The Road to Zambia’s 2020 Sovereign Debt Default

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1. Introduction

On 13th November 2020, Zambia became the first African country in the Covid-19 era to default on its Eurobond debt after missing a coupon payment of US$42.5 million. Consequently, Fitch downgraded Zambia from a CC rating to Restricted Default, following Standard and Poor’s (S&P), which had already reduced its equivalent rating to Selective Default ahead of the expiry of a 30-day grace period for the coupon payment. This came after the Government’s admission that the country was already defaulting on its external obligations and would not be making debt service payments.

The Government has remained in default ever since, a fact reflected through significant reduction in its external debt service payments, and corresponding accumulation of arrears. As a result, debt service was only maintained for institutions with so-called preferred creditor status, i.e. international financial institutions and regional development banks, while arrears to its private and official bilateral creditors keep accumulating, with exceptions made for essential projects that still have undisbursed amounts. In 2020, Zambia serviced only half of its external debt and in 2021 and 2022 and the country’s external debt service was below target, under spending by 83.4 percent and 95.5 percent, respectively. 2

Following these defaults, the Government sought for external assistance in order to bring the country’s debt back to sustainable levels and provide some much-needed fiscal relief. Therefore, in 2020, the Government applied for the G20/Paris-Club Common Framework for Debt Treatment Beyond the Debt Service Suspension Initiative (DSSI), thereafter, Common Framework, which included a formal request for debt restructuring to official creditors.

Against this background, this paper first recounts the previous debt distress event and its resolution by the Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) processes. It then discusses Zambia’s macroeconomic and fiscal landscape (Section 4) leading up to the debt distress, focusing in particular on the dramatic change in economic trend in 2015, which really marked the start of the debt accumulation crisis. In section 5, the authors describe the creditor composition and the factors behind debt

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2 MOFNP 2021 Annual Economic Report
dynamics, with an equal contribution of exchange rate depreciation, primary deficits and debt service costs. Section 6 highlights the decline in quality of Public Financial Management as an important element, and concludes by showing the consequences on the budget, especially in relation to credit allocations to social and economic sectors. Section 7 offers a narrative of the default and Section 8 draws the conclusion. A subsequent paper will look at lessons learned from default times, with the aim of providing suggestions to reform the “Common Framework”, the G20-Paris Club mechanism for debt resolution.

2. Zambia’s economic dynamism after the HIPC and MDRI Initiatives

In the mid-2000s, Zambia witnessed a transformation in its financial situation when it became a beneficiary of debt relief programs, namely the Multilateral Debt Relief (MDRI) and the Highly-Indebted Poor Country (HIPC) initiatives. These led to a substantial reduction in Zambia’s external debt, plummeting from a staggering US$7.1 billion in 2004 to a mere US$500 million by 2006. This debt relief played a pivotal role in alleviating the strain on Zambia’s fiscal resources and resulted in an overall improved economic outlook.

Debt relief granted Zambia a crucial chance to kickstart its economic development and leverage its increased fiscal capability for targeted investments in vital sectors. In this timeframe, the nation also reaped the rewards of elevated copper prices, resulting in the mining and quarrying industry contributing approximately 12 percent to the GDP. Furthermore, the agricultural and construction sectors demonstrated remarkable growth. Through the implementation of prudent fiscal management strategies and capitalizing on the surge in global commodity prices, Zambia effectively turned its economic situation around, consistently achieving GDP growth rates that surpassed 6 percent.

Leading up to 2010, the country experienced robust economic growth resulting in a stable macroeconomic landscape. During this period, the exchange rate remained fairly stable and averaged K4.2/US$ between 2000 and 2010[^3]. Additionally, there were notable enhancements

[^3]: Bank of Zambia Fortnightlies
in Zambia’s international reserves, notably the months of import coverage\(^4\), which increased
to an average of 2.7 during the 2005-2009 period, from 1.6 in the 2000-2004 period. Inflation
trended downwards to a single digit, averaging 8 percent in 2010 from over 17 percent in
2003\(^5\). Nevertheless, credit conditions remained tight, with domestic lending rates averaging
28 percent during the period 2000 to 2010.

Following this impressive macroeconomic performance in 2011, the World Bank reclassified
Zambia’s economic status from a Low-Income Country to a Lower-Middle Income Country,
thus marking a significant milestone. With regards to access to finance, this reclassification
meant that Zambia had reduced its share of concessional funding\(^6\). Therefore, to continue
funding its development initiatives, the Government turned to the commercial capital
markets, which became a new source of financing for the nation’s progress.

3. Post HIPC and MDRI Initiatives

Following the reclassification, Zambia continued to benefit from economic gains previously
achieved and was ranked amongst the fastest growing economies in Sub-Saharan Africa.
Between 2011 and 2014, economic growth still averaged around 6 percent, and this was on
account of increased copper production, favourable food supply and growth in transport and
communications industry. Key indicators in the economy were contained with inflation
consistently maintained within the 6-8 percent target, declining average lending rates, a peak
in copper prices and a relatively stable exchange rate fluctuating around K5.39/$\(^7\) as indicated
in figure 1 below. This culminated into surplus with current account balances averaging 3.5
percent of GDP (except for 2013) and ultimately improved reserves from 3 to 4.3 months of
import cover\(^8\).

\(^4\) Typically, this metric assesses the average number of months of imports that a country’s central bank’s
international reserves can support.
\(^5\) Fundanga (2011). Recent Developments in Zambia
\(^6\) World Bank (2013). Zambia Economic Brief
\(^7\) Bank of Zambia (2014). Fortnightlies
\(^8\) ibid
Concurrently, after a change of Government in 2011, the Patriotic Front (PF) administration adopted an expansionary fiscal policy stance primarily focused on an ambitious infrastructural drive, with expenditure programs geared towards transport, information and communication technologies and energy sectors. While some infrastructure projects had significant socio-economic gains, others generated minimal benefits with negligible economic return, eventually yielding little positive spillovers to the economy. Additionally, the excessive spending during the period (2011 – 2012) included raising the salaries of over 200,000 civil servants, creating an additional 20 districts, and expanding subsidies.

Notwithstanding, the increase in expenditure was not accompanied by an increase in revenues. For instance, from 2011 to 2014, revenues averaged around 17 percent of GDP while expenditures increased from 20 percent of GDP to 23 percent of GDP over the same period. As a result of this fiscal pattern, the fiscal deficit on a cash basis rose from 2.8 percent of GDP in 2012 to 5.2 percent in 2014.

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In 2015, Zambia experienced a drought which led to low precipitation resulting in lower agricultural output particularly for the more productive southern part of the country. As a consequence of its largely undiversified electricity sector, which is not only dependent on hydropower but also concentrated in the drought-prone South, Zambia experienced electricity supply constraints. This led to electricity rationing by the power utility company, Zambia Electricity Supply Cooperation Limited (ZESCO), resulting in power outages of 8-12 hours per day. This adversely impacted industrial production, compelling the Zambian government to increase electricity imports and energy subsidies.

By the end of 2015, the macroeconomic landscape dwindled. Due to electricity rationing affecting mining operations and a reduction in global copper demand leading to reduced prices, the country’s export earnings plummeted by 35 percent. This eventually led to the Kwacha depreciating by over 40 percent with a significant increase of domestic inflation averaging 18.3 percent\(^\text{10}\), resulting in the adoption of a tight monetary policy stance by the Authorities. The large depreciation of the country’s currency further reduced the country’s ability to import essential goods. The current account balance deteriorated to a deficit of 2.6

percent of GDP. Due to such weak fundamentals, the country only managed to record marginal economic growth with real GDP growing at 1.4 percent in 2015\textsuperscript{11}. Although remaining relatively weak, these macroeconomic variables began to pick up after 2016 as shown in Figure 1 above.

4. Towards another Debt Crisis…

After spending most of the 2010s as a single-B-rated country, Zambia’s rating faced negative outlooks in 2016, and was downgraded several times in 2018 to reach the CCC category in 2019, just before the Covid-19 crisis. Due to increased borrowing and a depreciation of the Kwacha, interest payments had also shot up to 6 percent of GDP in 2019 from 3.4 percent of GDP in 2016. Eventually, Zambia’s stock of public debt reached unsustainable levels, doubling from 60.6 percent of GDP in 2016 to 120 percent in 2019.

Figure 3: The comparative evolution of general government debt in Zambia and SSA

Note: Values for SSA are calculated using simple averages.
Source: WEO Oct. 2022, Authors’ calculations

\textsuperscript{11} Ibid
Similarly, the IMF July 2019 Debt Sustainability Analysis (DSA) assessed Zambia’s risk of debt distress as high, with public debt being on an unsustainable path. The country’s October 2017 DSA also painted Zambia’s risk of debt distress as high, two years after its risk of external debt distress was assessed as moderate (May 2015). The policy misalignments and weak structural fiscal adjustments meant that the country, which grew to 1.4 percent in 2019, was already vulnerable by the time the COVID-19 pandemic hit in 2020.

The Covid-19 pandemic may explain the significant economic decline registered in 2020, but statistical trends prior to 2020 indicate that the Zambian economy was already struggling even before the pandemic hit.

The marked deterioration in key macroeconomic variables showing a significant uptick in inflation and depreciation in the exchange rate around 2015 and 2016, corresponded to a period of accelerated debt issuance. While inflation and exchange rate briefly recovered around 2017, they took an upward trajectory in 2018-2020, bolstered by the devasting effects of the Covid-19 pandemic.

In 2020, when Zambia bowed to economic pressures and defaulted, the Zambian Kwacha was volatile and in freefall, depreciating by over 250 percent against the US dollar. The instability and inconsistencies in the mining fiscal regime, and pressure on the demand side, adversely impacted the exchange rate. Internationally, falling copper prices due to China’s economic slowdown and the downgrading of Zambia’s credit score worsened the performance of the Kwacha.
During the same period, the primary deficit had also increased. From 2015 to 2022, the primary deficit, which shows the difference between government revenues and expenditures excluding any kind of interest, also increased, with interest payments identified as the major driver of fiscal deficit.

5. Creditor Composition

5.1 External Debt
As mentioned earlier, the stock of Zambia’s public debt increased from 18.9 percent of GDP in 2011 to over 120 percent of GDP in 2021. During this period, external debt was recorded at US$1.96 billion in 2011 and rose to US$13.04 billion by end 2021. The rise in the external debt stock and profile of creditors is shown in Figure 5.
Comparing Zambian debt dynamics with Sub-Saharan Africa (SSA)’s average, there are two notable features. First, the rapid increase was much faster in Zambia, from under 20 percent in 2014 to 65 percent of GDP in 2020. At the same time, SSA average increased to less than 45 percent of GDP. Second, the composition is also different: debt to multilateral institutions only grew slightly in Zambia as a share of GDP between 2010 and 2019, and shrunk as a share of external debt. In comparison, it increased by 5 percentage points of GDP in SSA, with only a slight reduction of its share in external debt. Within categories of creditors, the share of bilateral concessional debt remained significant in SSA, but close to inexistent in Zambia where Paris Club members largely switched to grants, and other bilateral creditors were lending at non-concessional rates.
5.1.1 Multilateral Debt

Before 2015, multilateral loans averaged 44 percent of total external debt, accounting for most of the country’s external debt stock, with the IMF, World Bank i.e. International Development Association (IDA) and the African Development Bank being the major sources of multilateral loans. These loans took the form of budget support, project and program loans on concessional terms. For most of these multilateral loans, interest rates averaged 0.75 percent, with grace periods of up to 10 years and maturity of over 40 years, mostly directed towards education, health, agriculture and infrastructure, water and sanitation and energy sectors. Records from the Ministry of Finance and National Planning (MoFNP) indicate that multilateral loans accounted for about 64 percent of total external public debt stock in 2011. While IDA loans increased in absolute terms, the proportion of multilateral loans as a share of external debt reduced overtime in Zambia. Multilateral support continued to finance both project finance and budget support. However, the proportion of multilateral support in the total funding mix began to dwindle to about 15 percent or US$2 billion by the end of 2021.
5.1.2 Bilateral Debt
Besides multilateral loans, Zambia also borrowed from bilateral sources and country-to-country loans. These loans were concessional with maturity periods of up-to 40 years. For Zambia, the main sources of bilateral loans were the traditional Paris and non-Paris clubs, with the non-Paris club accounting for a greater share with the largest non-Paris club lender to Zambia being China. Other non-Paris club lenders included Iraq, India and Saudi Arabia. From 2011 to 2021, total bilateral debt averaged 32 percent of external debt.

Of note, a growing category of bilateral external debt was made of “export and supplier’s credit”, which specifically denote financing with the specific purpose of facilitating the purchase of goods and services from the creditor country, in this case especially Chinese companies. This financing source became increasingly prominent in recent past, accounting for the second largest source of total external debt (after commercial debt). It increased from US$448 million in 2011 to over US$4 billion in 2021\textsuperscript{12}, averaging 26 percent of external debt over the reference period. The Exim Bank of China (which offers loans on partial concessional terms)\textsuperscript{13} and CATIC were the major clients under this category. EXIM Bank of China loans totalled nearly US$3 billion in 2020 (roughly 24 percent of total external loans). Over time, the loans were primarily acquired to finance construction and completion of ongoing infrastructure projects\textsuperscript{14}.

5.1.3 Eurobonds/Commercial debt
Between 2012, 2014, and 2015, the Government issued three Eurobonds amounting to US$750 million, US$1.0 billion, and US$1.25 billion, respectively. Table \ref{table:ebonds} shows the structure of the Eurobonds.

\begin{table}[h!]
\centering
\begin{tabular}{|l|c|}
\hline
\textbf{Issuer} & \textbf{Amount (US$)} \\
\hline
Exim Bank of China & 750 \\
China Development Bank & 1,000 \\
China Industrial and Commercial Bank & 1,250 \\
\hline
\end{tabular}
\caption{Structure of the Eurobonds issued by Zambia (2012-2015).}
\end{table}

\textsuperscript{12} MOFNP (2015 & 2021) Annual Economic Reports
\textsuperscript{13} Arve Oftedal. (2019). Zambia’s looming Debt Crisis.
\textsuperscript{14} Brautigam. (2022). China and Zambia: Creating a Sovereign Debt Crisis for a detailed analysis of China’s role in debt accumulation).
The rapid issuance of the Eurobonds increased the proportion of external commercial debt to 45.3 percent in 2015 from 28.7 percent in 2012. By 2019, commercial debt accounted for 50.3 percent of the total external debt. This significantly altered the public debt architecture, making commercial debt a dominant player in external development finance.

*Allocations of the Eurobonds*

The first two Eurobonds were accompanied by a detailed plan of how they would be spent. The third Eurobond had no such plan, but statements were made after it was issued that it would be used for infrastructure, and some areas were highlighted in the media by the then Deputy Minister of Finance.15

The first Eurobond worth US$750 million was largely used for infrastructure projects mainly targeted towards the transport sector. When looking at beneficiary institution, however, the largest recipient of these resources was the Zambia Electricity Supply Cooperation Limited (ZESCO), accounting for 34 percent of total funds. A total allocation of US$225 million was earmarked for two projects: US$69 million for power distribution for the rehabilitation of its distribution network to match the increased power generation capacity and improve the

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quality of service; and US$186 million for the Kafue Gorge Lower Hydro Power Project. Outside the Energy Sector, US$20 million were earmarked for Development Bank of Zambia (DBZ) for on-lending to Micro, Small and Medium Enterprises (MSMEs). Other targeted recipients included the Ministry of Health, which was allocated a US$29 million for the modernisation of tertiary hospitals.

Like the first Eurobond, significant proportions (over 60 percent) of the second Eurobond were earmarked for infrastructure projects, as shown in Table 2. In addition, 25 percent of the second Eurobond was earmarked for budget support. Further, funds were set aside for investments in various institutions, including Indo Zambia Bank (IZB) and National Savings and Credit Bank (NATSAVE), for recapitalisation.

The third Eurobond followed a similar pattern with a significant portion dedicated to infrastructure projects. However, some information on the expenditure of the Eurobond was unavailable at the time this report was written as over 30 percent of the funds were not allocated to any specific projects. Nonetheless, the media reported significant allocations toward roads and administration.
### Table 2: Proposed Usage of the 3 Eurobonds in Zambia

<table>
<thead>
<tr>
<th>Eurobond I (US$ million)</th>
<th>Eurobond II (US$ million)</th>
<th>Eurobond III (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZESCO Limited-Power Distribution</td>
<td>69</td>
<td>Budget Support</td>
</tr>
<tr>
<td>ZESCO Kafue Hydro Power Station</td>
<td>186</td>
<td>Ministry of Transport, Works, Supply and Communications</td>
</tr>
<tr>
<td>Development Bank of Zambia-On Lending</td>
<td>20</td>
<td>NRFA</td>
</tr>
<tr>
<td>RDA-Pave Zambia Project</td>
<td>65</td>
<td>Ministry of Education, Science and Vocational Training</td>
</tr>
<tr>
<td>Ministry of Health - Hospital Modernization</td>
<td>29</td>
<td>TAZARA</td>
</tr>
<tr>
<td>NRFA - Kitwe - Chingola Dual Carriage Way</td>
<td>100</td>
<td>FRA</td>
</tr>
<tr>
<td>NRFA - Refinancing on Formula One Road Project</td>
<td>145</td>
<td>ZNBS</td>
</tr>
<tr>
<td>Zambia Railways Limited – Rehabilitation</td>
<td>120</td>
<td>NATSAVE</td>
</tr>
<tr>
<td>Discount Premium</td>
<td>14.6</td>
<td>IZB</td>
</tr>
<tr>
<td>Transaction Costs</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>750</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Source: National Assembly

Generally speaking, anecdotal evidence indicates glaring inefficiencies in the use of proceeds from Eurobonds. Despite the planned utilisation of the Eurobonds, the successful implementation of these projects turned out to be challenging, and the envisaged results were not fully actualised. For instance, Zambia Railways Limited experienced overdrawn contracts that did not match the goods supplied. Further, the Company incurred losses despite funds for rehabilitation being channelled toward the institution. On the other hand, ZESCO made little progress in the rehabilitation of distribution networks, and part of the funds were returned to the Bank of Zambia (BOZ). At the same time, the Development Bank of Zambia (DBZ) had no lending framework despite funds being disbursed to the institution. The Ministry of Health recorded irregularities with contractors and missing documentation, while

the Road Development Agency reported severe abnormalities, including delayed payment of contractors and poor workmanship.

5.2. Domestic Debt
To finance its growing fiscal deficits, the Government turned to the domestic securities market. As of 2017, Government domestic debt was reported to include only Treasury bills and bonds (excluding arrears and awards and compensation). Domestic debt was multiplied by 5 in nominal terms, from K24 billion in 2015 (13 percent of GDP) to K130 billion in 2020 (39 percent of GDP), as shown in Figure 7 below. The rapid increase in the stock of domestic debt was a result of the Government failure to access the planned amount of foreign financing from the international capital markets in 2016. Therefore, the Government in 2016 increasingly turned to domestic markets by increasing the size of T-bills and the size and frequency of auctions for Government Bonds from quarterly to every two months.

The holders of government securities included banks, non-banks and the Bank of Zambia, but also non-resident holders. Commercial banks, followed by non-banks, dominated holdings of Treasury Bills. On the other hand, until 2018, the largest stock of Government bonds were held by non-banks, followed by commercial banks, as the former include institutional investors as well as pension funds, who invest in securities to meet long-term obligations18. After 2018, the Bank of Zambia became the second largest holder of Government bonds, as it attempted to mitigate roll over risks in 2019, and to implement COVID-response purchases of bonds under the Secondary Market Bond Purchase Programme (SMBPP)19 in 2020. In 2021 and 2022, domestic debt continued to grow, mainly due to financing needs for the budget deficits.

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On the other hand, the Government accumulated domestic arrears over time comprised of guarantees, compensations and awards, VAT refunds and Pension arrears. Between 2010 and 2014, domestic arrears increased only moderately by an average of 33.1 percent, followed by a five-fold spike in 2015, reaching K18.8 billion in 2016 as shown in Figure 8 below, or 8% of GDP. This large increase was on account of an increase in road contactors, electricity imports and fuel. Despite attempts to put arrears under control in 2017-2018, their amount went back up in 2019, peaking at 10% of GDP in 2020.
The bulk of these arrears were VAT refunds and road contractors. The rise in arrears over the years was attributed to fiscal challenges due to higher expenditure relative to revenues. The latter was the result of higher debt service obligations, overruns on subsidies, facilitating Covid-19 related expenditure and variabilities in the macroeconomic environment (key among them was the currency depreciation and slower growth). Over time, these unpaid arrears resulted in service providers facing liquidity and solvency challenges as capital is held up by the Government.
6. The consequences of increased indebtedness

6.1 Rising debt in the context of deterioration in debt management

The switch to more expensive commercial loans amidst sluggish economic growth and weak PFM frameworks all combined to initiate a fiscal and debt crisis. The weak legislature such as the Loans and Guarantees Authorisation Act of 1969 (Text Box 1) was fit for the bilateral and multilateral loans, but with the ushering of commercial, the debt portfolio became more complex and the legislation got outdated. Further, other pieces of legislation in the PFM space were also inadequate.

Text Box 1: Recent reforms in debt management

Weak policy and legislative frameworks created a conducive environment for a debt crisis. Despite many Acts and regulations surrounding the contraction, usage, and management of public debt, the institutional and legal frameworks still need to be improved. Prior to the enactment of the Public Debt Management (PDM) Act (2022), the Constitution and Loans and Guarantees Authorisation Act (LGAA) were the two key pieces of legislature guiding the management of debt. However, the weaknesses and inconsistencies in these two pieces of legislation were observed, particularly the lack of clarity on the final authority for debt contraction, ultimately undermining the governance systems for debt management. The PDM Act 2022 responds to these weaknesses by providing for stronger parliamentary oversight over debt contraction and provision for debt limits. These are some of the many reforms being pursued in an effort to return Zambia towards debt sustainability.

6.2 Rising debt service

The Government fiscal challenges slowly begun to manifest. The massive external debt stock came with huge debt servicing costs which rose from 10 percent in 2014 to over 30 percent in 2020 as a share of expenditure. As a result, non-discretionary spending (debt service costs and civil service wage bill) took-up over 90 percent of domestic revenues by 2019, leaving very little fiscal space for critical sectors such as social spending. Additionally, debt repayment as a share of general public services in the budget rose from 44 percent in 2015 to 77 percent in 2020. On the other hand, allocations towards

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Economic Affairs, Education, Health, Defence, Public Order and Safety as well as Recreation, Culture and Religion declined over the same period as shown in Figure 9. This left the country will little resources to invest in growth enhancing productive sectors of the economy. High debt levels also put immense pressure on the domestic financial markets, potentially crowding out private investment through stubbornly high lending rates.

Figure 9: Expenditure by Functional Allocation and Debt Service, in % of total expenditure

Source: Annual Budget Speeches

7. Towards default

The structure of the Eurobonds acquired over time posed repayment risks, as the 2022 and 2024 Eurobonds had bullet repayment structures, making this debt unsustainable in the medium term. But even before reaching maturity, Zambia was already expending on interest payments every 6 months, and with little or no foreign reserves and no sinking fund, the country defaulted on a coupon payment of US$42.5 million in 2020.

On the bilateral side, Zambia applied for the Debt Service Suspension Initiative in 2020, but its official creditors also requested that the government would suspend coupon payments to private creditors as a condition. Indeed, as default was seen as inevitable, and as debt was
highly opaque, any debt suspended by bilateral creditors would have just gone to pay bondholders.

Subsequently, it defaulted on all three bonds. Bonds were accelerated and the result of this was interest payments accumulation until the country finds an agreement with its creditors.\textsuperscript{21} Applying to the Common Framework was the only solution, but was it a good one? Zambia only reached an agreement with its official creditors in June 2023, and is still negotiating with private creditors.

8. Conclusion and Possible Pathway for Zambia

This paper recounted Zambia’s first debt distress and associated debt relief initiatives undertaken in the early 2000s in efforts to return to sustainable debt levels. It also analysed the country’s macroeconomic and fiscal landscape after the HIPC distress, which gave impetus to Zambia’s reclassification to lower-middle income status from low-income status. Additionally, the paper discussed Zambia’s economic situation in the run up to its second debt distress, whilst providing a breakdown of the changing creditor composition and analysing the implications of rising debt on the economy. Finally, it offered a narrative of the country’s 2020 debt default.

Zambia’s second debt distress occurred barely two decades after facing its first. Lessons from the HIPC period had not been internalized and led to a series of policy mistakes. Analysing these events is therefore valuable for economic policy implications in order to avoid repeating the mistakes of the past, again.

The report shows that Zambia’s shocks experienced between 2012 and 2015 put the country’s fiscal balance in a precarious situation. Due to limited concessional funding as a result of its reclassification, Zambia had to borrow funds from the international market at expensive rates in order to finance its development agenda.

\textsuperscript{21} Kalikeka et.al (2019). Towards 2022-Options for paying back Zambia’s Eurobond
The report also notes that despite being eligible to access funds, caution on its non-concessional borrowing was not taken and interest costs accumulated very fast internationally. Notwithstanding, despite the 2-3 years of restrictive fiscal policy afterwards, the pressure of interest payments was high and this created a strain on the fiscus which was exacerbated by the decline in copper prices. Further, the abandonment of fiscal policy efforts in 2019 made it difficult for the country to drive growth and stability in the domestic economy. To conclude, it is worth mentioning that this paper is a precursor for a follow-up analysis that will provide a deep dive into the country’s debt default and restructuring process. These economic occurrences, as well as their socio and macroeconomic implications, will be discussed at length therein.