Public Debt Integrity Series

Accountability failures: Investigating the roots of Zambia's 2020 debt default

Zambia

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Executive summary

This paper aims to investigate the origins of Zambia's recent debt crisis through the lens of domestic accountability. While a lot of attention has been given to what has happened in Zambia after it defaulted on its sovereign debt in 2020 and became one of the few countries to access the G20 Common Framework for Debt Treatments, not enough focus has been put on the various factors that led to the debt crisis in the first place. Poor policy choices, commodity price fluctuations and other external shocks are often mentioned (World Bank, 2017; Chelwa, Kaulule and de Renzio, 2025). We argue that the crisis also stems from a resounding failure of domestic accountability processes and mechanisms to ensure that debt policy and management were conducted effectively and responsibly, avoiding the build-up of the unsustainable levels of public debt which ultimately led to the crisis. Such an accountability failure is particularly striking given the fact that Zambia's debt crisis started to unfold just about a decade after the country got much of its external debt cancelled through the Heavily Indebted Poor Countries (HIPC) Initiative. Questions around the reasons why this was allowed to happen, the role those different actors played, and what could be done to avoid history repeating itself – yet again – are therefore at the core of this paper, using Zambia as a critical case study of factors and dynamics that we think are likely to be relevant well beyond its borders.

1. Sovereign debt and domestic accountability

In recent years, a new debt crisis has hit countries across the world. The impact of the COVID-19 pandemic, followed by a global rise in inflation and the subsequent monetary squeeze in advanced countries, compounded the long-term effects of the global financial crisis of a decade earlier to form what could be called a perfect debt storm. As a consequence, sovereign debt is (again) a big and growing problem, especially in developing countries. The proportion of low-income countries in debt distress, or at high risk of debt distress, doubled to 60% between 2015 and 2022.[4] The most recent UNCTAD global report on debt shows that many countries are now spending more on debt repayments than on education or health (UNCTAD, 2024).

While it would be easy to blame the COVID-19 pandemic for the sudden jump in countries' levels of indebtedness and the consequent problems, a debt crisis was looming well before COVID-19 hit. Over the course of the previous decade, public debt across the developing world had been increasing steadily and becoming more expensive, pushing governments into more vulnerable fiscal positions.[5] One important factor behind the rise in debt is the fact that governments in developing countries have been borrowing less from multilateral institutions and traditional bilateral creditors (that is, Paris Club members, made up mostly by OECD countries), and more from non-traditional creditors (including China), private lenders and domestic sources. While this can be considered as a welcome sign of diversification of financing sources, it also has the potential to increase costs and create problems of coordination and transparency, putting low-income countries at a disadvantage when crisis strikes.[6]

Another way of explaining recurring debt crises is that there has been limited change since the heyday of debt cancellation initiatives around the turn of the millennium when it comes to the underlying incentives of some of the key actors in the debt relationship. Multilateral actors and traditional bilateral lenders have developed better, more responsible approaches to lending[7], but their relevance, as we have already seen, has decreased with the rise of a new set of creditors. More general principles for responsible lending and borrowing have also been formulated, but

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[4] See https://www.imf.org/external/pubs/ft/ar/2022/in-focus/debt-dynamics/ (accessed 8 October 2024).

[5] See https://odi.org/en/insights/low-income-country-debt-three-key-trends/ (accessed 8 October 2024).

[6] Zambia experienced this problem during the negotiation to restructure its debt following the default on its Eurobonds in 2020.

[7] See, for example, https://www.imf.org/en/About/Factsheets/Sheets/2023/imf-world-bank-debt-sustainability-framework-for-low-income-countries (accessed 8 October 2024).

these are voluntary in nature.[8] On the other side, borrowing governments continue to face limited domestic pressure when it comes to borrowing to finance government spending in a transparent, responsible and accountable way. Faced with an endless string of development priorities in need of financing and of pressures to deliver on political commitments, developing country governments often borrow money even when the conditions are not advantageous, pushing the cost of repayment to future governments – and future generations. In some cases, personal benefit also provides a strong incentive for politicians and officials to accept offers that they may otherwise refuse, especially when negotiations happen under a cloak of opaqueness.

The case of Zambia is somewhat emblematic of these trends. After benefitting from HIPC debt cancellation in 2005, the Zambian government went on a borrowing spree in the years between 2010 and 2020, borrowing heavily from international financial markets and from non-traditional lenders, including China (World Bank, 2017; Brautigam, 2022). Funds were used to finance several infrastructure projects with unclear returns – or with returns that would only materialise long after the debt matured – but also general government consumption. For example, over 40% of the USD 750 million 2012 Eurobond was disbursed to ZESCO (the Zambian national electricity company) to finance the Kafue Gorge Lower Power Station project, and to Zambia Railways to support track rehabilitation and the purchase of new rail track materials respectively. The Kafue Gorge project was only commissioned in 2023, a year after the Eurobond matured. And the poor commercial viability of Zambia Railways was already a clear sign that the investment into the company was never going to realise significant returns, let alone pay back the initial financing.[9] As conditions worsened, Zambia was forced to default on its debt in 2020, and became the first country to ask for international help through the G20 Common Framework.[10] The process of reaching a deal with creditors on restructuring its debt took the Zambian government almost four years to complete, and came with a heavy price tag in terms of lost development opportunities (JCTR, 2020). Through the decade in which government debt was building up, from what we could ascertain, few domestic actors were questioning the government's actions and demanding a more responsible management of public resources. Only after the crisis hit did something start to change, but in a clear case of too little, too late. A clear example of this is the passing, in 2022, of the new Public Debt Management Act, aimed at improving the legal framework for debt management.

In this paper, we argue that recurrent failures in holding governments accountable for how they borrow to finance public spending and promote national development are an important additional

[8] See, for example, the UNCTAD Principles on Promoting Responsible Sovereign Lending and Borrowing. Available at: https://unctad.org/debt-and-finance/principles-responsible-sovereign-lending-and-borrowing (accessed 13 February 2025).

[9] See https://www.parliament.gov.zm/sites/default/files/documents/committee_reports/FOURTH%20SEESION%20REPORT-ESTIMATES.pdf (accessed 2 January 2025).

[10] See https://www.imf.org/en/Blogs/Articles/2021/12/02/blog120221the-g20-common-framework-for-debt-treatments-must-be-stepped-up (accessed 8 October 2024).

factor that needs to be taken into account in explaining countries' debt trajectories. To understand how these accountability failures happen, we look at two inter-related issues. The first one is transparency, or how much – and what kinds of – information about public debt is publicly available, and how such information can help different actors understand what the government is doing, try to influence key decisions, and reward or sanction government performance. The second issue relates to the behaviour of key domestic accountability actors whose role it is, formally or informally, to hold government accountable for how it manages public resources. These include parliaments and parliamentary committees, external audit agencies, civil society and the media, among others.

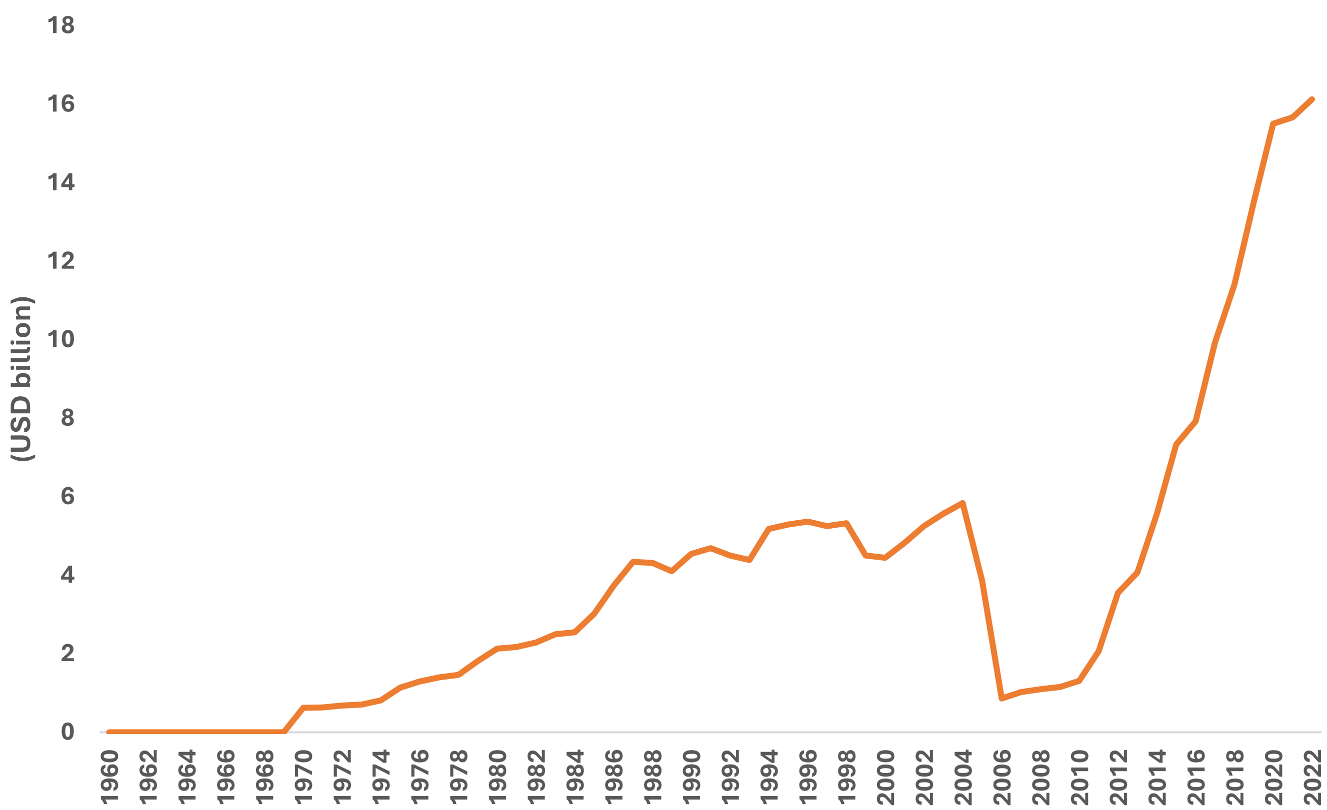
The importance of transparency and accountability in fiscal matters has been recognised for quite some time (Kopits and Craig, 1998; IMF, 2012; Khagram and others, 2013; Carlitz, 2013), but it is only in more recent years – and after the new debt crisis set in – that a focus on promoting more transparency in government debt operations has come to the fore as an important policy concern (Rivetti, 2021; Vasquez and others, 2024). The relationship between transparency and accountability, however, is not as straightforward as many would hope, or imagine it to be. In a widely cited paper, Fox (2007) distinguishes between "opaque" and "clear" transparency, for example. How governments publish information can be as important as how much information they publish. "Opaque" transparency may put lots of data in the public domain, but in a way that is not relevant and useful for accountability actors. It may not, for example, reveal "how institutions actually behave in practice, whether in terms of how they make decisions, or the results of their actions" (Fox, 2007: 667). "Clear" transparency, on the other hand, "reveals reliable information about institutional performance, specifying officials' responsibilities as well as where public funds go' (ibid). Only the second kind of transparency can lead to accountability, he claims. But even then, whether that accountability is "hard" – in the sense that it involves the possibility of sanctioning government performance – rather than "soft" – meaning it only allows for demanding explanations about government behaviour or performance, what he terms "answerability" (ibid: 668).

We will take up these concepts and nuances when we discuss accountability failures in sections 4 and 5 below. First, however, we look at Zambia's public debt trajectory in the years between HIPC debt cancellation and the 2020 default, to provide more detailed background and context for our argument and evidence around accountability failures.

2. Zambia's public debt trajectory, 2005-20

Attaining the HIPC completion point in 2005 was a monumental achievement for Zambia. As part of the initiative, over USD 5.8 billion – representing 85% of the country's external debt – was written off, as shown in figure 1. Such write-off, coupled with increasing commodity prices on the international market in the period following debt cancellation, gave the government a unique opportunity to chart a future for Zambia that would see the country become "a prosperous middle-income nation by 2030" (Republic of Zambia 2006). The Vision 2030 plan set an ambitious development agenda that required significant investments in infrastructure, human capital and industry to make up for the lost decades of the 1980s and 1990s, which were characterised by high indebtedness and poor economic performance that saw the country struggle to attain people-centred development.

Figure 1: Zambia's external debt stock, 1960 to 2022



Source: World Bank Development Indicators[11]

As figure 1 shows, during the period 2006 to 2010 Zambia's external debt remained relatively stable, around the USD 1 billion level. There are two reasons for this. First, from 2006 copper prices on the international market began to improve, bringing additional revenues from mining proceeds to the government (Musokotwane, 2009). Second, the introduction of windfall taxes imposed on mining operations in 2008 greatly helped the government to collect significant revenues that limited the need to enter debt markets. After 2006, the government felt that the country was not benefiting from the improved copper prices because of the mineral development agreements (MDAs) that had been signed as part of the privatisation of the mines. These agreements included clauses that kept mineral taxes so low that it meant that the "windfall" from

[11] https://databank.worldbank.org/source/world-development-indicators (accessed 1 June 2024).

increased commodity prices “accrued overwhelmingly in the form of rents to the mine owners which, net of investment, had in turn been almost entirely remitted offshore in the form of profits” (Adam and Simpasa, 2010: 35).

Thus, the windfall taxes were introduced to try and address this profiteering from mining. After the introduction of the windfall tax regime in mining firms, Lundstøl and Isaksen (2018) estimate that “USD 415 million was collected as additional mining revenue to the state in 2008, while USD 557 million had been projected for 2009.” This, however, never materialised as the government suddenly and inexplicably reversed the windfall tax regime in 2009.

From 2010 onwards, Zambia’s debt trajectory changed dramatically. The reason for this is twofold. First, in 2011 Zambia was reclassified upwards from low-income to lower-middle-income country. This reclassification meant that the country’s access to concessional financing was going to reduce significantly. Second, and related to the first point, the inaugural sovereign debt rating from the ratings agency Fitch in 2011 accelerated Zambia’s entry into the commercial debt market. As the Minister of Finance at the time stated, the rating was a “vote of confidence for the country to go to the international market and issue a bond to raise developmental financing, thereby diversifying the sources of revenue available to the Government,” (Musokotwane, 2011). These two factors invariably opened the door to commercial borrowing. This meant that the country’s borrowing profile was going to change significantly from being heavily reliant on concessional loans to sourcing financing from commercial entities, as illustrated in table 1 below.

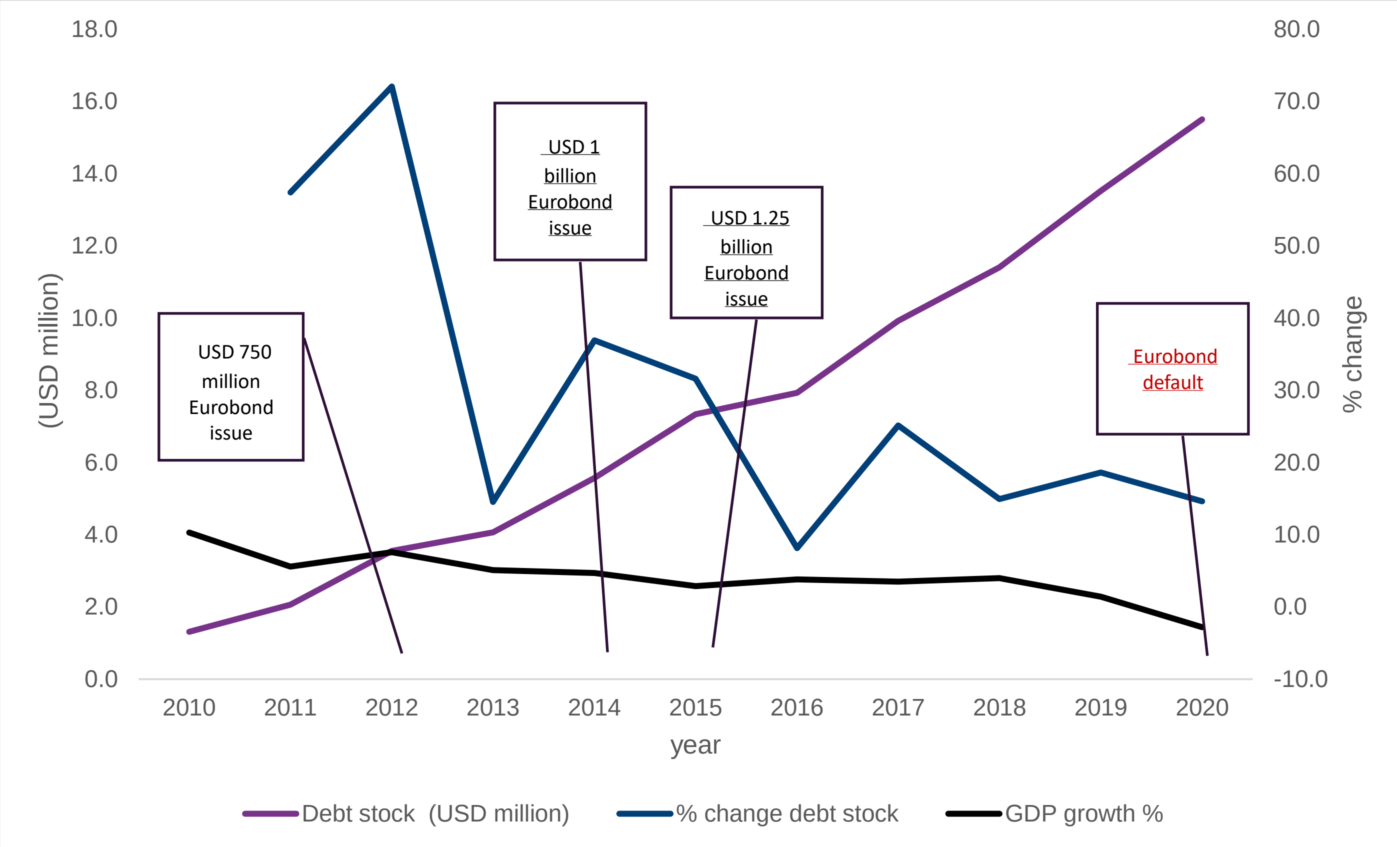
Table 1: Zambia' public external debt stock 2010 to 2018 (million USD)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Multilateral debt	924	966	1,077	1,183	1,212	1,295	1,408	1,621	1,813
Bilateral debt	334	810	1,197	1,229	1,424	1,847	2,310	2,602	2,872
IMF credit	1,117	1,137	1,126	1,110	1,011	907	813	794	715
Export and suppliers' credit	794	1,518	763	1,057	2,566	3,645	6,586	6,902	7,748
Commercial debt	33	108	835	1,063	2,258	3,441	3,436	4,657	5,302
Total government external debt stock excluding IMF	**2,085**	**3,402**	**3,872**	**4,532**	**7,460**	**10,228**	**13,740**	**15,782**	**17,735**
Total government debt with IMF credit	**3,202**	**4,539**	**4,998**	**5,642**	**8,471**	**11,135**	**14,553**	**16,576**	**18,450**

Source: World Bank International Debt Statistics and Banda-Muleya (2021).

As table 1 shows, prior to 2012 the largest components of Zambia's debt were multilateral and bilateral debt. Commercial debt was no more than 3% of the total outstanding debt. This picture, however, began to change drastically from 2012 onwards. On the back of the Fitch rating that gave Zambia a B+ sovereign debt rating, the country issued three Eurobonds in quick succession in 2012, 2014 and 2015 with values of USD 750 million, USD 1 billion and USD 1.25 billion respectively, as shown in figure 2. By the end of 2015 commercial debt constituted about 34% of Zambia external debt, up from 3% just a few years prior.

Figure 2: Zambia's external debt stock versus GDP growth



Source: Bank of Zambia Annual Reports[12] and World Bank Statistics

Part of the push to acquire such huge amounts of commercial debt was an attempt by the government at the time to finance an ambitious infrastructure programme. Chelwa (2015a) for instance notes that such infrastructure projects included the Link Zambia 8000 project, which had been launched in September 2012 with a target of constructing 8,000 kilometres of roads that would connect the country in much the same way as the US interstate highway system.

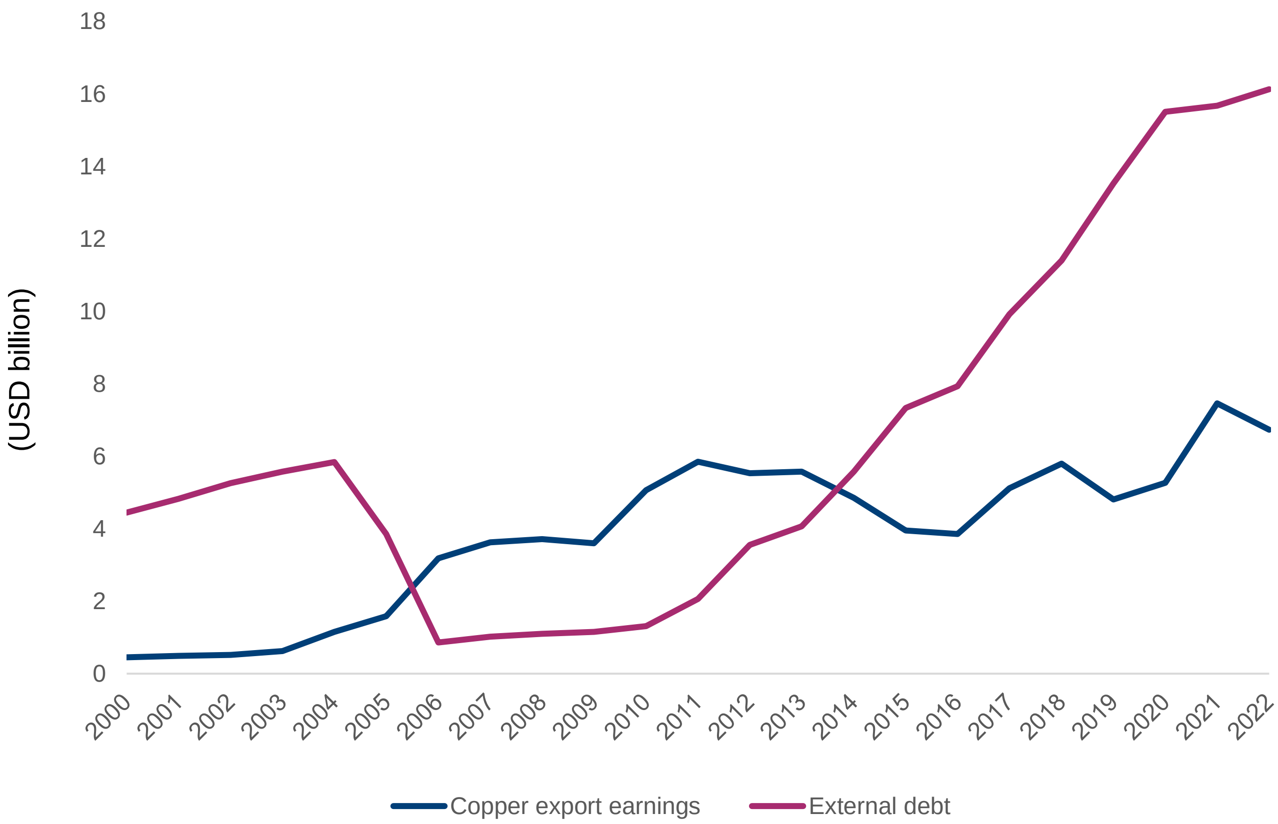
Amid the unabated commercial borrowing, there was also a growing concern that the extent of Zambia's indebtedness to China, which from around 2012 became a major source of Zambia's financing, was not being fully disclosed. According to estimates by Simumba (2018) Zambia's indebtedness to China between 2012 and 2017 grew from USD 831 million to over USD 2.3 billion, a 181% growth in a space of 5 years. By the end of August 2021, Zambia's indebtedness to China alone stood at USD 6 billion (Brautigam, 2021). The problem with Chinese debt was that it came in a variety of forms which included export and suppliers' credit, infrastructure loans or direct project finance loans with either fully commercial or concessionary terms (Simumba, 2018). One of the biggest attractions for the Zambian government to Chinese loans were the low interest rates that were being offered, among other things. For example, the expansion project for Zambia's biggest

[12] https://www.boz.zm/annual-reports.htm (accessed 10 October 2024).

and most important airport, Kenneth Kaunda International Airport, was financed at an interest rate of 2% (Simumba, 2018).

Quite clearly, the possibility of borrowing from commercial lenders brought about by a favourable credit rating and the reduced access to concessional loans eventually led to Zambia's debt distress. While it can be argued that the over optimism of Zambia's economic prospects on the back of increasing copper prices was largely misplaced, the unfettered borrowing culminated in Zambia defaulting on its debt as some of the investments made from these loans failed to deliver the desired returns. As figure 3 below shows, the growth in copper earnings from 2005 onwards coincided with a very aggressive growth in Zambia's external debt stock. Even when copper export earning began to drop off from 2014 due to a fall in commodity prices, the country continued to borrow in the hope that prices would recover, enabling the country to sustain its debt. However, the recovery in prices did not happen.

Figure 3: Zambia's copper export earnings and total external debt, 2000 to 2022



Source: US Geological Survey reports[13] and World Bank statistics.

[13] https://www.usgs.gov/products/publications/reports (accessed 27 May 2024).

3. Accountability failures (Part I): Was enough debt information publicly available?

Whether a failure of domestic accountability can be considered as an important factor in explaining Zambia's recent debt crisis depends first of all on assessing how much information on public debt was publicly available before the actual onset of the crisis, as public debt was building up during the decade from around 2010, after Zambia benefitted from considerable debt relief, to 2020, when it defaulted on its external debt. The key question to be answered is: did domestic accountability actors, and the public more in general, have access to all of the information they needed to know what was going on with government borrowing, and to hold government accountable for its management of public debt? In order to answer this question, we looked at documents published by both the government and by the international financial institutions whose role includes monitoring countries' levels of indebtedness, namely the International Monetary Fund (IMF) and the World Bank.

Information published by government

On the government side, there are a few different types of documents that we searched for, namely:

1) The budget speeches made by the Minister of Finance when presenting the budget proposal to the legislature on a yearly basis, usually in early October for the following year's budget. These are public statements in which the minister lays out the government's main policies and projections, including on borrowing and debt, and that are usually widely covered in the local media;[14]
2) The Bank of Zambia's annual reports, which are also published on an annual basis, and which cover various aspects of the bank's work, including an overview of developments in the Zambian economy which contains key statistics and trends on external debt;[15]
3) More specific debt reports and bulletins published by the Ministry of Finance, usually published each quarter or semester, and with different kinds of statistics and data on government debt.[16]

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[14] These are publicly available from 2007 onwards on the ministry's website: https://www.mofnp.gov.zm/?page_id=3949 (accessed 10 October 2024).

[15] These are publicly available from 2004 onwards on the Bank's website: https://www.boz.zm/annual-reports.htm (accessed 10 October 2024). They were partly used to compile the historical dataset used in the previous section.

[16] These reports are currently available only starting from 2018 on the ministry's website, and so were not the main source for our research (more on this below). See https://www.mofnp.gov.zm/?page_id=3495 (accessed 10 October 2024).

The budget speeches provide a very interesting snapshot of government declarations about the public debt situation in the country over the years (see table 2 below).

Table 2. Key excerpts from budget speeches, 2007-21.

Year	Key excerpts
2007	"Sir, this debt relief will generate substantial savings in terms of debt service, which will accrue to the nation over the next 20 years." (5) "Mr Speaker, following the significant reduction of external debt due to debt relief, the government will focus on maintaining debt sustainability. In this regard, the strategy will be to rely on foreign grants to support development programmes and where such grants are not sufficient, concessional loans will be sought." (11)
2008	[No relevant text]
2009	[No relevant text]
2010	"While we will continue to contract concessional debt as a first option, however, for high return investments, the government may consider seeking non-concessional financing." (10)
2011	"Mr Speaker, Zambia's long-term economic prosperity depends on the resources we invest today. These investments in roads, bridges and power stations are necessary in order to build a more economically vibrant Zambia for our children. Our domestic resource base cannot accommodate the substantial amounts required to finance these investments. In this regard, the government intends to receive about USD 400 million in concessional and non-concessional loan disbursements during 2011." (11)
2012	"Mr Speaker, as at end-September 2011, government contracted external loans of USD 504.8 million to finance the implementation of infrastructure projects in the roads, energy and agricultural sectors." (4) "Sir, this government will ensure transparent and accountable use of loans by strengthening parliamentary oversight. Further, the capacity to appraise projects in the Ministry of Finance and other ministries implementing major projects will be strengthened […] Mr Speaker, early this year, Zambia was assigned a B+ rating by two reputable international rating agencies. This has opened up the opportunity for Zambia to diversify its external financing sources to support our commitment to improve infrastructure […]. To this end, the government plans to proceed with the issuance of a ten-year sovereign bond worth USD 500 million in 2012." (5)
2013	"Sir, as at end-September 2012, our external debt stock, including the proceeds from the bond, stood at USD 2.47 billion, from USD 1.56 billion in 2011 […] I wish to assure the nation that debt stocks remain within sustainable levels." (3)

	"Mr Speaker, with Zambia becoming a lower middle-income country, access to grants and concessional loans will decline […] government will increasingly need to resort to non-concessional loans to supplement domestic resources to finance development […] Sir, we remain mindful of our inescapable duty to never again burden future generations with unsustainable debts. In this regard, we will institutionalise a rigorous appraisal system for screening investment projects […] We will also promote transparency by conducting regular debt sustainability analyses." (7)
2014	[No relevant text]
2015	"Mr Speaker, the stock of government's external debt as at end-September 2014 was USD 4.7 billion. This represents an increase of 34% from USD 3.5 billion as at end 2013. The increase in the external debt stock was mainly on account of the USD 1 billion Eurobond that was issued in April as part of programmed financing in the 2014 budget." (4) "Sir, government remains committed to maintaining a sustainable debt level. In this regard, government conducted a debt sustainability analysis in June this year which indicates that the country's debt position remains sustainable." (13) "Mr Speaker, I wish to assure this House that the PF (Patriotic Front) Government will exercise fiscal prudence in contracting debt. Borrowing will therefore be restricted to financing only critical capital investments." (14)
2016	"Sir, the stock of government's external debt as at end-August 2015 was USD 6.3 billion. This represents an increase of 31% from USD 4.8 billion as at end-December 2014. The increase in the external debt stock was mainly on account of the USD 1.25 billion Eurobond that was issued in July 2015 as part of the financing required for the 2015 Budget." (5) "Government will strengthen the project appraisal processes so as to ensure that borrowing is directed to projects with high returns […] Sir, to ensure timely repayment of the three Eurobonds issued in the international capital markets, Government has established a sinking fund for the purpose of redeeming the bonds." (12)
2017	"Clearly, we are walking a tightrope. We therefore have the responsibility to ensure debt sustainability. We must not burden the next generation with debt." (3) "Mr Speaker, the composition of the external debt portfolio has substantially changed over the past few years. This is on account of the contraction of private commercial debt that accounts for more than 50% of the stock. Our capacity as a country to carry and service our debt has been threatened especially in the face of the macroeconomic readjustments that our economy has recently experienced." (12) "Sir, in order to ensure debt sustainability, government will undertake the following measures: (i) Develop, publish and implement a robust medium-term debt management strategy in 2017 […] (iii) Slow down on capital infrastructure projects which are debt financed through costly borrowing." (12)

	"Mr Speaker, in line with Article 207 of the Constitution which provides for parliamentary oversight over the contraction of public debt, I will soon table before this august House, proposed amendments to the Loans and Guarantees (Authorisation) Act." (13)
2018	[Macroeconomic objectives include:] "Slow down the contraction of new debt to ensure debt sustainability." (8) "Sir, the financing of this ambitious [infrastructure] programme has entailed accumulation of debt. However, government is cognisant of the fact that the risk on our debt portfolio has heightened, worsened by the economic imbalances faced in 2015 and 2016 when economic growth was subdued […] Sir, as part of transparency and good governance that is the cornerstone of this Government, I will, during this session of Parliament, present a bill to repeal the Loans and Guarantees (Authorisation) Act. The bill I will present will provide for enhanced oversight over the borrowing activities of the government by having the National Assembly approve loans before they are contracted." (25)
2019	[Macroeconomic objectives include:] "Reduce the pace of debt accumulation and ensure sustainability." (6) "Mr Speaker, in 2019, we are faced with higher debt obligations as past loans fall due, thereby constraining fiscal space for other expenditures." (19) "Mr Speaker, I wish to reiterate that government remains committed to meeting its debt obligations as they fall due and will not take any unilateral action as it designs and implements its debt management strategy. To ensure dissemination of accurate information, government through my ministry will continue to provide quarterly updates on the debt position." (20)
2020	"Mr Speaker, in the spirit of doing more with less, our strategy will be to rescope existing [infrastructure] projects, seek alternative financing to debt contraction and increase the use of local contractors in the implementation of these projects." (9) "Mr Speaker, prudent management of debt remains a key priority to ensure that debt is maintained within sustainable levels. To this end, the government will: i. Slow down external debt contraction; ii. Postpone or cancel some pipeline loans; iii. Cease the issuance of guarantees; and iv. Refinance existing loans." (14)
2021	"Mr Speaker, government remains committed to restoring public debt sustainability and has embarked on a number of initiatives to achieve this objective. These include cancellation, postponement and re-scoping of projects. Further, contraction of new commercial external debt has been stopped." (17)

Source: Budget speeches (various years). See https://www.mofnp.gov.zm/?page_id=3949

Note: Numbers in brackets are page references in each document.

Information on debt in the budget speeches, as can be seen from the above excerpts, tends to be quite general and aggregate, focusing more on policy intentions than on detailed reporting. While this is appropriate for this kind of budget document, the fact that so many details are left out in the document that gets the most attention from the media and from parliamentarians is worrying from a transparency perspective. This is especially true as Zambia's debt situation started to worsen. The 2012 Eurobond is announced before it is issued, for example, but the following two are reported on only after the fact. And even policy statements – for example, on strengthening project appraisal, changing the legal framework and ensuring debt sustainability – are often repeated, with no evidence of them being de facto implemented.

The annual reports by the Bank of Zambia are similarly light on detail, but at least provide some data on debt composition broken down by different types of creditors. The data, accompanied by a very brief description of key developments, is presented for a 3-year period, which allows for looking at some limited historical trends.

Reports by international institutions

An important source of useful information about countries' debt are the reports that the IMF publishes on a regular basis based on its negotiations with country authorities – what are known as 'Article IV consultations'. Such reports for Zambia over the period we are considering were published in 2009, 2012, 2015, 2017 and 2019. These are the documents that include the so-called debt sustainability analyses (DSAs) that the government mentioned in its budget speeches but that it failed to publish directly. While the two first DSAs consider the government to be at "low risk" of debt distress, the following ones paint a rapidly worsening situation, with the country being classified as at "moderate risk" in 2015, "high risk" in 2017 and "very high risk" of debt distress in 2019, one year before it actually defaulted. These reports contain very useful information on debt dynamics and debt composition, which could have provided domestic actors with important information to assess government performance with regard to public debt management.

The World Bank's main report on Zambia's debt trajectory was only published in 2017, revealing another interesting piece of the transparency puzzle related to the publication of debt reports, showing that the Government was in fact actively limiting public disclosures on public debt:

"As debt levels soared in 2015, the government's response was to stop publishing debt reports or mentioning the overall debt levels in their speeches and official documents. Some numbers were provided, but they were never aggregated. It was left to the reader to solve the puzzle […] Annual debt reports were last made public on the Ministry of Finance website in 2012, and since then, no quarterly debt reports have been published. Since 2012, the only published debt numbers have been found in government speeches and other economic reports."

(World Bank, 2017: 22)

The same report also states that "there has been an absence of precision on what the exact numbers are. Debt numbers differ across publications, causing confusion" (ibid). It also makes some interesting more general points about the fact that, while "there are huge and immediate needs, including that infrastructure must be improved and expanded", "the debt needs to be managed carefully and the proceeds of borrowing shrewdly invested" (ibid: 19). Yet, the reality in Zambia was quite different. As the report argues:

"The tragedy is not the recent rapid build-up of debt, but the lack of productive assets Zambia can show from the borrowing. The first two Eurobonds were accompanied by a detailed plan on how they would be spent. The third Eurobond had no such plan. Where resources have not been linked to specified investment, it is most likely that they have been used to finance government's consumption."

(World Bank, 2017: 19)

In the same line, the much-trumpeted Medium Term Debt Strategy 2017-2019, also published in 2017 (Republic of Zambia, 2017), does not contain any data or analysis of the debt situation or recent debt trajectory, but limits itself to general statements about the need to manage government debt more carefully.[17]

Two more issues related to transparency should be highlighted. The first has to do with the actual comprehensiveness of data made available by the government (or other sources) on Zambia's public debt. In particular, as already mentioned in the previous section, it is somewhat unclear what role borrowing from China may have played in creating Zambia's debt crisis. Chinese debt is famously opaque, but nonetheless ubiquitous across the African continent and beyond. In fact, Brautigam (2022) reports that Zambia is one of the top recipients of debt-financed Chinese investment, as testified by Chinese involvement in a great share of large infrastructure projects, especially in the road and energy sectors. Both Brautigam and Trevor Simumba, a Zambian researcher, highlight the challenges of finding out exactly how much Zambia borrowed from China, but available figures suggest a total of about USD 10 billion over the period from 2000 to 2019, with about half of that contracted in the years between 2016 and 2018, while Zambia's debt crisis was fast worsening and about to reach its peak (Brautigam, 2022; Simumba 2018). During the years 2014 to 2018, Chinese debt represented around a quarter of all new loans contracted by the Zambian government (Simumba, 2018: 18).

The second issue relates to the fact that until 2023, Zambia did not have a law providing for citizens' rights to access public information, making it very difficult to request data from government when this was not proactively made available. Simumba (2018) points out that this issue is particularly important when it comes to Chinese debt, which for a while, was shrouded in secrecy.[18]

In summarising the findings from this section and trying to find an answer to the question formulated at its beginning, a few points are worth mentioning. First, despite some overt attempts by the government to limit the amount (and quality, and comprehensiveness) of debt information available in the public domain, especially during some of the crucial years of its external debt build-

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[17] In comparison, the new MTDS published in 2023 is much more detailed and contains more data and analysis, laying out various debt scenarios with associated risks, etc. See MOFNP (2023).

[18] In late 2021, the Zambian government began publishing regular debt summary reports which also included a comprehensive accounting of debt owed to China. See: https://www.mofnp.gov.zm/?page_id=3495 (accessed 14 February 2025).

up, domestic actors had access to a few different official sources of data and analysis on public debt. These sources provided at least an overall picture of the debt situation, and enough warning signs that the situation was worsening and gradually getting out of control. Debt information, however, tended to be quite aggregate and incomplete, making it more difficult to ascertain clearly what the government's real debt situation looked like in detail, and allowing the government to hide behind formulaic justifications and repeat similar policy intentions year after year.

Second, international institutions such as the IMF and World Bank perhaps underplayed the impact of Zambia's rapid commercial debt contraction through the issuance of the 3 Eurobonds on the country's overall debt situation. The classification of the country's debt as being sustainable could have emboldened the government to borrow even more with very little transparency as to the nature of the debt being contracted. Finally, some of the information that is crucial for accountability purposes, for example on specific debt deals such as the Eurobonds or on Chinese loans, was either not available or only available after the fact, therefore limiting the capacity of domestic actors, such as parliament and civil society organisations, to actively monitor government performance on public debt management.

In the next section, we ask what domestic accountability actors tried to do in practice, given the transparency limitations of the context they were working in.

4. Accountability failures (Part II): How was the government held to account?

How did domestic accountability actors use available information to monitor the situation and hold government accountable for its management of public debt? In this section, we look at two main actors, namely parliament and civil society, to try to understand the role that they played as the debt crisis unfolded.

Parliament

Prior to 2022, the Loans and Guarantees (Authorisation) Act of 1969 (chapter 366 of the Laws of Zambia)[19] *was the primary legislation used for public debt management in Zambia. According to the act, the Minister of Finance has authority to raise loans on behalf of the government, but subject to authorisation by the National Assembly. Furthermore, the act stipulated that parliament can set the limit on how much debt the Minister of Finance can contract on behalf of the Republic*

[19] https://zambialii.org/akn/zm/act/1969/28/eng@1996-12-31#:~:text=%5B28%20of%201969%3B%2039%20of,for%20matters%20incidental%20thereto%20and (accessed 1 March 2025)

of Zambia. This act was applicable to all public (and publicly guaranteed) debt. This was intended to ensure that they were proper checks in place on the executive's borrowing powers. However, this requirement was not absolute. Section 26 of the act gave the minister power to contract debt even without parliamentary authorisation. This section provided that:

"If, during any period when the National Assembly is not sitting, the minister considers that there is such an urgent need to raise any loan or to give any guarantee under this act that it would not be in the public interest to delay the raising of such loan or the giving of such guarantee until the National Assembly next sits, the minister may, if so authorised by the president, amend any statutory instrument promulgated in terms of section three or fifteen by varying any sum specified in such statutory instrument to the extent necessary to permit the raising of such loan or the giving of such guarantee, as the case may be."

(Loans and Guarantees (Authorisation) Act 1969)[20]

This provision provided a route to avoid parliamentary oversight on how debt was being contracted and was often utilised to change the debt ceiling contained in the act, which had been introduced by Statutory Instrument No 53 of 1998. The debt ceiling had been set at ZMW 20 billion in 1998 – equivalent to USD 746 million at that time's exchange rate. For a period of sixteen years, from 1998 to 2014, this ceiling remained unchanged. However, from 2014 successive Ministers of Finance changed the debt ceiling from the ZMW 20 billion (USD 3.2 billion) in 2014 to as high as ZMW 200 billion (USD 10.7 billion) in 2020, representing a 900% increase in a period of only six years. Although the law required parliament to pass a resolution to change the debt ceiling, the change was effected via the promulgation of statutory instruments[21] (effectively executive decrees), by the Minister of Finance, thus reducing the role of parliament to a mere observer and not authoriser of the loans that were being contracted.

In 2016, the Constitution of Zambia went through some wide-ranging amendments, including the establishment of the Constitutional Court and the devolution of some central functions to local governments. Importantly for our purposes, public debt management was now explicitly addressed in the constitution. The ethos of these amendments was to have greater transparency in public debt management, or at least provide a more transparent mechanism of holding government accountable for public debt management. In its 2015 report on the inclusion of the provisions on borrowing and lending, the technical committee that drafted the new constitution stated that:

"The rationale for the article was to provide guidelines on the contraction of loans by the state and the procedure to be followed in the provision of loans or grants from the consolidated fund. The

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[20] https://zambialii.org/akn/zm/act/1969/28/eng@1996-12-31#part_VII__sec_26 (accessed 1 March 2025)

[21] https://zambialii.org/akn/zm/act/si/2016/22/eng@2016-04-04 (accessed 14 February 2025).

committee, therefore, resolved to include a provision on borrowing and lending by government in order to address the problem of high indebtedness which had been previously experienced by the country, as a result of unregulated loan contraction by the executive."

(Dipak Patel v Minister of Finance 2021: J46)

Thus, three important provisions on public debt management were introduced. First, Article 63 (2) (d) of the constitution was modified as follows:

"(2) The National Assembly shall oversee the performance of executive functions by:

[…] (d) approving public debt before it is contracted."[22]

Second, Article 114 (1) (e)[23], which relates to the function of cabinet in debt contraction, was amended as follows:

(1) The functions of cabinet are as follows:

(e) recommend, for approval of the National Assembly

(i) loans to be contracted by the State;

(ii) guarantees on loans contracted by State institutions or other institutions

Third, Article 207[24], which deals with borrowing and lending by government, gave the government power to raise loans, guarantee loans and enter in agreements to give loans. Importantly, it also required that subsidiary legislation be enacted in order for this article to come into effect.

Notwithstanding these constitutional provisions clearly giving parliament the final word on debt approvals, government continued to avoid parliamentary oversight. The main reason for this can be found in Article 207, which seems to require specific legislation to regulate the role of parliament in overseeing government debt. This at least is the interpretation that the Constitutional Court gave in the case of Dipak Patel v the Minister of Finance and the Attorney General. In that case, Mr Patel sued the Minister of Finance for contravening the provisions of Articles 63, 114 and 207 of the constitution by not getting parliamentary approval on the debt contracted after the constitutional amendments. The government responded by arguing that it was parliament, despite repeated promises, that had failed to pass the Act required to enable it to exercise its oversight powers over the executive. In the absence of such an Act, the Loans and Guarantees (Authorisation) Act was still the applicable law to loan contraction by the government. And since that law did not require parliamentary approval, there was no contravention of the law. This situation possibly emboldened the government to contract the levels of debt that eventually led to Zambia defaulting in 2020.

22
https://www.parliament.gov.zm/sites/default/files/documents/amendment_act/Constitution%20of%20Zambia%20%20(Amendment),%202016-Act%20No.%202_0.pdf (accessed 1 March 2025)

23 Ibid

24 Ibid

Clearly, although there were legal provisions for parliamentary oversight of public debt, these were too weak for parliament to effectively exercise its supervisory powers over the executive.

Civil society

As the debt crisis worsened, there was growing concern among public intellectuals and some civil society actors that the country's ballooning debt was a disaster waiting to happen.

As early as 2015, Chelwa (2015a) raised concerns that the quadruple crisis that President Lungu's government was faced with – an 80% depreciation of the local currency in the 9 months following the death of President Michael Sata, the electricity crisis of 2015, a widening fiscal deficit that had grown from around 1% of GDP in 2011 to 6% by 2015 and the ambitious expansionary fiscal policy adopted by the Patriotic Front government, which saw the issuance of three Eurobonds totally USD 3 billion to finance infrastructure development – was a cause for concern around the sustainability of Zambia's debt. The declining copper prices on the international market due to a weakening in demand by China added another strain on Zambia's fiscal position (Chelwa, 2015b).

Laterza and Mususa (2018) raised similar concerns about Zambia's debt, particularly the possibility that a debt default would potentially open up opportunities for vulture funds and international creditors to take over the country's rich mineral resources. Laterza and Mususa recognised that Lungu's increasing authoritarian rule and flagrant public finance mismanagement had contributed to creating the debt crisis. Ofstad and Tjønneland (2019) also noted that while the lack of transparency in Chinese lending and financial flows to Zambia created incentives for kickbacks and inflated project costs, the Zambian government was fully responsible for the debt crisis as it had had sufficient time to respond to warnings against the increasing debt burden from the opposition, local economists and external advisors and donors. In his paper entitled 'He who pays the piper: Zambia's growing China debt crisis, economist Trevor Simumba looked at the implications of the scale and extent of Chinese debt to Zambia (Simumba, 2018). Hitherto, a lack of transparency as to the extent of Chinese loans to Zambia made it difficult to establish a true picture of how sustainable the country's debt was. Simumba's estimate of a debt burden to China of around USD 4 billion raised concerns about how sustainable the country's debt was. Additionally, alarms were raised because increasingly the country was becoming more reliant on commercial and non-concessional loans at very high interest rates which invariably meant high debt servicing costs (Simumba, 2018).

Civil society organisations, however, did not effectively exercise their oversight role during this time of dangerous debt accumulation because many groups were largely, and understandably, focused on confronting the government's anti-democratic practices. The period from about 2014 to about 2021 saw some of the biggest assaults on the country's governance and democratic institutions, prompting the widely respected catholic bishops to effectively designate the country as a dictatorship during this period (Mpundu, 2016). In this context, Zambian civil society saw its role as singularly focused on defending the country's hard-won democracy, to the detriment of focusing on what was then an emerging debt crisis.

What emerges from the above discussion is that the Zambian Government was able to contract unsustainable debt levels partly because there were inadequate mechanisms in place to allow parliament, citizens and civil society organisations to hold government accountable for the debt that it was committing the country to. A robust legal framework, it can be argued, is a precursor to any effective accountability. However, the legal framework in Zambia failed to create the conditions for effective parliamentary oversight of public debt management. As noted by Simumba: “The accountability mechanisms were inadequate, especially at parliament level. There was no way that parliament under those pieces of legislation was capable in any way to hold government from recklessly borrowing and leaving the country with the kind of debt distress that Zambia was in by 2020 which ultimately resulted in defaulting on the loans”.[25]

Peter Mumba, national coordinator of the Zambia Civil Society Debt Alliance, also noted that fragmentation within civil society, with each civil society organisation focusing on their own programs around debt, based off the partners that they had, made delivering a cohesive voice on Zambia’s debt difficult, making it even more difficult to hold government accountable prior to the 2020 debt default.[26] Before the creation of the Zambia Civil Society Debt Alliance, which was established in September 2020, there was no coordinated CSO oversight and policy engagement leadership on public finance management. Thus, there was little to no engagement between government and CSOs similar to what is now being done after the country’s debt default.

[25] Personal communication, 27 September 2024.

[26] Personal communication, 1 October 2024.

5. Looking ahead: Can debt accountability be strengthened?

This paper has shown that starting from about 2012, Zambia's external debt began to increase, and did so at a perilous rate. For instance, in the three years from 2012 to 2015, Zambia's external debt rose by 300% and largely continued at this pace for the remainder of that decade. In addition to the dangerous accumulation of debt, the structure of the country's external debt changed in the 2010s when compared to previous decades. This time around commercial and non-concessional debt became a significant proportion of total debt, thereby increasing the cost of acquiring and servicing debt. Given this background, and the global shock of the COVID-19 pandemic, it was not surprising that Zambia went into debt default in November 2020 and has been struggling to recover ever since.

What the paper has tried to uncover is how existing domestic accountability mechanisms failed to perform their role in denouncing and trying to prevent the government's dangerous accumulation of debt. What emerges from the evidence is a combination of insufficient transparency on the part of government about the details of debt contraction, a weak legal framework failing to enable parliament's oversight role, and a civil society that was incapacitated and, perhaps understandably, focused on broader human rights concerns. This created a situation where accountability mechanisms were either absent or ineffective, giving the government free reign to accumulate too much debt and lead the country into default.

Zambia belatedly introduced the Public Debt Management Act, 2022[27], and it is hoped that the act will strengthen parliament's oversight function as well as equip civil society with the necessary armour to perform its watchdog role. Initial indications are that the authorities are largely following the dictates of the new law, which requires that the Minister of Finance present to parliament for approval the country's annual borrowing plan. It is still early to ascertain whether the act will have a long-term desirous effect on debt management in Zambia. Learning some lessons from the past decade, however, the Act could be further strengthened in the following ways:

1. Remove or revise the discretionary power given to the Minister of Finance under Section 11 (3) (d) which provides for contraction of loans without parliamentary approval if expenditure is exceptional;
2. Revise section 14 of the Act by requiring the president to reconvene parliament to approve loan contraction during an emergency or war;
3. Amend section 8 of the Act to provide for public and civil society participation in the preparation of the annual borrowing plan, and in debt management processes more generally. For example, Section 17 of the Seychelles' Public Debt Management Act established a National Debt

[27] https://zambialii.org/akn/zm/act/2022/15/eng@2022-08-11 (accessed 1 march 2025)

Management Committee with the mandate to advise the minister on matters related to debt management. Although this committee comprises civil servants, Zambia could include civil society experts and consultants as part of this committee;

4. Consider including effective and strong sanctions in debt management laws. There should be penal consequences for ministers of finance who provide misleading information or allow the utilisation of funds for purposes not contained in the borrowing plan and duly approved by parliament.

In addition, the Public Audit Act of 2016 could be amended to include in the scope of the auditor general's responsibility the audit of public debt contraction and utilisation, which should be reported directly to parliament. Reports should disclose conditions, composition, and size of the public loans, guarantees, and grants.

Further, our analysis has revealed that the capacity of Zambia's civil society needs to be strengthened both in terms of financial resources and technical know-how. A significant amount of donor funding to Zambia has over the years, and understandably so, focused on strengthening safeguards around human rights seen as supporting the deepening of democracy and its attendant institutions. The events of the last 4 years or so, in the wake of debt default, have brought home the point that debt is also a human rights issue.

Some of the above recommendations, while specific to the Zambian case, can have broader significance beyond Zambia's borders, for other countries that find themselves facing difficult debt situations. The more general message emerging from this paper is that recurring debt crises are likely to continue to happen unless domestic accountability failures are recognised and addressed before countries get too indebted. This includes supporting and strengthening the important role that actors like parliaments and civil society organisations play in holding governments accountable for the choices they make around public debt.

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Annex 3: Public Debt Integrity series 2025

The role of parliaments in public debt oversight in Africa

This paper is published as part of the “Public Debt Integrity Series”, a joint knowledge building initiative of AFRODAD, the African Forum and Network on Debt and Development, and WFD. The papers in this series research different aspects of the role of parliaments in public debt oversight in Africa. The full list of papers is:

1. Bernard Njiri, Ruth Kendagor, Veronicah Ndegwa, Martin Kabaya, Charles Gichu, Davis Wachira: **Outcomes, constraints and examples in parliament’s role in debt oversight during the different phases of the budget cycle**.
2. Oke Edward Epia: **Legislative oversight and the inverse proportionality of debt and development**
3. Abraham E. Nwankwo: **Remedying a gap in African parliaments’ oversight of public debt**
4. Philip Mwiinga: **Strengthening Zambia's Debt Oversight: Lessons from a Comparative Analysis with Sub-Saharan Legislatures**
5. Ernest Ereke: **The National Assembly and sustainable debt management in Nigeria**
6. Ben Cormier: **Taking the political economy of borrowing seriously: constraints on parliamentary oversight of government debt**
7. Mitchell O’Brien: **Pivoting Parliamentary Scrutiny of Climate Finance from Approval to Performance Oversight: A potential role for parliaments in enhancing investor confidence in future Sustainability-Linked Sovereign Bond (SLSB) Issuances in Africa?**
8. Tesfaye Merra and Danny Cassimon: **The Political Economy of debt in Ethiopia: Assessing the Role of Parliaments in Public Debt oversight**
9. Robert Tumukwasibwe: **Legislative oversight of public debt in Uganda: a critical appraisal**
10. Grieve Chelwa, Paolo de Renzio, Ntazana Kaulule: **Accountability Failures: Investigating the origins of Zambia’s 2020 debt crisis**
11. Sally Torbert, Elena Mondo, Jean-Pierre Degue, Ivy Kihara: **Parliaments’ engagement with civil society, and the public more generally, in public debt management**
12. Jaime Guiliche: **The Role of Parliament in Overseeing Public Debt Management in Mozambique**
13. Abdul-Gafar Tobi Oshodi: **Parliamentary oversight and Chinese loans in Africa: The case of Ghana and Nigeria**

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