	120.5	79.0	76.5	75.0	77.6	83.2	88.8	156.6	160.9	163.7	163.0	108.2
Of which: new debt	...	2.2	3.4	4.5	5.5	6.5	7.3	57.5	65.0	71.9	75.7	76.3	30.2	26.9	24.1	24.5	28.1	31.1	34.3	37.7	41.1	30.0	35.4
Exports of goods and services, three-year average	1,127.3	1,392.3	1,701.8	1,981.8	2,071.7	2,118.5	2,179.9	2,273.9	2,404.5	2,544.1	2,693.8	2,853.7	3,024.1	3,204.8	3,396.2	3,599.1	3,814.0	4,041.8	4,283.3	4,539.1	4,810.2	2136.2	3756.6
Exports of goods and services, annual	1,246.5	1,850.0	2,008.8	2,086.6	2,119.6	2,149.2	2,271.0	2,401.6	2,540.9	2,689.8	2,850.5	3,020.8	3,201.2	3,392.4	3,595.0	3,809.7	4,037.3	4,278.5	4,534.0	4,804.8	5,091.8	2296.8	3976.5
Revenues	775.8	993.3	1144.1	1196.5	1273.8	1413.9	1529.0	1668.3	1817.2	1979.2	2155.5	2347.1	2555.6	2775.1	2991.2	3224.0	3475.0	3745.5	4037.0	4351.3	4690.0	1517.1	3419.2
Sensivity analysis																							
Alternative scenario I 4/																							
NPV of debt-to-exports ratio 2/	184.3	147.4	128.6	118.3	119.8	118.0	115.8	110.1	102.3	96.0	91.5	87.1	84.5	82.2	80.0	77.9	75.7	73.4	69.5	65.8	62.2	114.8	75.8
Debt service-to-exports ratio 2/	...	23.2	6.7	4.7	6.3	8.0	6.6	8.0	7.6	6.4	4.8	4.6	2.8	2.6	2.4	2.3	2.4	2.4	3.9	3.8	3.6	8.2	3.1
Debt service-to-revenue ratio 2/ 3/	...	43.3	10.4	7.2	9.2	10.7	8.6	10.1	9.4	7.7	5.6	5.2	3.1	2.8	2.5	2.5	2.4	2.4	4.0	3.8	3.6	12.2	3.2
Memorandum items (in millions of U.S. dollars):																							
NPV of debt	2,078.1	2,052.2	2,092.8	2,159.5	2,191.7	2,185.6	2,189.1	2,158.9	2,128.1	2,118.8	2,143.1	2,166.8	2,234.1	2,307.9	2,387.4	2,468.7	2,548.7	2,627.5	2,642.8	2,655.8	2,667.9	2142.0	2470.8
Of which: new debt	0.0	245.9	340.5	434.3	524.0	606.2	679.9	706.5	726.2	741.6	755.0	769.5	831.7	901.0	977.2	1,057.2	1,137.9	1,219.9	1,303.2	1,388.0	1,474.2	576.0	1106.0
Debt service	...	429.9	118.6	86.3	116.8	147.9	129.8	166.6	168.2	149.7	118.1	120.8	79.4	76.9	75.5	78.2	84.1	90.0	158.0	162.3	165.0	163.2	109.0
Of which: new debt	...	2.2	3.4	4.5	5.6	6.7	7.6	57.9	65.3	72.3	76.1	76.7	30.6	27.3	24.5	25.1	29.0	32.3	35.7	39.0	42.5	30.2	36.3
Exports of goods and services, three-year average	1,127.3	1,392.3	1,626.8	1,825.9	1,829.8	1,851.5	1,889.9	1,961.6	2,079.5	2,206.0	2,342.0	2,487.7	2,643.4	2,808.7	2,984.1	3,170.3	3,367.9	3,577.7	3,800.4	4,036.7	4,287.5	1900.5	3316.4
Exports of goods and services, annual	1,246.5	1,850.0	1,783.9	1,843.7	1,861.7	1,849.1	1,958.8	2,076.8	2,203.0	2,338.3	2,484.7	2,640.2	2,805.3	2,980.5	3,166.5	3,363.9	3,573.4	3,795.8	4,031.9	4,282.4	4,548.3	2025.0	3518.8
Revenues	775.8	993.3	1144.1	1201.2	1274.5	1387.9	1510.3	1645.2	1792.1	1952.0	2125.9	2315.0	2520.7	2747.4	2961.2	3191.8	3440.2	3708.0	3996.7	4307.8	4643.1	1502.6	3383.2
Alternative scenario II 5/																							
NPV of debt to exports ratio 2/	184.3	147.4	124.2	111.7	110.5	109.6	108.3	104.0	98.3	93.9	91.0	88.1	87.0	86.1	85.4	84.6	83.8	82.9	80.1	77.4	74.9	109.9	83.0
Debt service to exports ratio 2/	...	23.2	6.0	4.2	5.7	7.3	6.1	7.5	7.2	6.2	4.7	4.6	2.9	2.7	2.6	2.6	2.7	2.8	4.6	4.5	4.4	7.8	3.4
Debt service-to-revenue ratio 2/ 3/	...	0.2	0.3	0.4	0.5	0.6	0.6	4.0	4.2	4.3	4.3	4.0	1.5	1.3	1.2	1.1	1.3	1.3	1.4	1.4	1.4	2.0	1.6
Memorandum items: (in millions of U.S. dollars):																							
NPV of debt	2,078.1	2,052.2	2,102.8	2,188.7	2,240.6	2,247.6	2,257.2	2,229.6	2,200.7	2,193.4	2,219.8	2,245.7	2,315.2	2,390.9	2,471.5	2,553.2	2,633.2	2,711.7	2,726.7	2,739.4	2,751.2	2193.3	2553.8
Of which: new debt	0.0	245.9	350.4	463.5	572.9	668.2	748.1	777.2	798.8	816.3	831.7	848.3	912.8	984.0	1,061.4	1,141.7	1,222.4	1,304.1	1,387.1	1,471.6	1,557.5	627.3	1189.1
Debt service	...	429.9	118.8	86.8	117.6	148.9	130.9	167.7	169.3	150.8	119.2	121.9	80.4	78.4	77.8	81.4	87.7	93.8	161.8	166.1	168.8	164.0	111.8
Of which: new debt	...	2.2	3.5	5.0	6.4	7.7	8.7	59.0	66.4	73.4	77.1	77.8	31.6	28.8	26.8	28.3	32.6	36.1	39.5	42.9	46.3	30.9	39.1
Exports of goods and services, three-year average	1,127.3	1,392.3	1,693.7	1,959.7	2,027.4	2,050.4	2,083.4	2,144.8	2,238.8	2,337.0	2,440.3	2,548.3	2,660.7	2,776.5	2,895.7	3,018.1	3,143.7	3,272.2	3,403.4	3,537.0	3,672.8	2036.8	3092.8
Exports of goods and services, annual	1,246.5	1,850.0	1,984.6	2,044.5	2,053.1	2,053.7	2,143.4	2,237.3	2,335.5	2,438.2	2,547.1	2,659.5	2,775.4	2,894.6	3,017.1	3,142.7	3,271.3	3,402.6	3,536.3	3,672.3	3,810.0	2168.7	3218.2
Revenues	775.8	993.3	1,122.3	1,159.7	1,211.1	1,298.1	1,385.7	1,480.7	1,582.2	1,690.6	1,806.1	1,929.3	2,060.7	2,203.2	2,329.5	2,463.0	2,604.2	2,753.4	2,911.2	3,078.1	3,254.5	1373.0	2558.7
Alternative scenario III 6/																							
NPV of debt to exports ratio 2/	184.3	147.4	123.6	109.8	106.6	104.0	101.2	95.9	89.8	85.0	81.7	78.5	76.8	75.3	74.0	72.7	71.4	70.0	67.1	64.4	61.8	104.5	71.2
Debt service to exports ratio 2/	...	23.2	5.9	4.1	5.5	6.9	5.7	7.0	6.6	5.6	4.2	4.0	2.5	2.3	2.2	2.1	2.2	2.2	3.6	3.5	3.4	7.5	2.8
Debt service-to-revenue ratio 2/ 3/	...	0.2	0.3	0.4	0.5	0.5	0.5	3.5	3.6	3.7	3.6	3.3	1.3	1.1	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.7	1.2
Memorandum items: (in millions of U.S. dollars):																							
NPV of debt	2,078.1	2,052.2	2,103.0	2,175.6	2,209.4	2,202.5	2,205.7	2,180.8	2,160.3	2,162.9	2,200.5	2,239.0	2,322.9	2,414.7	2,514.1	2,617.5	2,722.4	2,828.8	2,874.7	2,921.3	2,970.3	2165.3	2642.6
Of which: new debt	0.0	245.9	350.6	450.5	541.6	623.2	696.6	728.5	758.4	785.7	812.4	841.6	920.5	1,007.8	1,103.9	1,206.1	1,311.6	1,421.2	1,535.1	1,653.5	1,776.7	599.3	1277.8
Debt service	...	429.9	118.8	86.6	117.1	148.2	130.1	167.0	168.7	150.4	119.0	121.9	80.7	78.9	78.1	81.2	87.3	93.6	162.2	167.3	171.1	163.6	112.2
Of which: new debt	...	2.2	3.6	4.8	5.9	7.0	7.9	58.2	65.8	73.0	76.9	77.8	31.9	29.3	27.1	28.0	32.2	35.9	39.9	44.1	48.5	30.5	39.5
Exports of goods and services, three-year average	1,127.3	1,392.3	1,701.8	1,981.8	2,071.7	2,118.5	2,179.9	2,273.9	2,404.5	2,544.1	2,693.8	2,853.7	3,024.1	3,204.8	3,396.2	3,599.1	3,814.0	4,041.8	4,283.3	4,539.1	4,810.2	2136.2	3756.6
Exports of goods and services, annual	1,246.5	1,850.0	2,008.8	2,086.6	2,119.6	2,149.2	2,271.0	2,401.6	2,540.9	2,689.8	2,850.5	3,020.8	3,201.2	3,392.4	3,595.0	3,809.7	4,037.3	4,278.5	4,534.0	4,804.8	5,091.8	2296.8	3976.5
Revenues	775.8	993.3	1,144.1	1,205.2	1,283.0	1,401.9	1,525.5	1,661.8	1,810.2	1,971.7	2,147.4	2,338.4	2,546.2	2,775.1	2,991.2	3,224.0	3,475.0	3,745.5	4,037.0	4,351.3	4,690.0	1514.4	3417.4

Sources: Zambian authorities; and staff estimates and projections.

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

2/ Exports of goods and services as defined in IMF, *Balance of Payments Manual*, 5th edition, 1993. The NPV of debt-to-exports ratio is based on a three-year average of exports on the previous year; the debt-service ratio is based on current year exports.

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

4/ Scenario I assumes a 20% reduction in the price projections for copper beyond the projected decline already assumed in the baseline scenario.

5/ Scenario II assumes a lower real GDP growth, as well as lower non-metal export volume growth.

6/ Scenario III assumes higher borrowing to finance a 25% shortfall in the disbursement of program grants.

Table 17. HIPC Initiative: Status of Country Cases Considered Under the Initiative, February 11, 2005

Country	Decision Point	Completion Point	Target NPV of Debt-to- Exports (in percent)	Target NPV of Debt-to- Gov. revenue (in percent)	Assistance Levels 1/ (In millions of U.S. dollars, present value) Total	Bilateral	Multi-lateral	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											
Benin	Jul. 00	Mar. 03	150		265	77	189	24	84	31	460
Bolivia					1,302	425	876	84	194		2,060
original framework	*Sep. 97*	*Sep. 98*	*225*		*448*	*157*	*291*	*29*	*54*	*14*	*760*
enhanced framework	*Feb. 00*	*Jun. 01*	*150*		*854*	*268*	*585*	*55*	*140*	*30*	*1,300*
Burkina Faso					553	83	469	57	231		930
original framework	*Sep. 97*	*Jul. 00*	*205*		*229*	*32*	*196*	*22*	*91*	*27*	*400*
enhanced framework	*Jul. 00*	*Apr. 02*	*150*		*195*	*35*	*161*	*22*	*79*	*30*	*300*
topping-up	...	*Apr. 02*	*150*		*129*	*16*	*112*	*14*	*61*	*24*	*230*
Ethiopia					1,982	637	1,315	60	832		3,275
enhanced framework	*Nov. 01*	*Apr. 04*	*150*		*1,275*	*482*	*763*	*34*	*463*	*47*	*1,941*
topping-up		*Apr. 04*	*150*		*707*	*155*	*552*	*26*	*369*	*31*	*1,334*
Ghana	Feb. 02	Jul. 04	144	250	2,186	1,084	1,102	112	781	56	3,500
Guyana					591	223	367	75	68		1,354
original framework	*Dec. 97*	*May 99*	*107*	*280*	*256*	*91*	*165*	*35*	*27*	*24*	*634*
enhanced framework	*Nov. 00*	*Dec-03*	*150*	*250*	*335*	*132*	*202*	*40*	*41*	*40*	*719*
Madagascar	Dec. 00	*Oct-04*	150		836	474	362	19	252	40	1,900
Mali					539	169	370	59	185		895
original framework	*Sep. 98*	*Sep. 00*	*200*		*121*	*37*	*84*	*14*	*43*	*9*	*220*
enhanced framework	*Sep. 00*	*Mar. 03*	*150*		*417*	*132*	*285*	*45*	*143*	*29*	*675*
Mauritania	Feb. 00	Jun. 02	137	250	622	261	361	47	100	50	1,100
Mozambique					2,023	1,270	753	143	443		4,300
original framework	*Apr. 98*	*Jun. 99*	*200*		*1,717*	*1,076*	*641*	*125*	*381*	*63*	*3,700*
enhanced framework	*Apr. 00*	*Sep. 01*	*150*		*306*	*194*	*112*	*18*	*62*	*27*	*600*
Nicaragua	Dec. 00	Jan. 04	150		3,308	2,175	1,134	82	191	73	4,500
Niger					663	235	428	42	240		1,190
enhanced framework	*Dec. 00*	*Apr. 04*	*150*		521	211	309	28	170	53	944
topping-up	...	*Apr. 04*	*150*		143	23	119	14	70	25	246
Senegal	Jun. 00	Apr. 04	133	250	488	212	276	45	124	19	850
Tanzania	Apr. 00	Nov. 01	150		2,026	1,006	1,020	120	695	54	3,000
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											
Cameroon	Oct. 00	Floating	150		1,260	874	324	37	179	27	2,800
Chad	May. 01	Floating	150		170	35	134	18	68	30	260
Congo, Democratic Rep. of	Jul. 03	Floating	150		6,311	3,837	2,474	472	831	80	10,389
Gambia, The	Dec. 00	Floating	150		67	17	49	2	22	27	90
Guinea	Dec. 00	Floating	150		545	215	328	31	152	32	800
Guinea-Bissau	Dec. 00	Floating	150		416	212	204	12	93	85	790
Honduras	Jul. 00	Floating	110	250	556	215	340	30	98	18	900
Malawi	Dec. 00	Floating	150		643	163	480	30	331	44	1,000
Rwanda	Dec. 00	Floating	150		452	56	397	44	228	71	800
São Tomé and Príncipe	Dec. 00	Floating	150		97	29	68	-	24	83	200
Sierra Leone	Mar. 02	Floating	150		600	205	354	123	122	80	950
Zambia	Dec. 00	Floating	150		2,499	1,168	1,331	602	493	63	3,850
Decision point reached under original framework											
Côte d'Ivoire	Mar. 98 3/	...	141	280	345	163	182	23	91	6 4/	800
Total assistance provided/committed					**32,002**	**15,541**	**16,325**	**2,532** 5/	**7,577**		**54,093**
Preliminary HIPC document issued											
Burundi	...	...	150		801	120	681	24	414	92	1,313
Côte d'Ivoire 6/	...	...	91	250	2,569	1,027	918	166	438	37	3,900

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/ Côte d'Ivoire reached its decision point under the original framework in March 1998. The total amount of assistance committed thereunder was US$345 million in NPV terms.
4/ 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.
5/ Equivalent to SDR 1,718 million at an SDR/USD exchange rate of 0.6635, as of February 11, 2005.
6/ *It is suggested that enhanced HIPC relief for Côte d'Ivoire overtake the commitments made under the original HIPC framework.*