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POLICY BRIEF

DEBT RESTRUCTURING WITHOUT RELIEF: ZAMBIA AND THE FAILURE OF THE G20 COMMON FRAMEWORK*

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Key Takeaways

- *The G20 Common Framework for debt restructuring, as applied in Zambia, failed to provide meaningful relief and did not address the root causes of debt distress.*
- *Rather, IMF-imposed austerity measures, such as subsidy removals and tax increases, led to a cost-of-living crisis, higher fuel and electricity prices, and a food crisis, disproportionately affecting ordinary citizens.*
- *After restructuring, Zambia's debt servicing costs rapidly returned to pre-default levels, threatening to trap the country in a cycle of repeated debt crises and limiting fiscal space for essential services like health and education.*
- *The brief recommends that countries like Senegal should seek genuine debt cancellation, not just rescheduling, and demand a freeze on debt servicing during restructuring to avoid self-defeating cycles and allow for economic recovery.*
- *Effective debt restructuring requires transparency from all parties, comparable treatment across all creditor classes, and the elimination of preferred creditor status for multilateral institutions to ensure fair and lasting solutions.*

1. Introduction

Zambia's debt restructuring experience shows that the G20 Common Framework for Debt Treatments, the brainchild of the current multilateral financial system, is inappropriate for resolving developing nations' debt crises. Not only does it impose significant economic and social costs through IMF-imposed austerity measures, but it also offers only a brief reprieve as economic improvements trigger higher repayments which potentially keep the country saddled to repeated debt and economic crises. As the case of Zambia shows, Senegal must look outside the G20 Common Framework to achieve any meaningful and lasting debt restructuring that offers real relief and allows the country's economy to recover.

2. Background and Context of Zambia's Debt Crisis

Copper has had a prominent role in Zambia's economic history. Over 70% of the country's export earnings totalling approximately US$90 billion between 2010 and 2023 were from copper. However, the country has struggled to fully harness copper export earnings for development purposes and thus has had to depend on external borrowing to drive any meaningful development. As a result, periods in which copper export earnings have been high relative to external debt have led to periods of dangerous debt build-up which, in turn, have led to debt crises. During periods when copper prices have performed well, the copper industry has been in foreign hands (1960 to 1969, 2006 to 2014) and as weak policies have allowed for massive profit externalisation. In addition, the country's balance of payments has been characterised by significant leakages such as private sector assets held abroad. These outflows, which are estimated at a third of copper exports and at about 20% of GDP have offset even significant FDI inflows.[1] These large income transfers and resources have deprived the country of much-needed foreign earnings that could have prevented the issuance of foreign currency-denominated debt.[2]

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* The views expressed here are those of the author(s) and do not necessarily reflect the views of IDAN.

[1] IMF (2023). Zambia. 2023 Article IV Consultation, IMF Country Report No. 23/256, Washington D.C.

[2] Sylla, N. S. (2024). Revisiting the foreign debt problem and the "external constraint" in the periphery: An MMT perspective. Levy Institute Working Paper No. 1067

As Figure 1 shows, between 2005 and 2010, the country's external debt remained largely below the US$1 billion mark. This is because recovery in copper prices after 2006 translated into additional revenue from mining proceeds to the government. Earnings from copper exports between 2006 and 2011 nearly doubled from around US$3.1 billion in 2006 to US$5.85 billion in 2011 (see figure 2). The improvement in commodity prices and increased copper exports also saw the introduction a windfall tax on copper exports in 2008. This tax helped improve the Zambian government's fiscal situation.[3]

Figure 1: Zambia's External Debt Stock: 1960-2022

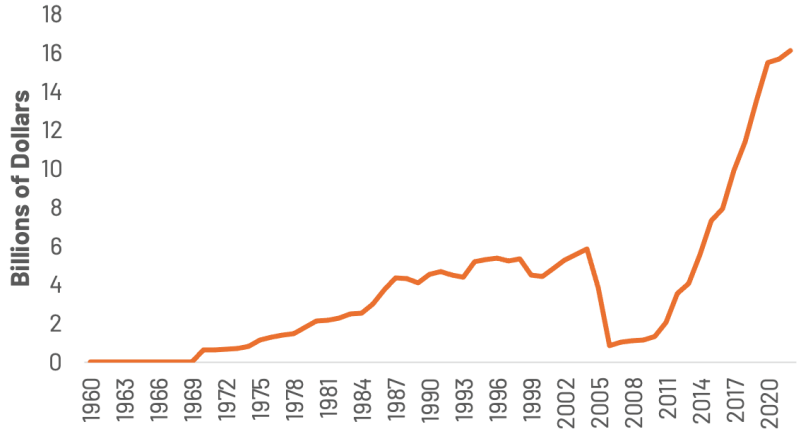
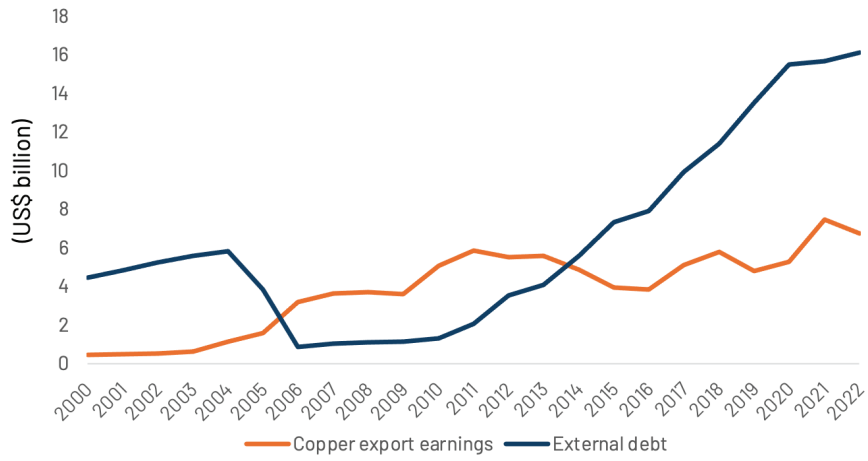


Figure 2: Zambia's Copper Export Earnings and Public External Debt, 2000 to 2022



However, during this period of improved copper export earnings, Zambia's public debt trajectory changed dramatically from 2010 onwards. As Figure 2 shows, between 2011 and 2019, the country's external debt grew tenfold, from US$1.3 billion to US$13.5 billion. The reclassification of Zambia as lower-middle-income country and the inaugural sovereign debt rating of 2011 propelled the country's entry into the commercial debt market. Consequently, the country's debt profile drastically changed as commercial debt became the most prevalent source of financing. By 2015, 34% of the total external debt was commercial debt, up from 3% three years earlier. This increase in external debt was driven by ambitious infrastructure projects such as the Link Zambia 8000, which targeted the construction of some 8,000 kilometres of roads across the country.[6]

[3] De Renzio et al., (2025). "Accountability Failures: Investigating the roots of Zambia's 2020 debt default". Public Debt Integrity Series of AFRODAD & the Westminster Foundation for Democracy.

[4] World Bank Group Development Indicators (https://databank.worldbank.org/source/world-development-indicators)

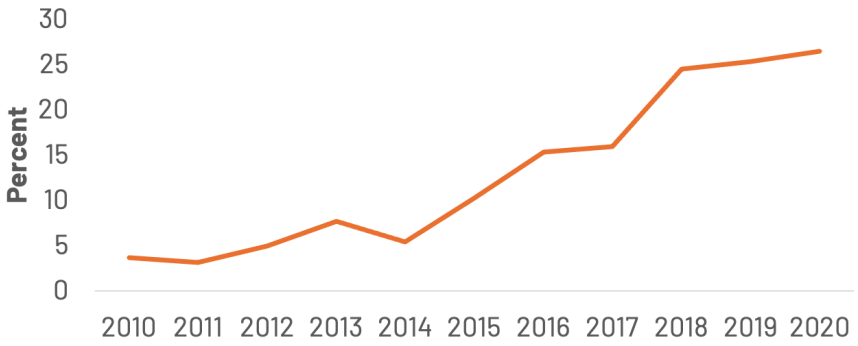
[5] US Geological Survey (https://www.usgs.gov/products/publications/reports) and World Bank Development Indicators (https://databank.worldbank.org/source/world-development-indicators)

[6] Chelwa, G (2015). 'The charts behind Zambia's struggling economy and a controversial IMF loan'. https://qz.com/africa/557335/the-charts-behind-zambias-flailing-economy-and-acontroversial-imf-loan

Opaque Chinese debt also contributed to Zambia's debt crisis. Very little was known of Zambia's indebtedness to China. It is estimated that by 2018, the country's debt burden to China was around US$4 billion.[7] Chinese borrowing increased significantly during Edgar Lungu's presidency reaching levels as high as US$6.6 billion by 2021.[8] Most Chinese loans were used to fund economic infrastructure development.

It is clear from the above discussion that commercial borrowing and over-optimism about the country's economic prospects based on high copper prices, led to Zambia rapidly accumulating debt that became unsustainable once commodity prices began to drop. As shown in Figure 2 above, the growth in copper export earnings between 2005 and 2014 was accompanied by exponential growth in Zambia's debt stock. Despite the drop in copper earnings from 2014 due to a drop in commodity prices, external debt stock continued to grow. By 2020 the country was allocating nearly a third of the national budget to debt servicing. In just 10 years, the percentage of the budget spent on debt servicing rose from under 5% of the total budget to almost 30% of the budget by 2020 (See Figure 3).

Figure 3: External Debt Service as a Percentage of the Budget 2010 to 2020[9]



3. Debt restructuring efforts and the relationships with the IMF

In early 2020, it became very clear that the country was headed towards debt default due to shrinking fiscal space from declining revenue and exports. In June 2020, in the context of the COVID-19 pandemic, Zambia's government requested a freeze on debt repayments under the G20 Debt Service Suspension Initiative (DSSI) which allowed eligible countries to benefit from temporary suspension of official bilateral debt-service payments in order to focus resources on addressing the health crisis.[10] However, Zambia's request was rejected by the External Bondholder Committee which argued that the government had failed to engage with them on how the country would address long-standing fiscal imbalances. This refusal to defer payment contributed to Zambia's debt default. Just 14 years after the attainment of the Highly Indebted Poor Countries' Initiative (HIPC) completion point in 2005, where about US$5.6 billion of the country's external debt was written off, Zambia was yet again defaulting on its debt.[11]

[7] Simumba, T (2018). 'He who pays the piper: Zambia's growing China debt crisis'. https://www.asienhaus.de/fileadmin/_migrated/news_uploads/He_Who_Pays_The_Piper-_Zambia_s_Growing_China_Debt_Crisis-1.pdf

[8] Brautigam, D., & Wang, Y. (2021). Zambia's Chinese Debt in the Pandemic era. In Sais-Cari Briefing Paper. https://saiia.org.za/wp-content/uploads/2022/08/CARI_BP5_BrautigamWangZambiaChineseDebtPandemicEra.pdf

[9] World Bank Group Development Indicators

[10] World Bank Group. (2022). Debt Service Suspension Initiative. In World Bank. https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative

[11] Chelwa et al. (2025). External forces and Zambia's permanent debt crisis. Development. https://doi.org/10.1057/s41301-025-00431-z

The IMF made any financial support to Zambia contingent on restoring debt sustainability. In February 2021, Zambia formally requested debt restructuring under the new G20 Common Framework for Debt Treatments. At the same time, the country began negotiations with the IMF for an Extended Credit Facility (ECF) arrangement. The early stages of this process were fraught with disagreements on the terms of an economic reform programme, that would have seen the country accessing financial assistance from the Fund.

In November 2021, Zambia and the IMF commenced formal discussions on a programme under the ECF. The IMF, in December 2021, a staff-level agreement on an Extended Credit Facility arrangement was agreed. According to the Fund, Zambia had committed to "an ambitious economic reform programme to address the severe economic and social challenges facing the country"[12] requiring "a large, front-loaded, and sustained fiscal consolidation." This included reducing the deficit from 6% of GDP in 2021 to a 3.2% fiscal surplus by 2025. To achieve this, deep austerity measures were undertaken targeting the elimination of what the IMF termed "regressive and wasteful subsidies". Among these measures were the removal of fuel subsidies in 2022, elimination of subsidies on electricity and agricultural subsidy reforms starting in 2023. According to the IMF, these measures would deliver more social benefits. In return, Zambia received a "SDR978.2 million (about US$1.3 billion) 38-month ECF arrangement to help restore macroeconomic stability and foster higher, more resilient, and more inclusive growth."[13]

In October 2023, Zambia and the Official Creditor Committee (OCC), signed a Memorandum of Understanding (MoU) for the restructuring of US$6.3 billion of its debt. A partial restructuring of the bilateral debt was secured in May 2024, nearly 3 years after the formation of the OCC. Around the same time, Zambia reached an agreement with bondholders to restructure US$3 billion in Eurobonds. Bondholders of the 2022, 2024 and 2027 maturing bonds agreed to forego some of their claims and swapped these bonds with two amortising bonds, with one of those bonds offering higher payments if the country's economic outlook and debt-carrying capacity improved.[14]

In October 2025, Zambia signed bilateral agreements with its Chinese creditors. However, one of the sticking points in the restructuring process has been a dispute with the African Export-Import Bank (Afreximbank) over its preferred creditor status. Afreximbank declined to have its loans restructured under the same conditions as other creditors. This position has delayed the country's exit from default status.

4. The IMF Programme and the socio-economic consequences of debt restructuring

Embedding IMF austerity measures in the debt restructuring process has led to negative economic and social consequences. These measures resulted in a cost-of-living crisis and imposed a higher tax burden on ordinary citizens.

[12] IMF. (2021, December 6). IMF Staff Reaches Staff-Level Agreement on an Extended Credit Facility Arrangement with Zambia. https://www.imf.org/en/news/articles/2021/12/06/pr21359-zambia-imf-staff-reaches-staff-level-agreement-on-ecf

[13] IMF (2022, September 6). Zambia: Request for an arrangement under the Extended Credit Facility-Press Release; Staff Report; Staff Supplement; Staff Statement; and Statement by the Executive Director for Zambia. https://www.imf.org/en/Publications/CR/Issues/2022/09/06/Zambia-Request-for-an-Arrangement-Under-the-Extended-Credit-Facility-Press-Release-Staff-523196

[14] Chelwa, G., & Kaulule, N. S. (2026). Sovereign Debt and Debt Restructuring: A case study of Zambia. In the IDEAs Working Paper Series (No. 02/2026). International Development Economics Associates. https://www.networkideas.org/wp-content/uploads/2026/02/Chelwa-and-Kaulule_Zambian-case-study_2026.pdf

4. The IMF Programme and the socio-economic consequences of debt restructuring

Embedding IMF austerity measures in the debt restructuring process has led to negative economic and social consequences. These measures resulted in a cost-of-living crisis and imposed a higher tax burden on ordinary citizens. The conditions set by the IMF were reminiscent of the 1990s Structural Adjustment Programme conditions. Zambia implemented deep economic reforms that cut essential subsidies in the agriculture and energy sectors, both of which are unfavourable to the poor and the working class.

The removal of fuel subsidies in 2022, resulted in diesel increasing by 35.9% while petrol increased by 22.35% between the end of 2021 and the end of 2022. The increase in fuel costs is even more significant when one reviews data from 2021 to 2025. Diesel costs increased by 68.68% while petrol rose by 28.31% over this period.

In addition, the Zambian government was also required to cut funding for the Farmer Input Support Programme (FISP) from 3% of GDP to 1% of GDP. Such conditions and poor policy execution in the agriculture sector were largely responsible for the hunger crisis that ensued in 2024. When President Hakainde's government took office in August 2021, they inherited a total maize supply of 4.5 million metric tonnes against an estimated consumption of 3 million metric tonnes.[15]

As the incoming government viewed the surplus maize supply as a potential source of export revenue, they eliminated taxes on maize exports. Consequently, maize export earnings increased by 122% between 2021 and 2022 from US$49 million to US$109 million. These policy changes on maize export, the mishandling of fertiliser distribution in the subsequent farming season due to cuts in the Farmer Input Support Programme (FISP) and a drop in maize production in 2022, which fell to around 2.7 million metric tonnes, weakened the country's food security and contributed to the 2024 food crisis.[16]

The impact of IMF-induced austerity measures has resulted in a cost-of-living crisis for the country. The Basic Needs and Nutrition Basket (BNNB) best captures the impact of these policy changes. It reflects the cost of an "ideal" basket (what families should spend) rather than actual expenditures on food and non-food items for a family of five.[17] For example, the BNNB for Lusaka has surged from K8,430 in 2021 to K11,400 in June 2025, representing an increase of 40.7%. The sharp rise in the BNNB is consistent with official inflation numbers from the Zambia Statistics Agency. This increase in the cost of living has continued even amid declining overall inflation since 2024. This is because food inflation has consistently been higher than general inflation, thus eroding purchasing power for essential household commodities as measured by the BNNB.

The debt restructuring process, carried out under the heavy hand of IMF austerity measures, has been particularly painful for Zambian society. Fiscal consolidation which required the removal of subsidies on fuel, electricity and broadening the tax base have negatively impacted the lives of citizen. For example, electricity tariffs have also increased by 34% between 2023 and 2025. The ordinary Zambians

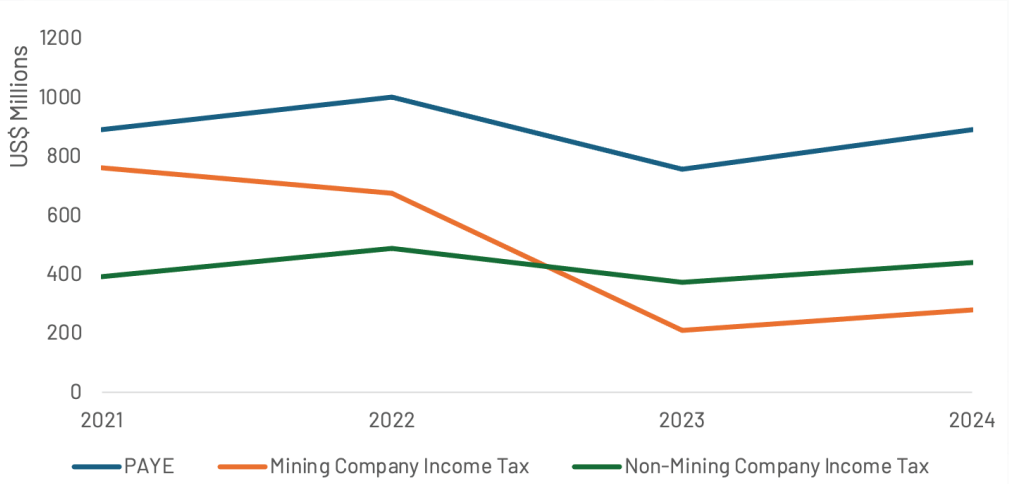
[15] Mushinge, B., & Chelwa, G. (2024, March 3). Policy Failure caused Zambia's Food Crisis. Africa Watch. https://gchelwa.substack.com/p/policy-failure-caused-zambias-food

[16] Ibid

[17] Kaulule, N. S. (2025, August 13). On Zambia's cost of living crisis (Guest Post). Africa Watch. https://gchelwa.substack.com/p/on-zambias-cost-of-living-crisis

continues to contribute more to taxes than mining concerns and corporate entities operating in the country. In 2024 alone, income taxes from wages (PAYE) contributed US$891 million to total collected revenue which is 220% more than the US$277 million collected from mining companies and 100% more than the US$438 million collected from non-mining businesses (see Figure 4)

Figure 4: Revenue Collection from PAYE, Mining Company Income Tax, Non-Mining Company Income Tax: 2021-2024[18]



The agreed debt restructuring deal does little to ensure that Zambia achieves a permanent break from the debt trap. The manner in which debt has been restructured does not allow the country to fully recover from the effects of the default before beginning to pay obligations under the restructured debt. A prime example of this is the restructuring of Zambia's Eurobond debts. In exchange for the three existing Eurobond issues, two new bonds were agreed to, Bond A and Bond B. Bond A, worth US$1.7 billion will be payable between 2024 and 2033 at a rate of 5.75% for the first 7 years and 7.5% thereafter. Bond B, worth US$1.5 billion, will be payable either between 2051 and 2053 with interest capped at 0.5% if the current debt-carrying capacity and economic performance remain unchanged (the base case) or, should economic performance improve between 2026 and 2028, the bond will be due for payment between 2032 and 2035. Notably, interest on bond B will increase from 0.5% to 7.5% for the period between 2025 and 2035. The second scenario would likely result in debt servicing costs of around US$700 million between 2032 and 2033 on the two bonds alone, as payments between Bond A and Bond B coincide. Adding this amount to other debt obligations may yet again result in another cycle of debt distress.

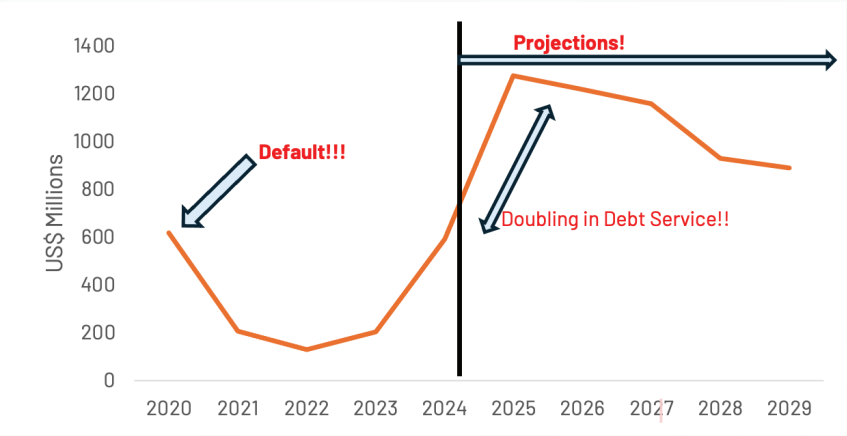
The likelihood of these scenarios materialising calls into question the efficacy of the current framework for debt structuring. In the current instance, debt restructuring would have only worked to improve economic performance, which then triggers higher debt repayments which then contribute to slow economic performance.[19]

As shown in Figure 5, in the aftermath of debt restructuring, debt servicing costs doubled between 2024 and 2025 from around US$600 million to approximately US$1.2 billion. Subsequent years will see the country spend about US$1 billion every year on debt servicing, which is the same level of debt service spending at which Zambia defaulted in 2019.

[18] MoFNP (2024c). https://www.mofnp.gov.zm/?wpdmpro=2024-tax-expenditure-report

[19] Chelwa, G. (2024, April 4). Some delayed thoughts on Zambia's Deal with Bondholders. Africa Watch. https://gchelwa.substack.com/p/some-delayed-thoughts-on-zambias

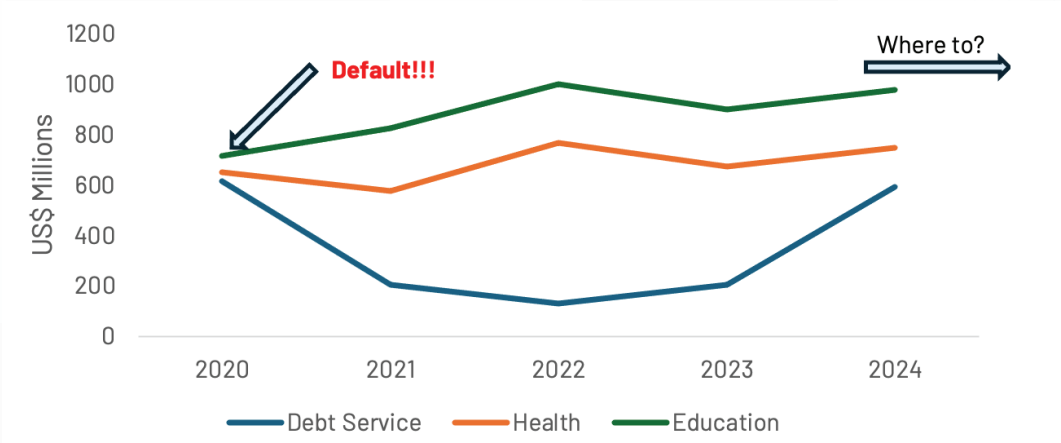
Figure 5: External Debt Service, Actual & Projected, 2020 to 2029[20]



Clearly, debt restructuring has clearly served the interests of lenders far more than those of Zambians. Even after debt restructuring, debt servicing payments will remain well above US$800 million annually until 2033. This goes to show that Zambia will continue to allocate a significant portion of its revenue to external debt servicing.

Figure 6 below, shows that expenditure in debt servicing increased at a much faster rate than education and health between 2023 and 2024. If this trend continues at this pace, debt service costs will soon dwarf expenditure on both education and health.

Figure 6: External Debt service, Education & Health, 2020 to 2024[21]



The debt restructuring process only delivered a brief reprieve for Zambia. This is because post-restructuring, debt servicing costs are heading back to pre-default levels. Secondly, we have seen that the debt restructuring required deep austerity measures and fiscal consolidation. Without implementing spending cuts on energy and agriculture subsidies, debt restructuring might not have happened. Finally, the debt restructuring deal may not have allowed Zambia to permanently escape the debt trap cycle. This is so because the way in which the Eurobonds were restructured favours bondholders over the country. The restructured Bond B is structured in such a way that if economic performance improves, interest rates will increase, which could trigger another cycle of debt distress as higher repayments crowd out spending on other sectors of the economy. The significantly high external debt servicing costs envisaged between 2026 and 2033 leaves the country susceptible to future external debt distress.

[20] MoFNP. (2025)(https://www.mofnp.gov.zm/?wpdmpro=budget-performance-and-economic-developments-2025)

[21] MoFNP. (2025b). Annual Economic Reports. https://www.mofnp.gov.zm/?page_id=3285

5. Lessons from Zambia

Zambia's debt restructuring experience illustrates a recurring failure of the multilateral financial architecture to deliver meaningful relief to developing nations facing debt distress. The G20 Common Framework for Debt Treatments, a product of the current multilateral financial system, has proven to be an inadequate mechanism for debt restructuring. Its central flaw lies in embedding IMF conditionalities within what is presented as a multilateral solution. The Common Framework is not a novel invention but rather an application of a longstanding debt treatment model designed by developed country creditors, endorsed by the Paris Club, and administered by the IMF.[22]

The conditionalities embedded in the Common Framework carry significant economic and social costs. Compounding this, the Framework has failed to compel private bondholders to participate or accept comparability of treatment — a shortcoming that has materially complicated Zambia's restructuring process.

As Senegal contemplates its own debt restructuring, the Zambian experience offers important lessons. The G20 Common Framework, in its current form, is not a suitable instrument for debt resolution, and Senegal would do well to look beyond it. Any mechanism Senegal adopts should meet several core criteria: a debt servicing freeze during the restructuring period; meaningful debt cancellation; comparable treatment across all creditor classes; and a single platform for engagement with all creditors.

Transparency must also be central to the process. Both debtors and creditors should be required to disclose relevant debt information, which would strengthen debt governance, fiscal discipline, and risk management. Finally, the preferred creditor status that currently skews restructuring outcomes in favour of multilateral institutions should be discarded in order to achieve a genuinely equitable resolution.

[22] Christianson, D. (2025). The G20 Common Framework for Debt Treatments: Limits of Reform - tralac trade law centre. TRALAC Trade Law Centre. https://www.tralac.org/blog/article/16913-the-g20-common-framework-for-debt-treatments-limits-of-reform.html

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