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THE COST OF AUSTERITY

The toll of IMF conditionalities on access to health in Zambia

MAKE WAY Embracing Intersectionality for Health Equity & Justice

WEMOS Make health justice happen

ABOUT US

This study was developed by Wemos as part of the Make Way programme. If you have any questions or remarks, please contact us at **info@wemos.org**.

Wemos

Wemos is an international civil society organisation, based in the Netherlands, advocating structural change to achieve global health justice. Together with our partners around the world, we develop, propose and support evidence-based solutions to ensure everyone, everywhere has optimal access to quality healthcare and is protected against threats to health. We strive for global advocacy that reflects local realities, and jointly advocate global policies that address countries' needs.

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Make Way programme

The Make Way programme aims to break down barriers to sexual and reproductive health and rights (SRHR) by applying an intersectional lens. Making overlapping vulnerabilities visible helps us to understand their effects on a person's sexual and reproductive health and rights. We develop and share intersectional tools and engage in mutual capacity strengthening with other civil society organisations, to advocate for much-needed policy and societal changes. The Make Way programme is implemented in Ethiopia, Kenya, Rwanda, Uganda and Zambia, and at the global and regional level.

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Embracing Intersectionality for Health Equity & Justice

Consortium:

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LIST OF ABBREVIATIONS

CIT	Corporate income tax
CPI	Consumer price index
CSOs	Civil society organisations
DSA	Debt sustainability analysis
DHS	Demographic and health surveys
ECF	Extended Credit Facility
GDP	Gross domestic product
Gavi	Global Alliance for Vaccines and Immunization
GFATM	Global fund to fight AIDS, Tuberculosis, Malaria
IFFs	Illicit financial flows
IGO	Intergovernmental organisations
IMF	International Monetary Fund
MDRI	Multilateral Debt Relief Initiative
MPR	Monetary policy rate
NHSP	National health strategic plan
ODA	Official development assistance
PEPFAR	United States President's Emergency Plan for AIDS Relief
RMNCH	Reproductive, maternal, newborn and child health
SDG	Sustainable development goals
SDR	Special drawing rights
SRHR	Sexual and reproductive health and rights
USAID	United States Agency for International Development
USD	United States dollars
VAT	Value added tax
ZMW	Zambian kwacha
ZAMSTAT	Zambia Statistic Agency

GLOSSARY

Austerity: Economic policies aimed at reducing government deficits through spending cuts, tax increases, or a combination of both, often leading to reductions in public services.

Concessional loans: Loans offered at reduced interest rates or with more favourable repayment terms, often aimed at supporting development in low-income countries.

Conservative fiscal policies: Approaches that emphasise reducing public spending, minimising deficits, and maintaining balanced budgets, often resulting in cuts to public services.

Debt-to-GDP ratio: A measure of a country's public debt in relation to its gross domestic product, indicating the country's ability to pay back its debt.

Domestic public debt: The debt that the government owes to its central bank, local banks and financial institutions, families and companies residing in the country.

Eurobonds: Bonds issued in euros by international borrowers, often used by countries to raise funds from international investors.

Extended Credit Facility (ECF): An International Monetary Fund (IMF) lending programme that provides financial assistance to countries facing balance of payments problems, with a focus on longer-term structural reforms.

Fiscal consolidation: Efforts to reduce government deficits and debt accumulation, often through budget cuts or increased revenues.

Fiscal policy: Government policies regarding taxation and spending, used to influence economic conditions, including growth and inflation.

Foreign public debt: The debt that the government owes to foreign banks and financial institutions.

G20 Common Framework: An initiative by G20 countries to provide a coordinated approach to debt restructuring for low-income countries facing financial distress.

Gross domestic product (GDP): This study adopts the definition of the OECD: "the standard measure of the value added created through the production of goods and services in a country during a certain period. As such, it also measures the income earned from that production, or the total amount spent on final goods and services (less imports). While GDP is the single most important indicator to capture economic activity, it falls short of providing a suitable measure of people's material well-being for which alternative indicators may be more appropriate."

Heavily Indebted Poor Countries (HIPC): A programme aimed at reducing the debt burden of the world's poorest countries, providing them with debt relief in exchange for implementing reforms.

Low-income country: A country with a gross national income (GNI) per capita of USD 1,045 or less, indicating a low economic status.

Monetary policy rate: The interest rate set by a country's central bank, influencing overall economic activity, inflation, and the availability of credit.

Multilateral Debt Relief Initiative (MDRI): An initiative that provides additional debt relief to eligible countries that have reached the HIPC completion point, aimed at reducing their debt sustainability issues.

Public debt: The total amount of money that a government owes to creditors, which can include domestic and foreign lenders. Public debt is often used to finance government spending that exceeds its revenue, impacting future fiscal policies and economic stability.

Public external debt: Debt that a government owes to foreign creditors, which can include international organisations, other governments, and private lenders.

Social spending floors: Minimum levels of spending that governments commit to for social services, such as health and education, to ensure basic service delivery.

Special Drawing Rights (SDR): An international reserve asset created by the IMF to supplement its member countries' official reserves, valued based on a basket of currencies.

EXECUTIVE SUMMARY

Zambia is facing a severe economic crisis marked by high inflation, increasing poverty and a heavy debt burden that is straining both its fiscal stability and progress in health outcomes. By 2020, the country's external debt reached United States dollars (USD) 12.7 billion, representing 108% of the country's gross domestic product (GDP).[1]

In 2020, Zambia sought assistance through the G20 Common Framework and the International Monetary Fund (IMF) Extended Credit Facility (ECF), securing a USD 1.7 billion loan over 5 years. IMF loans, however, come with austerity measures that prioritise fiscal discipline but could potentially exacerbate social inequalities. These measures, which include increasing consumer taxes on goods and services (value added taxes - VATs), electricity tariffs and fuel prices, disproportionately impact vulnerable populations, raising concerns about their long-term effects on essential services, especially accessible and good quality healthcare services.

OBJECTIVES

The main objective of this study is to assess the impact of the IMF's loan conditionalities on access to healthcare in Zambia. It examines the social effects of IMF-imposed austerity measures, analysing both the direct and indirect impacts on equitable access to healthcare, workforce adequacy and the availability of resources for public health. Special focus is given to groups that are often most affected by austerity policies, such as persons living in poverty or in rural areas. The findings and conclusions aim to inform advocacy efforts both national and international advocacy levels, specifically targeting the Zambian government and the IMF. This study provides evidence for policy reforms that strengthen social protection and access to health, with recommendations designed to make IMF policies more responsive to the needs of low-income countries and vulnerable groups.

METHODOLOGY

This study employed a qualitative research approach over an eight-month period from January to August 2024. The research included a desk review of literature and reports, interviews with 34 key informants identified through a mapping exercise, and a stakeholder validation workshop. Data from these sources were analysed using thematic analysis to identify the impact of IMF policies on health financing and access to healthcare. A validation workshop was held to review the findings, ensuring comprehensive stakeholder engagement throughout the research. While the study faced limitations, including difficulties accessing up-to-date data and geographical constraints, it provides a solid foundation for understanding the ways in which IMF loan conditions affect Zambia's health system.

KEY FINDINGS

The IMF ECF programme in Zambia is characteristic of IMF programmes generally. It focusses on contractionary fiscal and monetary policies, austerity measures and limiting the public deficit. The programme does so by eliminating subsidies on fuel and electricity, increasing consumption taxes (VATs) and reforming government support programmes. However, the broader context of these measures is critical, and the effects on the Zambia population are profound.

- **Increased cost of living and poverty.** Rising fuel prices, electricity tariffs and VATs on basic goods have led to higher living costs, disproportionately impacting low-income households. The raising inflation (17% for food products) is exacerbated by electricity shortages due to the drought, and a loss of around 60% of farming harvest. The high cost of living and increase in poverty rates means that people have less disposable income available to pay for essential services and for transportation to reach them, such as travelling to health centres.

- **Strained access to healthcare.** Despite an increase in the health sector budget from 8.0% in 2022 to 11.8% in 2024, high inflation has eroded the real value of the expenditures. While investments were made in health infrastructure and health workers, health facilities remain underused and understaffed, particularly in rural areas. Zambia's healthcare system is overall hampered by a shortage of health workers, with a doctor-to-patient ratio far below recommended levels. Patients often have to pay out-of-pocket costs at health centres, including the purchase of essential medicines and malaria testing kits – which should be freely available. Added to this is the aforementioned increase in transportation costs to health centres. As a result, vulnerable groups most affected by economic constraints are facing diminished access to healthcare.

- **Public budget compromised by debt servicing.** Debt servicing payments represent a large percentage of Zambian public budget, around 20 to 30%. Added to the IMF imposed limitations on public spending, the government does not have the means to adequately provide financial support to the population through these compounded crises. The IMF’s debt sustainability analysis does not fully account for Zambia’s socio-economic and humanitarian challenges, particularly for people living in vulnerable situations, such as women, children and persons with disabilities. In addition, the country's dependency on external funding (38.8% of the health budget) makes the health system vulnerable to external policy shifts, further complicating the access to basic healthcare.

Despite these challenges, there has been limited discussion at the government level about alternatives to the IMF's austerity measures. Civil society organisations (CSOs) have proposed options like outcome-based and commodity-based financing, as well as a Zambian-led debt restructuring plan. However, these alternatives have not been seriously considered by the government, which has not engaged in broad consultations or explored other approaches to debt restructuring that could prevent further social harm. The government's narrow focus on fiscal stability without fully considering the socio-economic impacts has left Zambia's vulnerable populations at greater risk.

CONCLUSION

The IMF’s austerity measures have had significant adverse effects on the population, particularly on access to healthcare. The combination of fiscal austerity, high inflation, increased transport costs and rising poverty rates are creating new barriers to accessing essential health services and products. While social spending floors were set under the IMF ECF programme, they are too low to effectively support health and social welfare, exacerbating poverty and health inequalities. In addition, inflation also places additional pressure on the healthcare sector, as it increases operational costs and limits delivery of services in remote regions.

The limitations on healthcare spending have particularly severe repercussions: healthcare facilities remain understaffed, patients face high out-of-pocket expenses, and travel costs to access healthcare services continue to rise. This threatens to undo progress toward universal health coverage and to widen health disparities between urban and rural areas. The IMF programme's narrow focus on fiscal stability, without adequate consideration for socio-economic impacts and exceptional events like droughts, risks undermining Zambia’s development and exacerbating health inequalities.

RECOMMENDATIONS

To address these issues, it is crucial that future economic policies of the IMF programme in Zambia take the social impacts of fiscal measures into account particularly regarding access to essential services like healthcare, education and universal social protection, ensuring that people in vulnerable situations are not left further behind.

Based on evidence, the study provides a series of policy recommendations aimed at a more balanced approach to economic stability and social well-being.

To the Zambian government

- Finalize debt restructuring process, aiming for further reduction of the total debt stock, to unlock funds for social spending.
- Pursue alternative, equity-focused economic strategies, such as outcome-based financing, which could reduce reliance on austerity measures.
- Engage in broad consultations with CSOs to ensure representativeness by the marginalized groups most affected by IMF policies.

To CSOs

- Push for more inclusive and meaningful participation in policy discussions with the Zambian government and the IMF, creating space to discuss alternatives to austerity measures and ensuring that social equity is prioritised.

To the IMF

- Shift away from a one-size-fits-all approach to austerity measures and promote progressive taxation.
- Adjust the debt sustainability analysis framework to better reflect humanitarian needs, allowing for increased flexibility in debt repayments.
- Increase social spending floors to protect essential services, such as healthcare.
- Ensure and promote meaningful engagement with CSOs, to ensure that programme policies are inclusive and responsive to social needs.

1. INTRODUCTION

Zambia is grappling with a severe economic crisis characterised by a high inflation rate, a debt burden and an energy crisis. This threatens both economic stability and social welfare, including the progress made in the last decades on health outcomes. By 2023, Zambia's total external debt amounted to USD 14.5 billion, a 4.39% increase from the 13.9 billion in 2022.[2] This debt represents a staggering 119.1% of the country's gross domestic product (GDP), placing immense pressure on the nation's economic well-being.

To address its debt challenges, Zambia joined the G20 Common Framework in 2020, an initiative designed to support low-income countries by facilitating debt restructuring and relief from creditors.[3] Furthermore, it applied for the International Monetary Fund (IMF) Extended Credit Facility (ECF), a loan programme to assist low-income countries.[4] These two programmes worked hand in hand: the G20 Common Framework requires Zambia to join the ECF programme, while the ECF requires a successful debt treatment and restructuring process under the G20 Common Framework.

Under the IMF ECF programme, Zambia secured a USD 1.7 billion loan.[5] IMF loans are typically accompanied by strict policy conditions intended to restore fiscal discipline and stabilise the economy. In Zambia's case, the conditions attached included harsh austerity measures, sparking concerns about their potential long-term impact, particularly on people in vulnerable situations. For example, Zambia had to increase electricity tariffs and fuel pump prices, which disproportionately affect Zambia's population that has the least money to spend.

The austerity measures required by the IMF in Zambia seek to limit government spending but increase the cost of living for the population. It threatens the livelihoods of the people who are most marginalized while health systems are likely to struggle to provide adequate and accessible care for all. Although the health sector's budget allocation increased from 8.0% in 2022 to 11.8% in 2024,[6] the persistently high inflation rate has undermined the real value of these increases. Additionally, Zambia faces a critical shortage of health workers, with a doctor-to-patient ratio of 1:12,000 - far below the recommended 1:5,000 ratio.[7] While efforts have been made to strengthen the health system, its heavy reliance on external funding (38.8% of the health budget[8]) exacerbates Zambia's vulnerability to policy changes and mandates of external donors.

These challenges raise important questions about the impact of the IMF loan programmes, not only on access to essential services and equity but also on its long-term effect on economic resilience.

1.1 OBJECTIVES

The overarching aim of this study is to assess the implications of the IMF loan policy conditions on Zambia, with a particular focus on their impact on access to quality and affordable health services. The study seeks to inform both national and international advocacy efforts aimed at improving health investment in Zambia. By employing an intersectional lens, the research addresses the specific health needs of marginalized groups, ensuring that the analysis captures the nuances of how different groups in society are affected by the economic policies enshrined in the IMF conditionalities.

The findings will support advocacy goals at national and international level.
At the national level, the research seeks to bolster the efforts of the Zambia Debt Alliance and health advocates by establishing clear links between economic policy conditionality and equitable

access to health services. It will allow for increased evidence-based advocacy towards the IMF staff in Zambia and the government of Zambia.

Internationally, the study aims to:

- » Engage in critical discussion with the IMF on its loan conditionalities and programme structure, to ensure they are more responsive to the needs of vulnerable populations in low and middle-income countries.
- » Inform better alignment and coordination of external funders to enhance the effectiveness of financial support.
- » Support international financial reforms, such as debt cancellation and global tax justice, to increase capacity for domestic resource mobilisation and economic resilience.

Overall, this study seeks to contribute to a deeper understanding of how international financial policies influence access to health services in Zambia, providing evidence for targeted advocacy and policy reform efforts. It analyses the interplay between debt burdens, IMF programme measures and their impact on public budgets, with a focus on financing and accessibility of healthcare.

1.2 RESEARCH QUESTIONS

Main research question: How have the IMF imposed austerity measures affected Zambia's health sector, particularly access to affordable and quality healthcare for vulnerable populations?

Sub question 1: How have IMF conditions impacted the Zambian population's economic well-being and through which pathways is this affecting their access to health services?

Sub question 2: What are the risks that arise from the austerity measures for the status and equity of Zambia's health system – in terms of UHC, health workforce, essential medicines, sexual and reproductive health, and health financing?

Sub question 3: Have alternatives to the austerity measures been discussed?

1.3 METHODOLOGY

This study was conducted over an eight-month period, from January to August 2024, using a qualitative research approach to explore the relationship between the IMF's loan conditions and access to healthcare in Zambia. The study employs intersectionality-based policy and budget analysis tools from the Make Way Consortium[9] to explore these issues in depth. The research involved several phases:

Desk review. The study began with a comprehensive review of existing literature, including policy documents, programme strategies, statistical reports, and national budget plans. This phase also included an analysis of IMF review reports, academic literature, and publications from civil society organisations (CSOs) and intergovernmental organisations (IGOs), providing a robust foundation for the subsequent stages of the research.

Mapping exercise. A scoping and mapping exercise was conducted to identify key informants across various sectors, including government ministries, international organisations, CSOs, academia, and youth groups. This exercise ensured a broad and inclusive range of perspectives for the study.

Interviews. The study's primary data collection involved 23 interviews with 34 key informants, conducted both in person and online. Interviews followed a semi-structured methodology, with a set of questions prepared for each interviewee, and follow-up questions asked based on answers given. These informants included representatives from the Zambian Ministry of Finance, Ministry of Health, members of parliament, the United Nations organisations, academia, development partners, private not-for-profit health service providers, health service associations and CSOs. Furthermore, a meeting was held with youth living in low-income suburbs of Lusaka, some with disabilities. These youth were interviewed to discuss their specific health needs and how their living conditions affect their access to health services. All interviews focused on understanding the impact of IMF conditionalities on health financing and access to healthcare in Zambia.

Data analysis. The data collected through the desk review, interviews and mapping exercises were analysed using thematic analysis. This method identifies the key themes and patterns in data gathered related to the impact of IMF policies on Zambia's healthcare system and the broader socio-economic implications.

Online validation workshop. In this workshop we presented the preliminary findings to stakeholders, giving them the opportunity to engage in discussions, ask questions, give feedback and validate the results. Stakeholders included experts from CSOs, representatives of government ministries, health agencies staff and academia. Stakeholders present at the validation workshop reviewed the findings and analysis and some issues were raised, but there was no disagreement with the findings and analysis.

Limitations. Despite the comprehensive approach, the study faced some limitations. Accessing up-to-date information was challenging due to the unavailability of recent data for health and budget tracking, as well as the rapid changes in cost of living, inflation, and the value of the Zambian kwacha (ZMW). Additionally, data on sexual and reproductive health and rights (SRHR) budgets and policies were scarce, as these services are primarily funded by external donors and lack public monitoring. Due to this lack of available data, the research could not provide an answer to research sub question 2 regarding the SRHR service financing, access to it and evolution of these two elements over the last years. Finally, recent reports from the Zambia Statistics Agency (ZAMSTAT) provided some insights but lacked detailed information on poverty and inequality levels.

Overall, the response rate of key informants who were asked to be interviewed was around 70% and included a large variety of stakeholders from different organisations, affiliations and expertise areas. We therefore do not expect bias in the results based on the response rate. The information shared by the interviewees and their answers to our questions were satisfactory and provided new information to the document research. Yet, information on most recent statistics, debt burden levels and health service access and use were not available to some interviewees. Lastly, this study has geographical limitations. It was conducted in the city of Lusaka and personal experiences, statistics and health centre information from rural areas or other districts is limited.

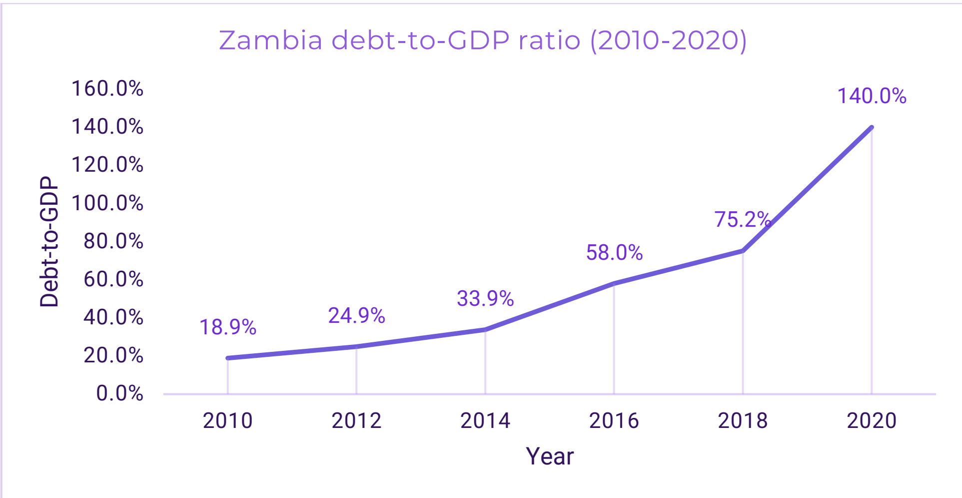
2. ZAMBIA'S DEBT HISTORY AND PATH TOWARDS THE IMF

2.1 DEBT ACCUMULATION

Zambia's economy and debt levels have been strongly fluctuating since the 1970s. At its peak in 2003, Zambia's debt amounted to USD 7.1 billion. In 2004 Zambia found debt relief in the two processes initiated by the IMF: the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI). These debt relief programmes lowered Zambia's debt levels to USD 500 million until 2006.[10] After this, Zambia's economy stabilised, profiting from increased copper prices and farming yields.[11] Thanks to the economic stability, Zambia graduated from a lower income country to a lower-middle income country in 2011 when Zambia's gross national income per capita (GNI) crossed the threshold set by the World Bank.[12]

Whilst a reclassification from low- to lower-middle income country is generally beneficial and a sign of economic and social stability, it also has certain drawbacks. For example, it limits access to concessional financing and loans and increases reliance on more expensive commercial loans. To fund its ambitious new infrastructure development agenda in 2012, the government of Zambia shifted towards an expansionary fiscal policy.[13] Debt levels gradually increased over the years and external public debt rose from USD 1.96 billion (18.9% of GDP) in 2010 to USD 12.7 billion in 2020 (140% of GDP),[14] a 540% increase over this period. This unsustainable debt burden ultimately led to Zambia's default on its Eurobond payment of USD 42.5 million in November 2020.[15]

Figure 1: Zambia's debt to-GDP-ratio (2010-2020)



Source: data from the IMF Data Mapper (2024)

After the United Party for National Development won the elections in 2021, the new government sought to restructure the debt level to a more manageable amount and requested for debt restructuring through the G20 Common Framework.

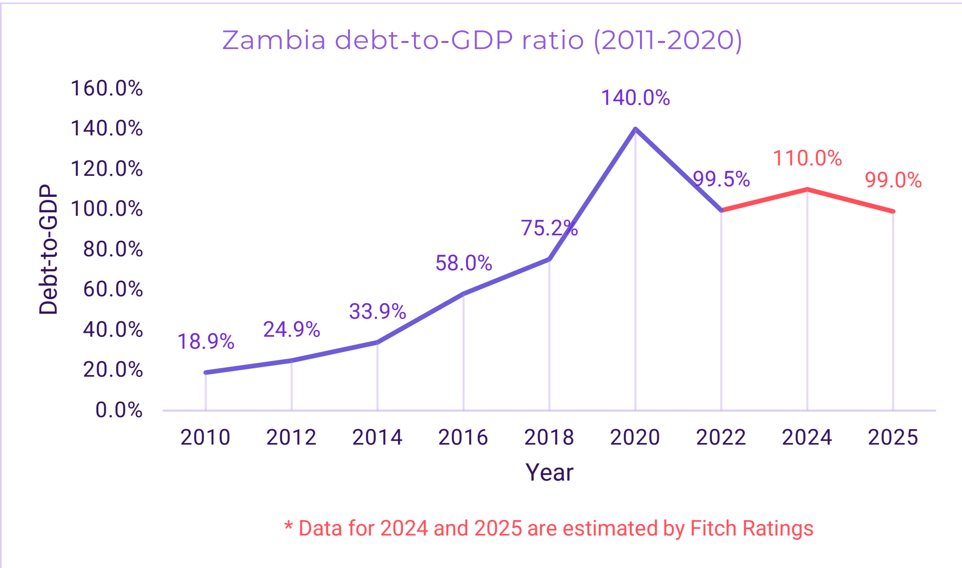
2.2 DEBT RESTRUCTURING AGREEMENTS

In 2020, Zambia requested to join the G20 common framework in order to enter into debt restructuring negotiations with its public and private creditors. To qualify for this G20 framework, Zambia also had to join a second programme, the IMF extended credit facility. These two programmes interact. The G20 common framework required Zambia to enter the IMF programme and implement economic policy measures to strengthen its economy. The IMF programme in turn required a successful debt restructuring deal prior to making the first disbursement of the loan.

Debt restructuring negotiations took place under the G20 common framework from 2020 to 2024. After long protracted negotiations, Zambia has managed to secure two debt restructuring agreements. The first is with its official creditors, notably the Paris Club, a group of major creditor countries "whose role is to find coordinated and sustainable solutions to the payment difficulties experienced by debtor countries".[16] Zambia is one of the first nations to engage with the Paris Club of creditors through the G20 Common Framework, a pathway that was very much a learning process for all parties involved. As a result of the restructuring, Zambia will pay its official creditors about USD 750 million of over USD 6 billion that was due in the next decade. Debt servicing interest rates were reduced to 1.0% for 14 years and cannot be higher than 2.5% thereafter. This generates about USD 5 billion in debt service savings between 2023 and 2031, a reduction in debt claims by almost 40%.[17]

The second arrangement is with its Eurobond holders. Originally, three Eurobonds would have reached maturity (i.e. the date on which the final payment by the creditor is due) in 2022, 2024 and 2027. These three Eurobonds were restructured into two bonds. One of the new bonds ties its repayment to Zambia's economic growth profile, such as fiscal and export revenues. The other will only reach maturity in 2053. This debt restructuring is expected to reduce Zambia's Eurobond debt by USD 840 million[18] [19] [20]and significantly extends the repayment period, providing a cash flow relief of approximately USD 2.5 billion during the IMF programme period.[21] This marks a sharp decrease in debt-to-GDP, dropping from 127.3% in 2023 to an estimate to 110% in 2024 and 99% in 2025.[22] Moreover, since not all of Zambia's debt is included in the restructuring agreements yet, further reductions to the claims are possible in the future.

Figure 2: Zambia's debt-to-GDP ratio (2011-2024)



Sources: data from IMF Data Mapper (2024) and Fitch Ratings (2024)

Nevertheless, debt-servicing payments still represent a significant portion of the public budget. In 2023, domestic and external debt servicing represented 33% of the public budget, when Zambia paid back USD 206 million in loans.[23] In 2024, it was 26% of the budget.[24] It is clear that debt servicing continues to be a major financial burden on the Zambian public budget. A key concern in this restructuring is the linking of the debt sustainability analysis to Zambia's obligation to pay increased debt servicing. The low threshold poses a very real risk that Zambia will need to increase the portion of debt servicing in its public budget to levels that threaten social spending and social protection.

3. THE STRUCTURE OF THE IMF ECF PROGRAMME AND ITS CONSEQUENCES TO SOCIAL PROTECTION

3.1 ZAMBIA'S RETURN TO THE IMF

By completing the debt restructuring agreements, Zambia passed an important milestone in its prior action conditionalities with the IMF. It completed the first review and received a disbursement of USD 188 million of the USD 1.7 billion loan.[25] This also paved the way for further IMF disbursements - if other conditionalities are met.

In 2022, Zambia's central government's external debt amounted to USD 13.96 billion,[26] 99.5% of its GDP.[27] By August 2022, the IMF officially approved a 38-month ECF in Zambia, worth Special Drawing Rights (SDR) 978.2 million, around USD 1.3 billion. The programme, running from 2022 to 2025, aims to foster resilient and sustainable economic growth and restore macroeconomic stability in Zambia.

Like other IMF ECF programmes, Zambia's case follows a structured process. It includes specific requirements a country need to meet before the programme starts, known as prior actions, as well as ongoing benchmarks that the country must meet to qualify for periodic loan disbursements. Collectively, these prior actions, benchmarks and quantitative targets and policy reforms, are referred to as 'conditionalities'.

3.2 THE FORMAL STRUCTURE OF THE IMF ECF PROGRAMME

The IMF set a number of prior actions, which included reaching a debt restructuring agreement with official and private creditors. Once the prior actions are completed, the IMF programme focuses on structural benchmarks and quantitative targets throughout the duration of the programme. This meant that Zambia has to adjust national policies according to IMF conditionalities and meet the targets, periodically reviewed by the IMF.

The IMF conducts reviews twice a year and disburses SDR 139.88 million (USD 188 million) after each successful review. In total, six reviews and instalments are expected. Since the start of the IMF ECF programme in 2022, three reviews have been completed. The last one was in April 2024, after which the IMF disbursed USD 569.6 million, bringing Zambia's total disbursement so far to USD 1.1 billion of the USD 1.7 billion total.[28]

The third and most recent review was successfully conducted in April 2024 followed, by a disbursement of SDR 569.6 million.[29] This disbursement also included additional funds to support the drought response.[30]

Table 1: IMF review and disbursement schedule in Zambia[31]

Review date	Disbursement level in SDR	Disbursement level in USD
01 August 2022	139.88 million	188 million
01 April 2023	139.88 million	188 million
01 October 2023	139.88 million	187 million
01 April 2024	433.34 million	569.6 million
01 October 2024	139.88 million	188 million
01 April 2025	139.88 million	188 million
01 October 2025	139.88 million	188 million
Total	**SDR 1,271.66 million**	**USD 1.7 billion**

The IMF programme in Zambia focuses part of its structural benchmarks around fiscal policy, price stability, monetary policy. They also tackle public debt management, transparency and accountability and public financial management. Moreover, the IMF assesses the Zambian debt burden, GDP growth projections and its debt sustainability analysis (DSA) in each review.

The review process of the IMF consists of bilateral discussions between the IMF and various ministries, and also includes a civil society consultation. For each of the three reviews so far, consultations with CSOs have taken place. However, the timeliness with which these consultations are scheduled and rescheduled is not ideal, and according to interviewees from several CSOs, they take place at an inconvenient moment in the review process. Consultations with civil society are typically held at the end of the review, meaning feedback, concerns and questions from CSOs do not flow into discussions with the government of Zambia.

Although the IMF has developed a gender strategy to evaluate the gendered impact of their prescribed macroeconomic policies, this strategy is not yet used systematically in programme design, and it was not used in the design of Zambia's ECF plan.

3.3 FISCAL POLICY CHANGES FOR REVENUE MOBILISATION

Within the structural benchmarks of the IMF programme, austerity measures and fiscal consolidation take a leading role, focusing on indirect taxation and value added tax (VAT). This is similar to IMF programmes in many other countries and has been broadly criticized for being a once-size-fits-all approach that has negative effects on the most vulnerable population groups.[32] The revenue mobilisation plan of 2022, which is referenced in the IMF reviews 1 and 2, is not available for consultation. But the information that is publicly available, indicates that Zambia's taxation measures to fulfil the structural benchmarks can be classified as regressive. VAT, for example, represents a flat rate for the user, irrespective of their income or socio-economic status.

Through policy reforms in these areas, the IMF wants to increase domestic revenue and cut down on domestic spending in areas deemed inefficient. The programme aims to lower the overall national budget from 37% to 33% of the GDP from 2023 to 2025.[33] Ideally, the primary balance will increase from a deficit of 6% of GDP to a surplus of 3.2% by 2025. Government revenue should grow, of which 4.5% of the GDP growth should stem from increased collection of corporate income tax (CIT) and 5.4% of the GDP growth through increased collection of tax revenue from VATs.[34]

As part of the structural benchmarks, Zambia was required to end implied subsidies on fuel by reintroducing VAT and excise taxes on all fuel prices and consumption. Fuel and electricity prices are also to be reviewed by the energy regulation board every 30 days, instead of the prior 60-day cycle, to ensure speedy adjustment of prices according to international fluctuations. Fuel and electricity prices were previously cost reflective, as the government of Zambia subsidized them through the absence of VAT and excise taxes. Electricity costs are intended to increase by 17% between 2022 and 2025. The current electricity shortage due to the drought is increasing the use of charcoal and petrol for electricity generators. But the periodical increase of petrol prices that the IMF programme mandates, is making the use of these generators also increasingly expensive. Other taxation measures that Zambia is implementing include flat rate tax on digital services, including mobile money transfers, and removing tax exemptions for government vehicles. Higher electricity and petroleum costs, along with increased taxes on digital services, particularly impacts low-income households and small to medium enterprises. The flat rates will represent a much larger cost for them to burden than for wealthier individuals and businesses. It therefore places a disproportionate burden on people with lower incomes. With decreasing economic well-being of the population at large, people working in the informal sector feel the decreased consumption of their clients, whilst also needing to adapt to rising cost of living with a lower income.

3.4 MONETARY POLICY STANCE

As part of the IMF structural benchmarks, Zambia is tightening monetary policies with the objective to increase long-term price stability, decrease the inflation rate and reduce government spending. This is called a contractionary monetary policy, a tool used by the central bank to reduce inflation by increasing interest rates, hence limiting lending activities and government spending. Currently, the monetary policy rate is maintained at 13.5%, with an inflation rate of 15.5% which is projected to remain above the target band of 6-8%, especially since the drought is worsening electricity shortages.[35] [36]Drivers of inflation include increased cost of food products due to the drought, a depreciation of the ZMW, and increased fuel and electricity costs. Especially the latter has compounding effects on the price of agricultural and manufactured goods.

According to the structural benchmarks of the IMF, to attain economic stability, lending rates should be further increased. However, it must be noted that such a decision comes at a dire cost. An increased monetary policy rate will make borrowing costs for the government higher, hence limiting the government's ability to spend and forcing the government to use a higher share of its budget to repay interests on its debt. This will slow down economic activity, because businesses are also confronted with increased borrowing costs. Moreover, since inflationary pressures are mostly supply-driven (e.g., caused by shortages on the supply side, such as drought, increased fuel and electricity costs), higher interest rates will not necessarily be enough to curb inflation. Inflation and business instability leads to unemployment, as staff costs become too high, and profits are decreasing.[37] When implementing such austerity measures, increased levels of short- and long-term unemployment must be expected.

3.5 SOCIAL SPENDING FLOORS

Zambia and the IMF are looking to ensure that the austerity measures, and the contractionary fiscal and monetary policies do not disproportionately reduce national social spending and social protection. They have therefore included social spending floors in the ECF programme design indicating a minimum spending level on specified social programmes and protection.

The EFC programme defines social spending as "central government expenditure on the Social Cash Transfer, Food Security Pack, Empowerment Fund (Women and Youth), the Public Welfare Assistance Scheme, Water and Sanitation, budget transfers to the Public Service Pensions Fund, the Health Sector, and the Education Sector." [38]

The social spending floor, set at ZMW 39.6 billion in 2023 and ZMW 46.1 billion in 2024, amounts significantly lower than the actual budgets for education, health, social protection and water, sanitation and hygiene in those years, as shown in the table 2 below.

When comparing the spending floors with the health and social budgets in the past years, it gives the picture below:

- Government allocation to health in the overall budget for 2023 was ZMW 17.4 (43.8% of the social spending floor, for health alone).[39]
- Government allocation to health in the overall budget for 2024 was ZMW 20.9 billion (52.6% of social spending floor, for health alone).[40]
- Government allocations to the social sectors together (education, health, social protection and water, sanitation and hygiene)[41] was ZMW 51.1 billion in 2023 - this was 128.7% of the social spending floor in that year and ZMW 59.9 billion in 2024 - 130.2% of the social spending floor in that year.

Table 2: Social sector spending compared to social spending floors

	Social sector budget (billion ZMW)[42]	Social spending floor (billion ZMW)[43]	Social spending budget/social spending floor	Health budget (billion ZMW)[44]	Health budget as % of social spending floor
2023	51,1 (1.9 bio USD)	39,9 (1.5 bio USD)	128,7%	17,4 (656 mio USD)	43.6%
2024	59,9 (2.3 bio USD)	46,1 (1.7 bio USD)	130,2%	20,9 (789 mio USD)	45.3%

The social spending floors included in the ECF programme are set at such a low level that they are not effective towards protecting social spending. Should government social spending truly meet these floors, the effects on social protection would be detrimental.

3.6 DEBT SUSTAINABILITY ANALYSIS IN ZAMBIA

To assess whether Zambia's debt burden is too high, and to provide guidance for further debt-related decisions, the IMF and the World Bank use a DSA, which has a dedicated framework for low-income countries. The analysis looks at a country's expected debt burden over the next ten years and the vulnerability of the economy. This is assessed using the value of external debt as a percentage of GDP and exports, the external debt service costs as a percentage of exports and revenue, and the current values of total public debt as a percent of GDP.[45]

Zambia's most recent DSA was completed in December 2023. It indicated that Zambia is still in debt distress and that its debt is considered unsustainable.[46] This is due to the high debt burden, the 2022 Eurobonds default and the ongoing debt restructuring process. The DSA primarily looks at specific economic indicators and rates them on a limited scale: strong, medium or weak. Strong indicates a stable economy, while weak indicates higher risks of debt distress. Although the differences between these categories are small, if Zambia moves from 'weak' to 'medium' debt carrying capacity, it could trigger much higher payments to its bondholders. This is important because Zambia's debt restructuring agreements are tied the DSA results. This means that the hight and frequency of debt service payments increase when the GDP is growing. The concerns are that even if Zambia finds itself in the midst of a socio-economic and humanitarian crisis that requires additional public spending, it will still need to prioritise debt servicing payments if its GDP grows and crosses the agreed threshold. Unfortunately, this threshold is set low, making it likely for Zambia to cross it, even if its economic well-being has only improved marginally, and only on paper. Besides making Zambia very vulnerable to further debt distress, this also increases the countries reliance on external funding and further grants to manage its humanitarian responses.

An example to illustrate this: Zambia had to disburse significant funds to fight the cholera outbreak at the end of 2023 and beginning 2024, representing an estimated cost of USD 1.1 million.[47] In the same year, the country also needed a large portion of its budget for drought response. This response required USD 940.60 million in total, of which USD 12.54 million was for immediate food assistance, such as government provision of mealie meal, topping up social cash transfer benefits and extending its beneficiaries base.[48] Mealie meal, a standard meal for Zambia, is created on the base of corn flour. As the corn harvest of 2024 was 60% lower than in previous years because of the drought, mealie meal prices increased starkly by 35% from August 2023 to August 2025.[49]

The DSA does not sufficiently take the financial and humanitarian pressures of these crises into account. Nor does it account for the drastic price increase for food, electricity and fuel and the consequences for government expenses and well-being of the population. Moreover, it does not take human rights, socio-economic distress and poverty levels into account. Taking such a narrow interpretation of debt sustainability, leaves important factors out and does not accurately represent Zambia's current economic well-being or national liquidity. The IMF has lowered GDP growth projections for Zambia from 4.7% to 2.3% to accommodate the impact of the drought.[50] However, to better accommodate shocks to the economy as well as the many socio-economic and development hurdles, the IMF should apply a linear scale to define the country's debt-carrying capacity. It would help Zambia to restructure its debts in a way that leaves sufficient space to absorb future shocks.

4. THE IMPACT OF AUSTERITY MEASURES IN ZAMBIA AND POTENTIAL ALTERNATIVES

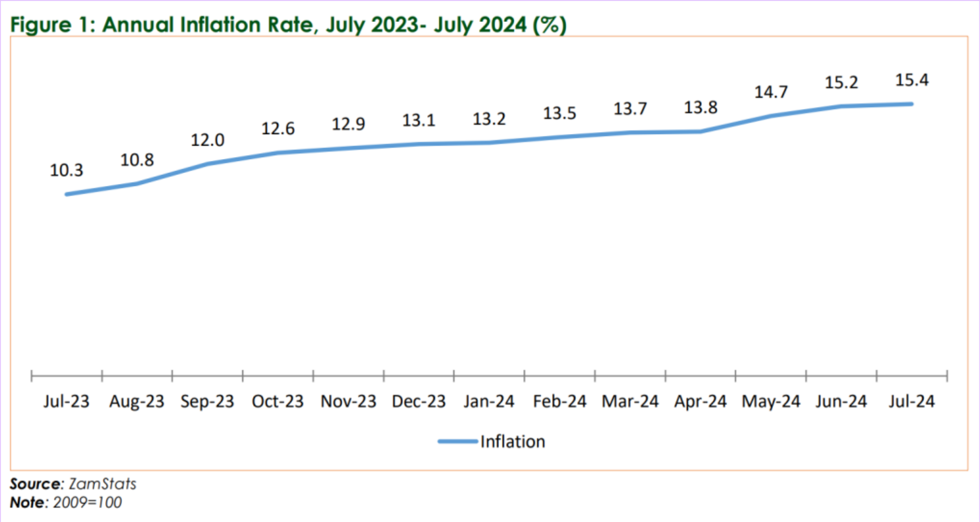
4.1 AUSTERITY IMPACTS ON COST OF LIVING AND POVERTY

The rising cost of living in Zambia is closely linked to the implementation of structural benchmark conditions set by the IMF. These conditions have contributed to significant economic adjustments such as increased electricity costs due to the removal of government subsidies, and the imposition of regressive tax measures including the reintroduction of VAT on fuel.

- **Increase in the Consumer Price Index (CPI).** The Consumer Price Index (CPI) for housing, water, electricity, gas, and other fuels surged by 11.7% between July 2023 and July 2024. This increase was driven by factors such as the reduction of subsidies, rising food prices, resource limitations due to drought, and the depreciation of the ZMW. Such inflationary pressures disproportionately impact low-income households, who spend a larger share of their income on essential goods and services. The elimination of subsidies, while intended to stabilise the economy, has led to an increased financial burden on the people living in poverty, exacerbating their economic vulnerability.[51]

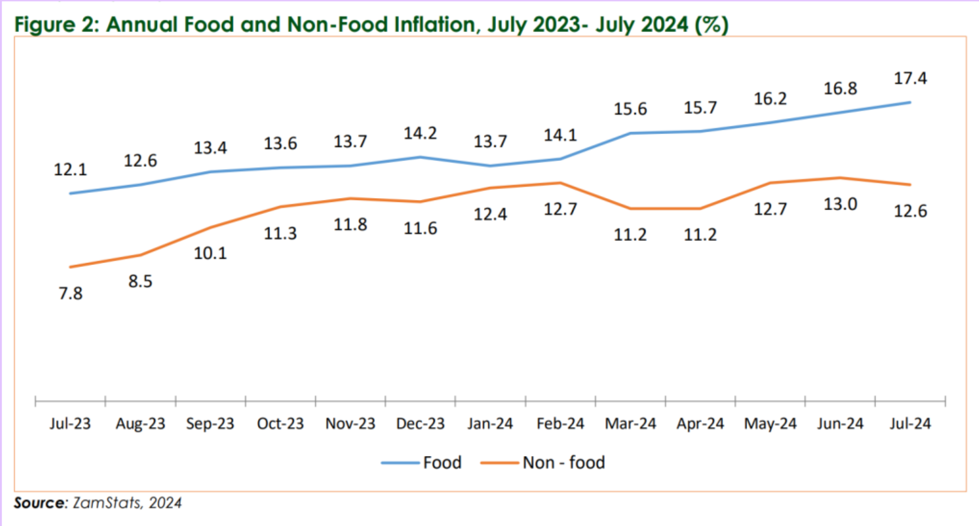
- **Rising inflation rates.** The overall inflation rate in Zambia reached 15.4% in July 2024, up from 10.3% the previous year. Food inflation was particularly acute, with prices of staples such as mealie meal, cereals, and cooking oil rising by 17.4%. This surge in food prices, coupled with a 53.67% decrease in maize production due to adverse climatic conditions, has intensified food insecurity across the country.[52] The decrease in harvests have forced more people to rely on purchased food, further increasing their cost of living and pushing more families into poverty.[53]

Figure 3: Zambia's annual inflation rate (July 2023-July 2024)



Source: Zambia Statistics Agency – The Monthly, vol. 256, July 2024, p. 3

Figure 4: Zambia's annual inflation food and non-food inflation (July 2023-July 2024)



Source: Zambia Statistics Agency – The Monthly, vol. 256, July 2024, p. 4

» **Costly electricity.** Electricity prices are set to continue rising over the next three years, further straining household budgets. While hospitals benefit from reduced tariffs, even these are set to increase from K0.62/kWh in 2023 to K0.87/kWh in 2027, which could indirectly raise healthcare costs. This price increase, combined with the already high fuel costs - exacerbated by the ZMW depreciation and global oil price hikes[54] [55] - has led to higher transportation and production costs, driving up the prices of essential goods.[56]

» **Increased petroleum prices.** Petroleum prices have also drastically increased, with a price review taking place every 30 days. Between 30th of June 2024 to 30th of July 2024, the price of petrol increased by 7.75%. In the same month, the price of diesel increased by 4.55%, and Kerosene increased by 4.18%.[57] In September 2024, the price for petrol was ZMW 33.47 per litter, whereas it was ZMW 17.62 per litter in December 2021, almost half the price.[58]

Table 3: Increases in fuel prices (July to August 2024) [59]

	July 2024 in ZMW	August 2024 In ZMW	% change
Petrol	31.58	33.47	+ 6.02
Diesel	29.34	30.05	+ 2.39
Kerosene	26.36	27.52	+ 4.40

» **More child poverty.** Child poverty has worsened significantly. In 2023, 70% of children experienced lack of access and well-being in two or more dimensions, ranging from health to education, sanitation, housing and access to information.[60] Child poverty rose from 32.3% in 2015 to 41.8% in 2023. This is largely due to deteriorating health and nutrition indicators, as 67% of boys and girls aged 5 to 17 years old have no medical facility close to their household.[61] The ongoing cost of living crisis has further eroded the value of social cash transfers, leaving vulnerable populations, including children, more exposed to the adverse effects of economic instability.[62] Overall poverty levels in Zambia had risen from 54.5 per cent in 2015 to 60 per cent in 2022.[63]

Table 4: Increase in poverty levels in Zambia (2015-2023) [64]

	2015	2023	% Change
Poverty levels	54.5%	60%	+5.5
Extreme poverty	40%	48%	+8
Child poverty	66.5%	70.6%	+4

4.2 ALTERNATIVES TO THE IMF MEASURES

Austerity measures, such as those tied to IMF programmes, have historically had a severe impact on Zambia's population, particularly the poor and marginalized. The economic reforms of the 1980s and 1990s, implemented under the IMF and World Bank's Structural Adjustment Programs, had harsh effects on the populations socio-economic wellbeing. The austerity measures were characterised by cuts to social programmes, reduced government spending, and the removal of subsidies. Basic services became less accessible, and social protections were weakened. This coincided with increasing poverty rates, declining social indicators and increase in inequality. The measures disproportionately affected the poor, and these economic hardships led to Zambia becoming one of the least developed countries worldwide in 1999.[65]

The current IMF loan being considered by the Zambian government is feared to follow a similar path.[66] Despite these concerns, discussions on alternatives to IMF-led austerity measures have been limited. While civil society organisations have actively proposed different solutions, we have not found any indication that these alternatives have been seriously considered by the Zambian government, parliament, or policymakers. A report by the Fight Inequality Alliance Zambia[67] highlights a lack of transparency in the decision-making process, with negotiations between the government and the IMF taking place behind closed doors, excluding parliament and the broader public. This lack of inclusivity has raised concerns that the government is not fully exploring options that could avoid the social harm caused by austerity.

One alternative suggested by civil society is outcome-based financing, which involves raising funds for specific social goals such as poverty reduction, inequality alleviation, or the promotion of renewable energy. This method would attract investors who are not only interested in financial returns but also in achieving measurable social impact. Another proposal is commodity-based financing, which aligns investor returns with the prices of commodities like copper and gold, offering Zambia potentially more favourable terms than traditional loans. This option leverages Zambia's natural resources to secure financing without imposing harsh austerity measures on the population.

A more Zambian-led approach to debt restructuring has also been suggested, one that emphasises fiscal discipline while protecting the poor and ensuring social equity. This homegrown strategy would focus on renegotiating Zambia's debt without the stringent conditions imposed by the IMF. A sustainable alternative would be to create a responsible and equitable debt restructuring plan that avoids the social pain often associated with IMF programmes. This approach would focus on renegotiating the debt in a way that minimises harm to the most vulnerable, instead of a focus on raising funds to pay off existing debt.[68]

In conclusion, while civil society has actively discussed alternatives to the IMF and austerity measures, we found no signs that these discussions have been taken up by policymakers.

5. HEALTH SPENDING IN ZAMBIA AND ACCESS TO SERVICES

5.1 UNIVERSAL HEALTH COVERAGE AND TRENDS IN HEALTH OUTCOMES

Coverage of essential health services has steadily increased in Zambia between the years 2000 and 2021, as measured by the SDG indicator 3.8.1.[i] The indicator rose from 28 in 2000 to 56 in 2021 (including a recent 2-point increase between 2019 and 2021).[69] Data on financial protection, measured by SDG indicator 3.8.2 on catastrophic health spending, also show a positive trend although these data are available only up to the year 2010. The proportion of the Zambian population that spends more than 10% of total household budget on health has gone down from 5% in 1996 to 0,29% in 2010.[70] More recent data on out-of-pocket expenses on health also show a positive trend, decreasing from 12% of current health expenditure[ii] in 2015 to 7% in 2021.[71]

Recent data on health outcomes are scarce. In the period up to 2018 - which is when the latest available Demographic and Health Survey data were published - shows positive trends. Considerable improvements were realised in core reproductive, maternal, neonatal and child health (RMNCH) indicators, as well in equality between urban and rural areas and between socio-economic groups. These improvements are attributed to intentional health policy and system changes in Zambia, leading to more equitable provision of RMNCH interventions in rural and poorer populations.[72] These figures do not cover recent years and publication of the new DHS survey report is not expected until 2025.

However, more recent figures from the Ministry of Health demonstrate a worrying deterioration in child health and nutrition outcomes, including declines in immunization and an increase of severe malnutrition among children under the age of five.[73] Furthermore, the cholera outbreak (declared in October 2023)[74] and severe drought pose serious challenges. Six and a half million people are adversely affected by the drought, with over three million children under 18 facing prolonged food insecurity and high risks of related health problems. Cases of cholera amounted to 23,378 with 740 deaths by August 2024.[75] Combined with the pressure to reduce public spending, these crises risk seriously jeopardizing the progress towards universal health coverage that was achieved in previous years. UNICEF calculated that an amount of USD 33,582,543 is needed to respond to humanitarian needs in Zambia, about one third of which has been committed, leaving a gap of USD 23,886,601.[76]

Although maternal mortality is declining, it is not at pace with the National Health Strategic Plan, which targeted a reduction from 252 deaths per 100,000 live births in 2018 to less than 100 by 2026.[77] In 2022 the maternal mortality rate was 118 per 100,000 live births.[78]

5.2 HEALTH WORKER AVAILABILITY

The National Health Strategic Plan indicates that the Ministry of Health projects to fill 70% of the health workforce positions by 2026. The government recruited more than 11.000 health workers in 2022, 3000 in 2023, and is planning to recruit another 4000 in 2024, Despite these sizeable recruitments, a large gap of unfilled positions remains. Only 78,178 of the 140,939 positions were

[i] Defined as the average coverage of essential services based on tracer interventions that include reproductive, maternal, newborn and child health, infectious diseases, noncommunicable diseases and service capacity.
[ii] Current health expenditure (CHE) describes the share of spending on health in each country relative to the size of its economy. It includes expenditures corresponding to the final consumption of health care goods and services and excludes investment, exports, and intermediate consumption.

filled in May 2024, representing a mere 55,47%. This leaves an unnerving gap of 62,761 health workers.[iii]

These numbers are far from the targets announced under the IMF programme: 10,700 health workers hired in 2022, maintaining the workforce stable in 2023 and recruiting another total 20,000 staff for health and education together over 2024 and 2025. Leaving Zambia far from ensuring there are sufficient health workers to attend the healthcare needs of its people.

Although recent Investments to expand health infrastructure - made through the Constituency Development Fund - have resulted in an increase in facilities in remote areas, many of these cannot be operationalized because there is a lack of health personnel and equipment.[79]

5.3 AVAILABILITY OF ESSENTIAL MEDICINES

The government of Zambia has set a target of stock availability of key essential medicines and medical supplies at a minimum of 80%, but according to the National Health Strategic Plan (2022) this target was not reached. Inadequate budgetary allocation and challenges around transparency and accountability in the procurement processes slowed down provisions. In 2021, the national budget for essential medicines stood at ZMW 1.4 billion.[80] The National Health Strategic Plan mentions a significant increase to ZMW 3.4 billion in the 2022 national budget for essential medicines[81] In 2023, the budget was further increased to ZMW 4.6 billion, including ZMW 500 million for the purchase of vaccines, with another increase to ZMW 5.1 billion in 2024[82] These budgets have helped to raise the availability of and access to essential medicines and medical supplies up to 80% at health centres and 70% at hospitals in 2024[83] However. whilst medicine stock grew, many standard medications are not available at hospital level. Interviewees from different backgrounds have confirmed that some medications, like malaria testing kits, which should be provided free of charge at health centres, are not available. Patients are sent to private pharmacies with a prescription to get them.

5.4 TRENDS IN HEALTH SPENDING

Health financing decisions in Zambia are underpinned by the National Health Care Financing Strategy 2017–2027, with the goal of attaining sustainable and predictable financing. After stagnation and decline from 2018 to 2021, the government's prioritisation of health, expressed in the percentage of the domestic public budget allocated to health, has increased from 8% in 2022 to 11.8% in 2024. As a percentage of GDP, allocation to health went up from 3% to 3.3% over the same period. In absolute numbers, the domestic health budget increased from ZMW 7.4 billion in 2023 to ZMW 20.9 billion in 2024, a nominal increase of 20%. However, because of the inflation rate of 12%, the real increase amounted to only 6%.[84]

In spite of these increases, significant funding gaps persists. The National Health Sector Plan 2022–2026 estimates the cost of implementation of its healthcare goals at ZMW 31.1 billion in 2024.[85] However, there is still a gap of ZMW 10.2 million. Furthermore, for 2024, the budget allocation for water and sanitation decreased by 13%, which risks affecting public health. So far, the water and sanitation sector has managed to expand coverage, even planning further expansion in 2024, but, like health, the sector is heavily dependent on external funding which makes it vulnerable. Maintaining recent improvements may therefore [86]

[iii] Interview and email exchange with a staff member of the Zambian Ministry of Health.

5.5 EXTERNAL HEALTH FINANCING

Looking at trends in per capita health spending, these show rather large fluctuations both for government spending and external funders to the health sector. The data, from the Global Health Expenditure Database, are available up to 2021.

Table 5: Health spending trends from domestic and external sources per capita[87]

Indicators	2015	2016	2017	2018	2019	2020	2021
Domestic General Government Health Expenditure per Capita in USD	27	21	38	31	29	34	32
External Health Expenditure per Capita in USD	21	24	23	31	50	20	37

In addition to the fluctuations, the above table 5 clearly illustrates the overall low level of health spending and the fact that Zambia's health sector is heavily dependent on external funding. External funding made up as much as 49% of total health spending in 2021.[88] In 2023, external financing amounted to 38.8%, with the largest external funder (USAID) contributing 25% of the total health sector budget.[89]

Disease-oriented funds have made significant contributions to health spending and improvements in health outcomes in Zambia, but questions arise about the risks of this dependency. Although the global health initiatives that are active in Zambia do not seem to be phasing out at the moment (see box below), overall official development assistance (ODA) levels have been stagnant and the political landscape in many traditional donor countries is not lenient towards maintaining, let alone increasing, ODA.[90] A large part of external financing for the health sector in Zambia is off-budget funding, meaning it does not go through the government budget, which is attributed to inadequate trust in the public financial management system.[91] This is problematic, because off-budget funding increases the risk of misalignment, brings challenges in terms of coordination and efficiency, and adds an extra burden to Ministry of Health capacity.[92] To reduce dependence on external funding and the challenges it brings - volatility, coordination and alignment issues - it is important that Zambia, and other low- and middle-income countries, raise more domestic resources. Tax justice measures, at national and international level, and fair and structural solutions to high debt levels are crucial to contribute to a higher level of domestic resources.

Global health funds in Zambia

Global health funds have provided substantial amounts of support to the health sector in Zambia. Eligibility for funding depends on a country's level of income and disease burden, and there are concerns about losing this support when passing threshold. While we indicate that domestic public funding is ultimately the most sustainable way for funding the health system, transitioning from external funding must happen gradually and carefully consider countries' capacity, in order not to jeopardize the health improvements that have been made. The overview below illustrates that in the coming years Zambia will continue to receive support from key funds.

Gavi, the Vaccine Alliance (Gavi). For Gavi, Zambia is in the preparatory transition phase: as lower middle-income country, it still benefits from the full support of Gavi and does not face increased co-payment criteria. This stage has no fixed timeline, but countries graduate to the accelerated transition phase if their gross national income per capita value is above USD 1,810 for three consecutive years and they are able to provide 35% co-payments. Since Zambia's gross national income is USD 1,240, it is not expected to move to the next phase anytime soon.

The Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund). The Global Fund will be implementing its programme in Zambia in the next years. In 2023, Zambia was eligible for funding for all three diseases the fund covers and was classified as a lower-middle income country. In March 2024, the fund issued an update announcing the signing of four new grants with the country, worth USD 362 million for the period 2024-2026.

The United States President's Emergency Plan for AIDS Relief (PEPFAR). Since 2003, PEPFAR has provided nearly USD 7 billion to Zambia. In March 2023, the programme reaffirmed it will continue to be active in the country, although funding is reduced by 3% for the year 2023 and 5% for the year 2024. For the years 2024 and 2025, PEPFAR announced a two-year national budget for Zambia of USD 761.5 million, with USD 390.5 million foreseen in year 2024 and USD 370.9 million in year 2025, the latter subject to change pending actual appropriations for 2024.

The Global Financing Facility (GFF). Zambia joined the GFF in 2019. The country's first Investment Case (the strategy which the GFF contributes to) was the 'Zambia RMNCAH-N Investment Case 2022-2024'. In May 2020 and 2021, the GFF provided USD 5 million and USD 10 million respectively for Zambia's Covid-19 emergency response and the continuation of essential health services. In March 2024, the World Bank announced the second phase of the Girls' Education and Women's Empowerment and Livelihoods for Human Capital Project, with a grant of USD 150 million from the International Development Association and USD 7 million from the GFF (2024-2028). The GFF grant focuses on nutrition-specific activities.

6. CONCLUSION

Zambia continues to face significant economic challenges, amongst which a high debt burden, soaring inflation rate, and climate disasters requiring additional funds. These challenges have a profound impact on the population's overall well-being and risk reversing past improvements in health outcomes. The role of the IMF policy measures mandated through the ECF programme play noteworthy role in this.

IMF ECF programme conditionalities require Zambia to implement contractionary fiscal and monetary policies, aimed at reducing spending, increasing price stability and lowering inflation. This is presented as a technical policy choice that is not subject to public debate, leaving no room for alternative economic policies. Meanwhile, increases in VATs, electricity and fuel costs are intended to raise domestic resources but weigh heavily on the population due to their regressive nature. For local business, the increased interest rate means a restriction in access to credit, limiting options for operability. The current focus on fiscal stability is too narrow and insufficiently addresses the broader socioeconomic issues that deepen poverty and inequality. The increase in electricity and fuel costs could hardly come at a worse time for the Zambian population. Loadshedding due to the drought is around 17 hours a day in September 2024, during which most rely on fuel generators. Although the debt restructuring of the G20 common framework provided some relief to the public budget, debt servicing payments continue to require large shares thereof. The debt sustainability analysis focuses on financial metrics but overlooks how the shrinking economy leads to worsening social conditions, such as people's inability to afford basic services, including healthcare.

Social spending floors, set as part of the ECF programme, are too low to effectively protect social spending. Should social spending meet this floor, the effects on essential social services would be devastating and leave large segments of the population without adequate support.

Overall, the austerity measures imposed by the IMF, a controversial debt sustainability analysis and low social spending floors are impacting the socio-economic well-being of the Zambian population. Increased fuel, and electricity prices and the soaring inflation are pushing people further into economic distress. Disposable incomes are shrinking, poverty rates, especially amongst the most vulnerable are rising, people are no longer be able to afford out-of-pocket health expenses and travelling to health facilities for the care they need.

While health budgets have nominally increased, the effect on actual spending on health services was cancelled out by the high inflation rate. Many healthcare facilities are concentrated in urban areas, leaving rural regions underserved with fewer healthcare workers and medical resources. Access to health services has become increasingly difficult for Zambians. The cost of traveling to clinics and hospitals has risen, taking up a larger portion of the population's disposable income, especially those living in remote areas. The increased cost of living has also made healthcare less affordable, as larger shares of income need to be used for food, electricity and fuel. This makes it even harder for families to cover out-of-pocket expenses for treatments and medicines. At the same time, because of stock disruptions, medicines and essential health products which should be available free of charge often have to be purchased privately, further straining household finances. With the increasing cost of accessing health services, people may forego health care all together. This threatens the quality and availability of health services, exacerbates existing health disparities and leaves vulnerable populations, including women, children, and the elderly, at greater risk of poor health outcomes.

The austerity measures are making access and affordability of health services for Zambians difficult moreover, national processes for health workforce recruitment, procurement of essential medicines, and increased investment in health spending are limited.

While civil society organisations in Zambia have actively discussed alternatives to IMF loans and austerity measures, we are not aware of such discussions taking place at the government or policymaker level. The alternatives proposed, such as outcome-based and commodity-based financing, along with a Zambian-led debt restructuring plan, offer potential pathways to economic recovery that prioritise social equity and fiscal responsibility. The negotiations between the Zambian government and the IMF have not included broader consultations, lack transparency and have not fully explored options that could avoid the social harm tied to austerity. Civil society groups have called for more inclusive policy-making and greater public involvement in these critical decisions, but the government's narrow focus on IMF-led solutions has limited the exploration of alternatives, such as outcome-based financing, commodity-based financing, and a Zambian-led debt restructuring plan. This lack of consideration could lead to further economic and social challenges, as the harsh conditions of austerity are likely to disproportionately affect the poorest Zambians.

Even though CSOs can offer important insights into the effects of policies on different groups of people in society, they have not been meaningfully involved in IMF policy consultations. The list of organisations that the IMF consults for their reviews is narrowly focused on those with expertise in economic and fiscal policy, excluding groups that represent vulnerable and marginalized populations. This lack of inclusion limits the diversity of perspectives in critical policy discussions, particularly on social protection, gender, and age-specific impacts of economic decisions. Without the voices of these groups, the policies being shaped are unlikely to adequately address the most pressing issues facing Zambia's most vulnerable populations.

In conclusion, the policies implemented under the IMF ECF programme structural conditions have led to rising costs across essential sectors in Zambia. These factors have far-reaching effects on people in vulnerable situations, particularly women, children and persons with disabilities, as households face increased financial pressure. The reduction in subsidies, increased taxes, and depreciation of the ZMW have collectively worsened the living conditions for many, deepening poverty and multiplying obstacles to access essential services such as healthcare. These developments underscore the need for alternative policy choices that can protect living standards and build a sustainable economy that serves wellbeing for all.

6.1 POLICY RECOMMENDATIONS

The IMF ECF programme conditionalities focus on achieving macroeconomic stability through contractionary monetary and fiscal reforms. However, neither the IMF policies nor the debt sustainability analysis consider their dire effects of these policies on unemployment rates, cost of living, and poverty levels and increase inequality, particularly for people in vulnerable situations. It is essential to consider alternative policies that support universal social protection and the provision of equitable and accessible health services.

6.1.1 Recommendations to national decision makers and policymakers in Zambia

- The Zambian government should continue efforts to finalize the debt restructuring process with the remaining creditors, aiming for debt cancellation. This will be key in unlocking funds for social sector spending and improving the outlook of the country's debt sustainability.

- The government of Zambia should increase and facilitate engagement with CSOs regarding the IMF ECF programme and loan restructuring discussions. Particularly with CSOs representing people who are marginalized to ensure they are not harmed by the new policy measures.

6.1.2 Recommendations to CSOs in Zambia

- CSOs in Zambia should demand for their engagement in discussions with the government of Zambia and the Zambian IMF staff is more meaningful, timely and inclusive.

6.1.3 Recommendations to the IMF

- The IMF must move away from austerity measures as a 'one-size-fits-all' approach. Contractionary fiscal and monetary policies harm economic and social well-being as well as socio-economic development, and disproportionately impact people in vulnerable situations.

- The IMF should encourage progressive instead of regressive taxation measures in its programme. Focus should be on progressive wealth taxation and corporate income tax, and on curbing illicit financial flows.

- The IMF should adapt its debt sustainability analysis framework to ensure it considers the crisis a country is facing and to reflect humanitarian and development needs outside of the GDP projections.

- Linking Zambia's debt sustainability analysis to the debt restructuring agreements poses a threat to Zambia's public budget. The IMF should raise the threshold for increased debt servicing payments, so that the real increase in ability to pay become the key criteria, instead of a marginally improved economic picture.

- The IMF must ensure that its CSO consultations during the half yearly review process are meaningful. Consultations should be timely, open for all CSOs, and take place at a time of the review where the information can be brought up in discussions with the government of Zambia.

- The IMF must consider the gendered effect of its policies on the most vulnerable groups and adjust their programme design to ensure their situations are not worsened.

- The IMF should adjust the social spending floors in its ECF programmes. Based on a country-by-country analysis their levels should be adapted to national needs and realities, while being sufficiently high to protect, ensure and enhance access to essential services.

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