

Zambia External Bondholder Steering Committee Reaches Agreement with Zambia on Debt Restructuring

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The Zambia External Bondholder Steering Committee →

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LONDON, March 25, 2024 /PRNewswire/ -- The Zambia External Bondholder Steering Committee (the "**Committee**") is pleased to announce that it has reached a conclusive agreement (the "**2024 Agreement**") with the Government of Zambia (the "**Government**") on a restructuring of Zambia's (i) US\$750,000,000 5.375 per cent. Notes due 2022, (ii) US\$1,000,000,000 8.500 per cent. Notes due 2024 and (iii) US\$1,250,000,000 8.970 per cent. Amortising Notes due 2027 (collectively the "**Eurobonds**").

This agreement follows the Government's confirmation that the terms of the 2024 Agreement are compatible with Zambia's Official Creditor Committee (the "**OCC**") assessment of comparability of treatment and the IMF's program parameters under the Second Review framework.

Since November 2023 when the OCC determined that the previous agreement-in-principle reached with the Government (the "**November 2023 AIP**") did not meet the requirements of the comparability of treatment provisions set out in the memorandum of understanding ("**MOU**"), the Committee has continued to support the Government's efforts to pursue a restructuring on terms close to those of the November 2023 AIP, recognising that some adjustments were required as that agreement was predicated on implementation of a restructuring before 31 December 2023.



While the 2024 Agreement provides some further debt relief beyond that provided for in the November 2023 AIP, these additional concessions will allow for the standing default on the Eurobonds to be cured, will support the restoration of Zambia's macro-economic and debt sustainability in the context of the IMF-financed program, and were required to ensure the support of all key stakeholders including the IMF and the OCC in a timely manner. Prompt implementation of a debt restructuring agreement with bondholders is not only in Zambia's interests, but the wider creditor community as a whole.

The proposed restructuring terms set out in the 2024 Agreement are based on the same structure as the November 2023 AIP. Two new Eurobonds (further described as Bond A and Bond B in the Government's press release) will be issued which provide future debt relief commensurate with Zambia's economic progress in the next few years. While the 2024 Agreement requires both additional debt reduction and net present value relief compared to the restructuring terms agreed pursuant to the November 2023 AIP, it also includes enhanced repayment terms and higher coupons on Bond B, in the event that Zambia's debt carrying capacity, as assessed by the IMF and World Bank's Composite Indicator, moves to medium from weak or Zambia continues to meet or exceeds current IMF projections as measured by exports of goods, services and fiscal revenues measured in US Dollars. The 2024 Agreement also includes agreement on certain non-financial terms, including a most favoured creditor clause that will ensure that certain other creditors do not receive a better recovery in the restructuring on net present value terms, a loss reinstatement clause if Zambia were to default during the term of the IMF program, and certain ongoing information covenants for Zambia.

The Committee appreciates the collaborative and transparent discussions with the Government that have allowed for this conclusive agreement to be reached.

A spokesperson on behalf of the Committee said: "We are pleased to have finally reached a definitive and conclusive agreement with the Government that is supported by all stakeholders and which will, in due course, restore full international capital markets access to Zambia and encourage long-term investment in the country, to the benefit of all Zambians."

The key elements of the 2024 Agreement are contained in the Government's **press release**. Implementation of the 2024 Agreement is conditional on mutual agreement on deal documentation, and the objective is to fully implement the agreement as promptly as feasible.

The Committee encourages all holders of the Eurobonds to carefully consider the terms of the Government's prospective offer in relation to the 2024 Agreement and to make their own independent appraisal of the merits and risks of participation.

Members of the Committee include the following asset managers (acting either directly or on behalf of funds or other accounts they manage): Amia Capital LLP; Amundi (UK) Limited; Farallon Capital Management, LLC; Greylock Capital Management, LLC; RBC BlueBay Asset Management.

The Creditor Committee is being advised by Newstate Partners and Weil Gotshal & Manges (London) LLP

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