Republic of Zambia
MINISTRY OF FINANCE

QUESTIONS & ANSWERS FOLLOWING ZAMBIA'S PRESENTATION TO INVESTORS (29 SEPTEMBER 2020)

The Ministry of Finance of Zambia held a presentation by webcast on 29 September 2020, (the "Presentation") during which attendees were given the opportunity to submit questions in writing. In this document, the Ministry of Finance of the Republic of Zambia ("Zambia") seeks to answer those questions that were raised.

Please note that our responses to the questions are subject to the full set of disclaimers at the end of this document.

Indebtedness and refinancing considerations

Q.
Can you provide us with the latest figures with regards to arrears (with breakdowns, if possible)?

As at end June 2020, Central Government (CG) foreign currency denominated arrears amounted to approx. USD 485 million, including (i) approx. USD 395 million accrued before end April 2020 and (ii) approx. USD 90 million accrued between May 1st and end June 2020. Those arrears can be broken down as follows:

- No arrears on multilateral credits
- Approx. USD 46 million on plurilateral credits
- Approx. USD 183 million on bilateral credits
- Approx. USD 256 million on commercial credits

As of end March 2020, CG domestic currency denominated arrears amounted to approx. ZMW 25.4 billion. Of this amount, ZMW 4 billion was VAT Refunds and the rest is owed to suppliers of goods and services.

With regards to foreign currency arrears incurred by State-Owned Enterprises, the aggregate amount at the end of June 2020 was approximately USD 1.29 billion and is comprised of a mix of guaranteed and non-guaranteed payment arrears. This mostly consists of arrears owed to domestic creditors through Power Purchase Agreements arrears accrued by ZESCO overtime.

Q.
Does the Zambian sovereign see its borrower profile as evolving in the medium term, i.e. its funding sources (bond market, multilateral, concessional, bilateral funding sources, others)?

Zambia will rely mainly on concessional or quasi-concessional bilateral and multilateral financing over the medium-term particularly for social sectors such as health and education. Non-concessional financing may be utilized on a case by case basis for a limited number of priority projects mainly in the area of infrastructure and other economically viable sectors.

ADDRESS: P.O. Box 50062, Chimanga Road, Lusaka
TEL: +260-211-253512/253786/252121/250544
EMAIL: fredson.yamba@mof.gov.zm; mukuli.chikuba@mof.gov.zm; gregory.chomba@mof.gov.zm
WEBSITE: www.mof.gov.zm
FACEBOOK: https://m.facebook.com/zambiafinanceministry

Additionally, as we progress in our discussions with the IMF, in particular in the context of a program, the Government of Zambia stands ready to commit to fiscal adjustment measures including a ceiling on accumulation of non-concessional external financing.

Q.

I was unable to clearly understand the Debt-to-GDP ratio advised by Dr. Ng'andu in his presentation for qualification for IMF assistance, could you kindly let me know what the quoted ratio is?

The IMF indicative threshold for the net present value of public and publicly guaranteed debt as a % of GDP is set at 35% for Zambia.

While this ratio is not an absolute prerequisite to qualify for a program, Zambia intends to devise and start implementing a debt strategy aimed at restoring public debt sustainability with a high probability according to IMF criteria. Please refer to the joint IMF / World Bank Debt Sustainability Framework for Low-Income Countries (DSF LICs) for additional information on IMF definition of debt sustainability.

Q.

External financing for 2021 is quite large at ZMW 34.2bn, something that has consistently been overstated in prior budgets – can you provide us a detailed breakdown of the potential sources from an individual lender perspective?

External Financing in 2021 is split into program and project related financing amounting to ZMW 20.6 billion and ZMW 13.6 billion respectively.

Program financing comprises external budget support from multilateral and bilateral sources as well as external debt service relief in the context of Government's envisaged debt management strategy.

Project financing represents disbursements on contracted strategic project loans that are already under implementation. These projects are priority social-economic related projects.

Due to confidentiality arrangements included in certain of the Republic's financing agreements, we are unable to provide a detailed breakdown by lender.

Project related disbursements

Q.

On Capex projects, what was the total pipeline of projects? Can you provide an estimate of the additional debt disbursements required to complete those projects that you are deeming priority? Can you break down those disbursements over time, i.e. how much in 2020, 2021, etc?

Due to the cancellation, rescoping and reprofiling of Government's direct external public debt, disbursements have reduced as follows:

As of the end of July 2020, the total amount expected to be disbursed in 2020 for priority projects amounted to USD 867.1 million compared with approx. USD 1.716 billion earlier contemplated.

ADDRESS: P.O. Box 50062, Chimanga Road, Lusaka
TEL: +260-211-253512/253786/252121/250544
EMAIL: fredson.yamba@mof.gov.zm; mukuli.chikuba@mof.gov.zm; gregory.chomba@mof.gov.zm
WEBSITE: www.mof.gov.zm
FACEBOOK: https://m.facebook.com/zambiafinanceministry

In 2021, expected debt disbursements amount to USD 680.4 million (vs USD 1.793 billion initially contemplated), of which 49% will be on commercial terms, and 51% on concessional terms.

In 2022, expected debt disbursements amount to USD 675.4 million (vs USD 1.189 billion initially contemplated), of which 49% will be on commercial terms, and 51% on concessional terms.

In 2023, expected debt disbursements amount to USD 645.5 million (vs USD 966.5 million initially contemplated), of which 43% will be on commercial terms, and 57% on concessional terms.

Q.

Could you confirm whether only the projects mentioned would qualify as "critical", or whether the government of Zambia will retain the discretion to qualify other projects as critical at a later date?

The Government of Zambia retains the discretion to qualify projects as critical depending on its assessment of the country's critical needs in health, education and basic infrastructure.

However, the Zambian Government will also seek, in its discussion with the IMF and with its respective lenders, to restructure, re-scope or cancel some projects as may be required in the context of the Government's contemplated debt management strategy and forthcoming program discussions.

So far, two commercial facilities have been restructured, while eight other projects have been cancelled, of which four were expected to be financed from commercial sources and four were expected to be financed from official sources.

Q.

Can you break down the sources of the very chunky external debt disbursements in December 2019 and January 2020 (ex-China values ~300-350mn USD/month)?

The disbursement profile exhibited in slide 13 of the Presentation to Creditors refers to project-related external financing, with approx. USD 269 million and USD 306 million disbursed in December 2019 and January 2020 respectively, from various creditors excluding China and approx. USD 117 million and USD 126 million from Chinese creditors (including Exim China and ICBC). Below is the breakdown of disbursements made to finance ongoing projects, by type of credits:

- In December 2019:
  - Approx. USD 34 million from multilateral credits
  - Approx. USD 42 million from plurilateral credits
  - Approx. USD 182 million from bilateral credits
  - Approx. USD 128 million from commercial credits

- In January 2020:
  - Approx. USD 13 million from multilateral credits
  - Approx. USD 90 million from bilateral credits
  - Approx. USD 330 million from commercial credits

ADDRESS: P.O. Box 50062, Chimanga Road, Lusaka
TEL: +260-211-253512/253786/252121/250544
EMAIL: fredson.yamba@mof.gov.zm; mukuli.chikuba@mof.gov.zm; gregory.chomba@mof.gov.zm
WEBSITE: www.mof.gov.zm
FACEBOOK: https://m.facebook.com/zambiafinanceministry

Precisions on the fiscal situation

Q.
What specific revenue measures will be undertaken to regain fiscal space?

It is envisaged that the combined efforts to grow both tax and non-tax revenues will result in an average increase of at least 0.5 percent of GDP in government revenue over the medium term. The revenue measures will focus on improving compliance through tax and non-tax administration, especially through the use of information and communication technologies, including:

a) Tax Policy Reforms to broaden the tax base

(i) ***Broadening Excise Taxation:*** Even though some products have been brought into the excise scope beyond the traditional products of alcoholic beverages, petroleum products and tobacco, the structure of excises is out of date, while rates are lower than elsewhere in the region. To address this short coming, the Government will expand the scope of excise products and review the current rates with a further aim of mitigating some consumption externalities.

(ii) ***Rationalisation of Tax exemptions:*** Government will continue to streamline the tax exemption structure and facilitation processes to improve transparency, compliance monitoring and ensure that incentives are better targeted and not wasteful. Particularly, zero-rated and exempt supplies under the Value Added Tax and tax incentives aimed at attracting FDI, will be reviewed.

(iii) ***Addressing Base Erosion and Profit Shifting (BEPS)*****:** Tax base erosion and profit shifting has become a global challenge on resource mobilisation. To address revenue leakages through BEPS, the Government will fully implement the BEPS minimum standards and sign the Multilateral Instrument to curtail BEPS inducing provisions in tax treaties that Zambia has signed. Furthermore, the Government will augment transfer pricing audits following the revision of transfer pricing regulations and issuance of documentation rules in 2018.

(iv) ***Property Taxation*****:** Property taxation remains a stable revenue base whose potential has not been fully realised. To raise adequate resources and support fiscal decentralization and local government reforms, Government will accelerate mass valuation of properties so that tax base information and property values are kept up-to-date and taxes are properly assessed, billed, collected and enforced. Further, measures taken to accelerate the implementation of the National Land Titling Programme will continue with the aim of issuing not less than one million new titles over the medium term. This will be in addition to the enhancement of payment processes for the collection of ground rent and rates through the use of, among others, mobile money platforms.

b) Tax Administration Modernization

Modern revenue administration is anchored on self-assessment and voluntary compliance principles and typically supported by compliance strategies and modern information technology systems. Therefore, to strengthen revenue administration and improve compliance and revenue collection, the following measures are being undertaken:

(i) Continue rolling out of electronic fiscal devices (EFDs) aimed at improving the performance of VAT as well as enforce wider use of electronic filling via the Tax-Online system;

ADDRESS: P.O. Box 50062, Chimanga Road, Lusaka
TEL: +260-211-253512/253786/252121/250544
EMAIL: fredson.yamba@mof.gov.zm; mukuli.chikuba@mof.gov.zm; gregory.chomba@mof.gov.zm
WEBSITE: www.mof.gov.zm
FACEBOOK: https://m.facebook.com/zambiafinanceministry

(ii) Enhance big data analytics and risk management in revenue collection by interfacing Zambia Revenue Authority IT systems with those of other institutions, such as, the Patents and Companies Registration Agency (PACRA), National Pension Scheme Authority (NAPSA) and the Road Transport and Safety Agency (RTSA), through the Government Service Bus platform;

(iii) Accelerate introduction of digital stamps to improve excise duty collection on excisable products, particularly on cigarettes and alcohol;

(iv) Establish and regularly update a Customs Valuation Database in order to curb under-declarations of the value for duty purposes of selected imports; and,

(v) Enhance customer-oriented services and education by placing particular emphasis on making relevant information readily available to tax payers through the use of electronic enquiry services, such as the interactive telephone answering system or call centre.

c) Automation of Non-Tax Revenue

To minimize revenue leakages associated with manual processes, Government will continue to ensure that non-tax revenue collection processes are efficient and fully automated in the medium term. To this end, the Government will upgrade the Government Service Bus platform and the Unified Payment Gateway and interface more Government services which are able to be paid for electronically.

Q.

On expenditure measures, the only active measure announced was containing the growth of the wage bill, are there any other measures?

Expenditure measures in the 2021-2023 medium term period are generally aimed at augmenting the government's fiscal consolidation policy and refocusing spending priorities towards growth areas and social protection. The following are some of the key expenditure measures in the period:

a) ***Public Service Wage Bill:*** Expenditure on compensation to public service employees has been reduced from over 48% of domestic revenues in 2018 to an average of 40% per year over the medium term. This is being achieved through measures such as restricting recruitment of new employees to only frontline personnel in the health, education and security sectors, as well as ensuring that annual wage increments are made every other year (i.e. after 24 months) and within the context of the available resource envelope. This position has also been formally agreed upon between government and the public service labour unions.

b) ***Capital Expenditure:*** Budgeted capital spending has been reduced from ZMW 26.4 billion in 2020 to an expected ZMW 17.5 billion in 2021. The bulk of this expected expenditure in 2021 is largely linked to the ZMW 13.6 billion expected as loan disbursements on the on-going foreign-financed capital projects. The huge decline on foreign-financed capital projects, from previous fiscal years, is mainly attributed to the re-scoping, cancellation, re-profiling and postponement of several capital projects. This has contributed to the scaling down of future public expenditures and has, therefore, created future fiscal space as this will lead to the reduction of debt accumulation. So far, a total of **USD 1.38 billion** worth of projects have been either re-scoped or cancelled. This expenditure measure will also help containing subsequent budget deficits.

The balance of ZMW 3.8 billion on capital expenditure allocation, in 2021, is simply the domestically financed capital of ZMW 2.9 billion for road infrastructure which is largely funded through earmarked revenues from fuel levy and road tolls, as well as ZMW 307.2 million for the Rural Electrification Programme which is funded through earmarked revenues from the rural electrification excise duty attached to Zesco electricity bills.

c) ***FISP Reform*** – In the medium-term Government will reform the Farmer Input Support Programme (FISP) to make it more efficient and cost effective by largely gravitating towards the e-voucher implementation model. The resolve to move towards the e-voucher model is anchored on the anticipated completion of various communication towers which are important to the implementation of the e-voucher system, especially in rural and remote areas. This transition is expected to save government substantial amounts of resources over the medium term.

d) ***Government Operations*** – Government operations have been curbed and kept at minimal levels of approximately 2% of GDP per annum, over the medium term. For example, ZMW 7.5 billion (or 2.1% of GDP) has been allocated in 2021, which is only about 15% increase from the 2020 budget allocation – approximately the same percentage as the current inflation rate. This is despite the fact that, in 2021, the drugs budget has been increased by over 54% to ZMW 1.4 billion and a one-off allocation of K598 million has been earmarked for activities related to the 2021 General Election. Allocations towards the operations of grant-aided institutions and other quasi-government institutions have been kept constant in nominal terms (which is reduction in real terms).

e) ***Other expenditure measures:*** In addition to the enactment of the revised Public Finance Management Act in 2018, government is undertaking legal reform expenditure measures that are aimed at strengthening the public service commitment control systems. Some of these include:

   (i) ***The Public Procurement Act***; this is aimed at strengthening the adherence to credible and value for money procurement practices. The revised version of this Act is expected to be enacted into law during the current sitting of the Parliament, which ends in mid-December 2020.

   (ii) ***The National Planning and Budgeting Bill;*** this will ensure, among other things, that all new public projects should undergo rigorous appraisal prior to inclusion in the Budget, which entails that only public investment projects that meet the set economic or social criteria will be implemented by Government within the budget constraint. This Bill is currently in its final stage of consideration by the Legislature and is therefore expected to be enacted into law by mid-December 2020.

Q.

Does the government see the current budget and medium-term trajectory (as announced in the latest budget presentation) as sufficient fiscal consolidation or can we expect further measures to be announced? If so, when would we expect to see these updates?

We are confident in the current medium-term measures, coupled with the expected creditor support to our debt management strategy and the spillover effects of the expected global economic recovery will stimulate domestic economic recovery. However, Government will continue to review the performance of the 2021 budget measures and if need arises additional fiscal consolidation measures will be adopted in 2021 and over the medium term.

ADDRESS: P.O. Box 50062, Chimanga Road, Lusaka
TEL: +260-211-253512/253786/252121/250544
EMAIL: fredson.yamba@mof.gov.zm; mukuli.chikuba@mof.gov.zm; gregory.chomba@mof.gov.zm
WEBSITE: www.mof.gov.zm
FACEBOOK: https://m.facebook.com/zambiafinanceministry

Q.

In the 2020 budget, does the fiscal balance assume any reductions in amortizations as it seems that the revised budget has seen a large reduction in amortization expenditure (for 2020)?

The 2020 revised budget assumes a reduction in amortization arising from the cancellation, rescoping, and reprioritization of project loans. This reduction in the disbursed amount will reduce the interest and principal related debt service. Hence, a reduction in amortization is assumed between the 2020 approved budget and the 2020 revised budget.

Engagement with Chinese creditors

Q.

Can you provide us with a comprehensive update on any debt negotiations being discussed with China and expected timing?

The Government of the Republic of Zambia has proactively engaged with Chinese creditors in the past few months, in the context of the Debt Service Suspension Initiative (DSSI), to try and secure the suspension of debt service falling due from May 1st, 2020 to December 31st, including arrears accumulated up to May 1st, 2020. Beyond discussions on debt service suspension, the Government have informed Chinese creditors that they would be asked to participate to whatever subsequent debt treatment might be necessary to restore long-term public debt sustainability. The Government intends to share the burden equitably across its official and commercial creditors, save for multilateral creditors that will be called on to participate by way of fresh financing rather than debt relief as is customary in such circumstances.

Main Chinese Creditors include the Export Import Bank of China, China Development Bank, the Industrial and Commercial Bank of China and a few other commercial entities including the Bank of China. Ongoing negotiations have been focused mainly on agreeing debt service deferment in the context of the DSSI. Considering the Government's current liquidity challenges, negotiations have also aimed at deferment of arrears accrued before the DSSI period.

In this regard, the Zambian Government has submitted a bilateral request to the Chinese Government for debt service deferment on Government to Government (G2G) facilities. The Chinese Government has since agreed to grant DSSI for all Government to Government (G2G) facilities and all Concessional facilities as per the G20 guidelines of one-year grace period and three years repayment. As for the commercial facilities, Government has been engaging the Banks and SINOSURE bilaterally on the insured loan facilities. These discussions are still underway pending agreement on deferment of interest payments and accumulated arrears.

Q.

Can you confirm the amount of external debt service due on your Chinese loans for the rest of 2020 and 2021? How much is up for being re-negotiating/likely interest saved?

Central Government external debt service on Chinese loans amounts to approx. USD 426.3m in 2020 and USD 428m in 2021. Assuming the debt service suspension requests made by the Zambian Government are all successful, the maximum amount of 2020 debt service suspended and rescheduled would be USD 225.3m (debt service on Chinese entities from May to December). In addition, there are ongoing discussions to include arrears that have accrued up to end-April 2020 (approx. USD 201m) to be included in the DSSI.

ADDRESS: P.O. Box 50062, Chimanga Road, Lusaka
TEL: +260-211-253512/253786/252121/250544
EMAIL: fredson.yamba@mof.gov.zm; mukuli.chikuba@mof.gov.zm; gregory.chomba@mof.gov.zm
WEBSITE: www.mof.gov.zm
FACEBOOK: https://m.facebook.com/zambiafinanceministry

Q.
When do you expect the negotiations to be closed?

As described earlier, the status of discussions for debt service deferment in line with the DSSI varies across Chinese lenders. Although it is difficult to pre-judge the outcome of those discussions, Zambia hopes to formalize all debt service suspension agreements before the end of the year.

Engagement with other commercial creditors

Q.
Please update us on the discussions on any progress or potential debt reprofiling with any non-China/Eurobond commercial lenders.

In order to alleviate the short-term liquidity pressure that we are facing, we have decided to pursue an immediate debt service suspension strategy leveraging on the G20 DSSI and are requesting all our commercial creditors to participate voluntarily on similar terms.

While all such requests were made at a similar time and on similar terms to all our non-Chinese/non-Eurobond creditors, progress on these discussions varies among them. Some creditors are yet to respond to our request while discussions are still ongoing with others. We have already reached agreements in principle with a few commercial creditors and we anticipate receiving further positive responses from creditors who have accepted to discuss / negotiate in good faith.

The Honourable Minister presented the fiscal and economic challenges that the country is facing in the presentation to investors, and the Government very much hopes that its creditors will support it in this debt suspension initiative to provide it the fiscal space it needs to chart a path to debt sustainability and avoid accruing further arrears.

Q.
Is the government carrying out negotiations in line with DSSI? i.e. Any debt service moratorium should be NPV neutral.

The Government is seeking debt service suspension from commercial creditors on terms as close as possible to those set out in the Paris Club MoU signed in August 2020. Since commercial creditor participation is on a voluntary basis, debt service suspension terms are negotiated taking into account specific creditor constraints. The Government is trying to be as pragmatic as possible, its main objective being to secure some breathing space to alleviate immediate liquidity pressures and work on a sustainable debt strategy while progressing in its discussions with the IMF.

On the specific issue of NPV neutrality, and primarily the accrual of interest on suspended amounts, the Government is doing its best to arrive at an agreement that would not deteriorate further its debt position. Discussions are held on a case by case basis, in good faith, within the general guidelines provided by the Paris Club MoU that provide that accrual rates should be at least as favorable as the contractual rate on the facility/instrument with no penalties on suspended amounts.

Engagement with the IMF

Q.

When was the last formal communication with the IMF and what details can you provide regarding a request for either an RCF or a funded program? What specific tenets does the IMF want to see for either of these programs as the presentation admits that the debt is not sustainable, a pre-requisite for IMF involvement?

Zambia is currently working with the IMF as well as our financial and legal advisors, Lazard and White & Case, to assess the overall debt situation and build a strategy to restore long-term debt sustainability, which is a prerequisite to benefit from IMF financial assistance. In December 2019, Zambia made an application for an Extended Credit Facility (ECF). The IMF mission for the ECF started in March 2020 but could not proceed due to the exceptional level of uncertainty created by COVID. As result, Zambia in April 2020 made an application for emergency financing under the RCF and discussions were held from June – August 2020. Currently, the fund is carrying out an assessment on the data and the policies of the Government as they review the Government's request for an IMF assistance. The Government is now due to get feedback from the IMF on how the institution can best support Zambia in the current environment.

Q.

To be clear, is there no path to a funded IMF facility until after the debt standstill? Would be helpful to understand the authorities expected timeframe on when they reasonable expect to secure a potential funded facility.

As stated by the Minister during his presentation to creditors, the Government is committed to do whatever will be necessary to achieve a staff level agreement with the IMF on a funded facility, whatever its form. Currently, the evidence of restoration of our debt sustainability is the only practical path to a funded IMF facility. We now expect to progress in our discussions, and we will report regularly on their progress. We cannot however commit at this early stage to any specific timeframe.

Q.

Looking at the details of the budget, are the fiscal consolidation measures announced close to meeting the IMF requirements?

This is a question that can be best answered by the IMF, and not the Government. We are however closely discussing our fiscal consolidation measures with the IMF.

Q.

Do you intend to have an IMF agreement before or after the restructuring is complete, and will the restructuring be contingent on an IMF program?

The Zambian Government is requesting a debt standstill from all creditors including the Eurobond holders in order to provide Zambia with some breathing space. The standstill period will be used to finalise the macroeconomic framework with the IMF, and design, with the assistance of the IMF and the participation of all our creditors, an appropriate debt management strategy.

The design of a sustainable debt management strategy and the discussions with the IMF are parallel tracks, with progress being made in one track likely to facilitate progress in the other.

Specifically, progressing our discussions with creditors on the parameters of a long-term debt treatment beyond immediate debt service suspension, requires progress with the IMF on our medium-term macroeconomic framework and debt sustainability analysis. In the same vein, presentation to the IMF board for approval of any kind of financing assistance requires that good and tangible progress has been made in discussions with Zambia's creditors to restore public debt sustainability. As highlighted in question 16, engagements with the IMF have been ongoing. Further, we have run scenarios on Zambia's Debt Sustainability Analysis which we are discussing with the IMF and our legal and financial advisors to firm our debt strategy.

Debt Management Exercise

Q.

Is your priority to reduce overall debt via principal cuts, or is your priority to spread out debt servicing over the coming years with minimal hit to overall NPV? Would you incorporate a value recovery mechanism tied to copper prices as part of the restructuring?

It is still too early to comment on specific aspects of the debt management strategy. We have just started to engage with our creditors and cannot prejudge at this early stage the outcome of such discussions.

Q.

When does Zambia intend to present its first offer to creditors?

We do not have any specific date in mind for making such offer as it will depend both on the progress of our engagement with the IMF over the next few weeks and the dynamics of our consultations with creditors that are just starting. However, we anticipate that a first offer will be presented to creditors before the expiration of the debt service suspension period.

Q.

If the current consent to bondholders is rejected, what would be the next plan of action for the Republic?

The Government of Zambia sincerely hopes that the Consent Solicitation will be approved, as a gesture of good faith from its bondholders. The challenges the country is facing have been clearly brought to our creditors' attention in the presentation made by the Honorable Minister of Finance on 29th September 2020, and as was stated previously, the Government very much hopes that all its creditors will support it in the proposed debt suspension initiative to provide it the fiscal space it needs to chart a path to debt sustainability and avoid accruing further arrears. Times such as these call for a collaborative engagement between Zambia, its advisors as well as the creditors and their advisors, and Zambia sees no reason for bondholders to reject its request in the context of a collaborative process in light of the information it has provided to all creditors.

ENDs.

ADDRESS: P.O. Box 50062, Chimanga Road, Lusaka
TEL: +260-211-253512/253786/252121/250544
EMAIL: fredson.yamba@mof.gov.zm; mukuli.chikuba@mof.gov.zm; gregory.chomba@mof.gov.zm
WEBSITE: www.mof.gov.zm
FACEBOOK: https://m.facebook.com/zambiafinanceministry

Q AND A DISCLAIMERS

THIS DOCUMENT (THE "RESPONSES") HAVE BEEN PREPARED BY THE MINISTRY OF FINANCE OF THE REPUBLIC OF ZAMBIA (THE "REPUBLIC") WITH THE ASSISTANCE OF ITS FINANCIAL ADVISOR LAZARD FRÈRES SAS AND LEGAL ADVISOR WHITE & CASE LLP (TOGETHER, THE "ADVISORS") IN RESPONSE TO QUESTIONS RECEIVED BY THE REPUBLIC FROM INVESTORS (EACH A "RECIPIENT") RELATING TO THE PRESENTATION TO CREDITORS THAT WAS MADE ON SEPTEBMER 29, 2020, SOLELY AS A BASIS FOR PRELIMINARY DISCUSSIONS OF THE FEASIBILITY OF CERTAIN POTENTIAL TRANSACTIONS MENTIONED THEREIN (THE "PURPOSE"). WHILE THE REPUBLIC HAS USED ALL REASONABLE EFFORTS TO ENSURE THAT THE FACTUAL INFORMATION CONTAINED HEREIN IS CORRECT, ACCURATE AND COMPLETE IN ALL MATERIAL RESPECTS AT THE DATE OF PUBLICATION, NEITHER THE REPUBLIC, NOR ANY OF THE ADVISORS, NOR ANY OF THEIR RESPECTIVE RELATED OR AFFILIATED BODIES, OR ENTITIES, NOR THEIR OR THEIR AFFILIATES' RESPECTIVE STAKEHOLDERS, DIRECTORS, PARTNERS, OFFICERS, EMPLOYEES, ADVISERS OR OTHER REPRESENTATIVES, IF ANY (THE "ZAMBIA PARTIES"), MAKE ANY WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, CONCERNING THE RELEVANCE, ACCURACY OR COMPLETENESS OF EITHER THE INFORMATION OR THE ANALYSES OF INFORMATION CONTAINED HEREIN OR ANY OTHER WRITTEN, ORAL OR OTHER INFORMATION MADE AVAILABLE TO ANY RECIPIENT IN CONNECTION THEREWITH INCLUDING, WITHOUT LIMITATION, ANY HISTORICAL FINANCIAL INFORMATION, THE ESTIMATES AND PROJECTIONS, AND ANY OTHER FINANCIAL INFORMATION, AND NOTHING CONTAINED IN THESE RESPONSES IS, OR MAY BE RELIED UPON AS, A PROMISE OR REPRESENTATION, WHETHER AS TO THE PAST OR THE FUTURE. EXCEPT INSOFAR AS LIABILITY UNDER ANY LAW CANNOT BE EXCLUDED, THE ZAMBIA PARTIES SHALL HAVE NO RESPONSIBILITY ARISING IN RESPECT OF THE INFORMATION CONTAINED IN THESE RESPONSES OR IN ANY OTHER WAY FOR ERRORS OR OMISSIONS (INCLUDING RESPONSIBILITY TO ANY PERSON BY REASON OF NEGLIGENCE).

THESE RESPONSES DO NOT PURPORT TO BE ALL-INCLUSIVE OR TO CONTAIN ALL THE INFORMATION THAT A RECIPIENT MAY REQUIRE IN ITS ASSESSMENT OF THE PURPOSE. FURTHER, THESE RESPONSES HAVE NOT BEEN PREPARED WITH REGARD TO THE INVESTMENT OBJECTIVES, FINANCIAL SITUATION AND PARTICULAR NEEDS OF THE RECIPIENT. NO RECIPIENT IS THUS ENTITLED TO RELY ON THESE RESPONSES FOR ANY PURPOSE WHATSOEVER AND ANY RECIPIENT SHOULD CONDUCT THEIR OWN INDEPENDENT REVIEW AND ANALYSIS OF THE INFORMATION CONTAINED IN OR REFERRED TO IN THESE RESPONSES AND CONSULT THEIR OWN INDEPENDENT ADVISERS AS TO LEGAL, TAX AND ACCOUNTING ISSUES WHEN ASSESSING THE PURPOSE. THE INFORMATION IN THIS PRESENTATION REFLECTS CONDITIONS, INCLUDING ECONOMIC, MONETARY AND MARKET PREVAILING AS OF SEPTEMBER 2020, ALL OF WHICH ARE SUBJECT TO CHANGE.

THESE RESPONSES MAY CONTAIN CERTAIN FORWARD-LOOKING STATEMENTS, ESTIMATES, TARGETS AND PROJECTIONS PREPARED ON THE BASIS OF INFORMATION PROVIDED BY THE REPUBLIC. SUCH STATEMENTS, ESTIMATES AND PROJECTIONS INVOLVE SIGNIFICANT SUBJECTIVE ELEMENTS OF JUDGMENT AND ANALYSIS WHICH MAY OR MAY NOT PROVE TO BE CORRECT. THERE MAY BE DIFFERENCES BETWEEN FORECAST AND ACTUAL RESULTS BECAUSE EVENTS AND CIRCUMSTANCES FREQUENTLY DO NOT OCCUR AS FORECAST AND THESE DIFFERENCES MAY BE MATERIAL. THERE CAN BE NO ASSURANCE THAT ANY OF THE ESTIMATES, TARGETS OR PROJECTIONS WILL BE MET. ACCORDINGLY, NONE OF THE ZAMBIA PARTIES SHALL BE LIABLE FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE SUFFERED BY ANY PERSON AS A RESULT OF RELYING ON ANY STATEMENT IN OR OMISSION FROM THESE RESPONSES AND ANY SUCH LIABILITY IS EXPRESSLY DISCLAIMED.

THE RESPONSES HAVE BEEN PREPARED EXCLUSIVELY FOR INFORMATION PURPOSES. NEITHER THESE RESPONSES NOR ANY INFORMATION CONTAINED THEREIN DOES OR WILL FORM PART OF ANY LEGAL AGREEMENT THAT MAY RESULT FROM THE REVIEW, INVESTIGATION AND ANALYSIS OF THESE RESPONSES BY A RECIPIENT AND/OR THE RECIPIENT'S REPRESENTATIVES. NEITHER THESE RESPONSES NOR THE INFORMATION CONTAINED HEREIN CONSTITUTES ANY FORM OF COMMITMENT, RECOMMENDATION OR OFFER (EITHER EXPRESSLY OR IMPLIEDLY) ON THE PART OF ANY ZAMBIA PARTIES WITH RESPECT TO THE PURPOSE. THE REPUBLIC RESERVES ANY RIGHTS IT MAY HAVE IN CONNECTION WITH ANY OF ITS DEBT OBLIGATIONS AND NOTHING CONTAINED IN THESE RESPONSES SHALL BE CONSTRUED AS A WAIVER OR AMENDMENT OF SUCH RIGHTS.