

Zambia

Zambia expects creditors to agree restructuring deal 'in next few days'

President attends Paris conference in anticipation of an accord to end years of financial limbo



Zambia has been unable to access a \$1.3bn IMF bailout as China, its biggest creditor, and other lenders have clashed over debt proposals © Waldo Swiegers/Bloomberg

Joseph Cotterill in Johannesburg, **Jonathan Wheatley** and **Yuan Yang** in London and **Leila Abboud** in Paris 2 HOURS AGO

Zambia's President Hakainde Hichilema has arrived in Paris as the southern African nation's creditors, including China, close in on a deal to restructure its debts after years of delays.

Hichilema said on Wednesday that he would stand alongside his French counterpart Emmanuel Macron and Chinese premier Li Qiang at a global finance and climate summit starting on Thursday — a signal that Zambia's leader expected an agreement "in the next few days".

Africa's second-biggest copper producer has been left in [financial limbo since its 2020 default](#). It has been unable to continue accessing a \$1.3bn IMF bailout, as China, the country's biggest creditor, and other lenders have clashed over proposals to reduce the value of around \$13bn of external debts by roughly half.

The Zambian impasse has come to symbolise a broader rift between China and western countries over the basic tenets of resolving sovereign debt crises from Sri Lanka to Ghana after Beijing rapidly emerged as the biggest single-country lender to the developing world in the past decade.

The conclusion of a Zambian debt deal in Paris would raise hopes for other countries in talks to restructure Chinese debts, and mark a coup for Macron's ambitious effort to unlock climate and other financing for some of the world's poorest countries during [the two-day summit](#).

China has been reluctant to accept direct writedowns of foreign loans by its banks, and in Zambia's case it proposed that multilateral development lenders such as the World Bank take the unprecedented step of joining the restructuring. Other creditors have defended an established rule that these institutions avoid losses so they can continue lending at low rates.

A banker close to the negotiations said an agreement among official creditors would be "real progress", although full restructuring of Zambia's external debt would still require agreement among private creditors, such as holders of the country's \$3bn eurobonds.

A debt investor involved in the talks said development banks were likely to provide concessional lending rather than debt writedowns as a way of unlocking an agreement.

Out of concerns for domestic financial stability, Zambia has excluded its local currency bonds from the restructuring, even foreign holdings of this debt. Some creditors say the latter should be included. Others have said that current targets to enable debt relief, such as a ratio of debt to exports, are too pessimistic.

The investor said foreign buyers of Zambia's domestic public debt appeared to have reduced their holdings from \$3.2bn to less than \$2bn since the end of last year, on fears that domestic borrowing could be included in the restructuring, as in Ghana and Sri Lanka.

The finance ministry said last October that servicing those holdings would absorb about 80 per cent of the money available to repay external debts. A steep reduction in foreign holdings of domestic debt would free more money for other creditors including China, opening the door to a deal, the investor said.

A credible deal to overcome disagreements on the scope of debt relief would also allow the IMF to resume disbursing funds to Zambia under the bailout, such as an \$188mn payment that was held up earlier this year.

"For China, the endgame seems to be a resolution that limits its financial losses while spreading more broadly the blame for the distressing and untenable situation that many highly indebted economies find themselves in," said Eswar Prasad, professor of economics at Cornell University.