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Chinese Engagement in Africa: The Role of Zambia's Political Dynamics and China's Engagement in Zambia's Debt Crisis

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Faculty of Humanities

School of Social Science

Chinese Engagement in Africa: The Role of Zambia's Political Dynamics and China's Engagement in Zambia's Debt Crisis

Master's Research Report

Submitted to the Department of Political Studies in the School of Social Sciences at the University of the Witwatersrand.

Submitted by Aamirah Suleman Nabee (2900092)

On 31 March 2025

Johannesburg, South Africa

Supervisor: Dr Nicole Beardsworth

Declaration

I, Aamirah Suleman Nabee, Student ID Number 2900092, hereby declare that the below is my own and unaided work and is in line with the Plagiarism Policy of the University of the Witwatersrand. Completed in partial fulfilment of the requirements for the Master of Arts Degree for the Department of Political Studies in the Faculty of Humanities.

I further declare that the work presented in this research essay is authentic and original unless indicated otherwise, and in such instances, full reference to the source is provided. I do not presume to receive any credit for such acknowledged quotations, and there is no copyright infringement in my work. I declare that no unethical research practices were used, nor was material gained through dishonesty. I understand that plagiarism is a serious offence, and that if I contravene the Plagiarism Policy, notwithstanding signing this affidavit, I may be found guilty of a serious criminal offence (perjury). This would, among other consequences, compel the University to inform all other tertiary institutions of the offence and to issue a corresponding certificate of reprehensible academic conduct to whoever requests such a certificate from the institution.

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Signature: A.S.N

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Chapter 1: Introduction

An IMF report (2023) noted that China is Africa's "largest trading partner, a major credit provider, and a significant source of foreign direct investment (FDI)". Chinese lending to Africa was the highest in 2016, amounting to $28.4 billion. However, in 2022, this figure decreased to $995 million, the lowest since 2004 (Savage and Miriri, 2024). However, as has become clear from 2020, when several of these borrowers defaulted on their debt, many countries were plagued by poor governance processes for debt accrual and ultimately struggled to repay the debt. However, during the 2024 FOCAC Summit, Xi Jinping pledged to provide $51 billion in funding to Africa, over 3 years, for infrastructure development and job creation (Chen and Cash, 2024). The question remains: Why does China continue to lend to countries that have political and institutional weaknesses? Why does China continue lending to countries already heavily in debt? This paper analyses the relationship between Zambia and China, and how it contributed to Zambia's default. It seeks to answer what drove China's lending to Zambia, and how Zambian institutions and political elites contributed to its indebtedness. This broad overview of China's role in Africa goes into examining how the existing literature addresses these dynamics and where gaps remain.

My paper draws from and expands on the knowledge gained about China's position as a leading African lender and the consequent impact of its debt dynamics, amidst the rise in debt-trap diplomacy concerns. The existing literature puts China in a broad investment context regarding African infrastructure and resources, because it uses debt financing to assume immense influence and authority over the economies of Africa. However, most of these studies focus on outer factors, such as China's economic policies or global market conditions, rather than the domestic political dynamics within African countries that shape these debt relationships. Bearing this in mind, my research will try to fill an essential gap in the literature by examining how Zambia's domestic political dynamics, particularly the role of political elites, institutional frameworks, and governance structures, have contributed to its debt crisis.

1.1. Rationale

A report by the China Africa Research Initiative (CARI) had shown that during the COVID-19 pandemic, Zambia defaulted on its Eurobond repayment, making it the first African

country to fall into a sovereign debt default (Brautigam, 2021). The sovereign debt default results from failure to pay $42.5 million on its 2014 Eurobond (Kessler, 2023, p. 1). Due to the degree of the debt default, it highlights the importance of further investigation into Zambia's debt situation, as well as China's involvement in it.

Experts estimate that Zambia's central government and state enterprises owe Chinese lenders "at least US$6.6 billion." (Brautigam, 2021). It is evident that China has a significant presence in Africa, and there is a growing need to understand Zambia's debt dynamics by examining its domestic policies and priorities.

Within the Zambian context, policymakers viewed infrastructure development as one of the considerable priorities, recognising it as a crucial factor for boosting economic growth and development. China has become a key investor and creditor to Zambia for several major infrastructure development projects by providing funding for "road, air, energy, and digital infrastructure" (Ofstad, 2020). However, China continues to lend to Zambia and other African countries, despite many of them facing severe debt distress. To reiterate, Xi Jinping pledged to provide $51 billion in funding to Africa over the span of 3 years, for infrastructure development and job creation during the 2024 FOCAC Summit (Chen and Cash, 2024). China's continued lending to African countries raises concerns over debt sustainability. However, several factors have resulted in Zambia's debt crisis, both internally and externally, and this paper aims to bring them to light. In order to analyse the factors at play in Zambia's debt crisis, this study applies theoretical frameworks that explain unequal power dynamics and institutional roles.

This study has employed dependency theory and institutionalism. Despite dependency theory being a historical theory, it is pivotal to this study because the relationship between China and Zambia is unequal, with China holding the most structural and relative power. The question stands: Does more power mean more agency? Does China have the upper hand in dealing with Zambia because it is a more powerful country? Is history repeating itself with China replacing the West and exploiting Zambia for its gain? Aside from historical dynamics, this study finds importance in considering what previous research has not yet addressed.

To be fair in assessment, the study achieves something that previous research has not – it assesses external factors, such as China's role in Zambia's debt default and the domestic

factors that contributed to the 2020 sovereign debt default. External factors are followed by analysis of internal institutional mechanisms.

Using political institutionalism, this study aimed to look at internal factors, such as governance structures, political elites (such as the ruling party, presidency, ministries, etc.), and oversight mechanisms that led to the default. This study aims to contribute to knowledge and understanding of Zambia's debt crisis and the factors that led to it. This research is crucial, as many African countries are heavily indebted and may be heading in the same direction as Zambia. Shedding light on Zambia's debt crisis can raise awareness, allowing countries to responsibly maintain external aid and control internal weaknesses to prevent a spiralling of debt through a lack of oversight mechanisms. This research fills gaps within the literature on the motivations for China's continued lending to borrowers like Zambia, with increasing debt levels and internal political concerns.

In this regard, I will explore existing literature on China's lending strategy and examine how it adjusts its approach according to different levels of political stability and governance in various African contexts, through a comparative analysis of China's involvement in Zambia and other African countries.

1.2. Research Questions

1.2.1 Primary Research Question:

1. To what extent have Zambia's political elites, institutions, and governance structures contributed to the country's debt accumulation, and how does this interact with China's role as a major lender?

1.2.2 Secondary Research Questions:

1. What roles have Zambia's political elites played in Zambia's debt crisis, which resulted in their 2020 sovereign debt default?

2. What was the role of institutions and governance structures (presidency, treasury, and ministries) in Zambia's accumulation of debt?

3. What oversight mechanisms existed to oversee the signing of new Zambian debt agreements, and what happened to them?

4. What drove China's continued lending to Zambia, even when it became evident that Zambia was becoming deeply indebted and likely to default?

5. To what extent has China's financial and investment strategy in Zambia been influenced by an awareness of Zambia's political and institutional weaknesses?

6. How do Chinese investments in Zambia compare to their investments in other African nations with varying levels of political stability and institutional strength?

1.3. Research Methods

This research employs a mixed-methods approach, combining macro-level quantitative indicators with micro-level qualitative insights. This triangulation analyses data and trends through expert interviews and cross-checks them against findings from literature analysis to create a substantive understanding of Zambia's debt crisis. Expert interviews may reveal information not yet reflected in the available literature, thereby strengthening analysis and filling existing gaps.

Quantitative data were abstracted from several sources, including Afrobarometer, AidData, V-Dem, and Freedom House, to illustrate patterns in public opinion, financial flows, and governance. The collected data were then cross verified through expert interviews to confirm the findings. This strengthened the analysis by highlighting trends in the data collected regarding political elites and their motivations behind Zambia's increasing debt and its institutional capacity. Quantitative insights are triangulated with qualitative evidence for accuracy and validity.

Data obtained from expert interviews were then triangulated against available quantitative data and literature to ensure the validity of findings and interpretations. This helped in understanding whether public and expert perceptions aligned with or diverged from established literature.

The chosen method of literature analysis was thematic. This allowed for integration of large-scale data with qualitative perspectives from interviews.

This approach coupled large-scale quantitative indicators with interview-based qualitative evidence. The Afrobarometer survey time-series data collected quantitative insights into

ordinary Zambians' perceptions of economic governance, burden-sharing initiatives on external debt, and public opinion on China's role in Zambia.

Through the AidData database, the research tracked how Chinese official financing flows, categorized by project, sector, and type of funding (concessional or non-concessional), increased over time. These data provided a comparative understanding of Zambia's reliance on Chinese resources vis-à-vis other African nations.

For developing Zambia's institutional profile, the research employed V-Dem measures to indicate governance gains and weaknesses from 2010 to 2020. Key indicators included constraints on the executive by the legislature, judicial independence, and media freedom. Annual Freedom House reports, which ranked countries according to civil liberties and political rights, further supported the classification of Zambia as having executive-empowered structures and a weak civil society in enforcing accountability.

I applied descriptive analysis to capture the trajectory of Zambia's rising public debt, examine its relationship with political events, and interpret public views on Chinese pillars of cooperation.

Qualitative data augmented the analysis by revealing political leadership's ambitions and constraints and shedding light on domestic accountability mechanisms. Comparative analysis brought Zambia's experience into conversation with other African countries, Angola and Kenya, to determine whether Zambia's challenges were unique or part of a broader continental pattern. This approach helped ascertain how differences in institutional strength and policy-making discipline produced varied outcomes, particularly regarding defaults amid heavy Chinese financing.

The theoretical underpinning of the study drew on Dependency Theory, which explained structurally unequal relationships between capital-importing peripheral economies and external creditors, and Institutionalism, which emphasized the crucial role of domestic governance mechanisms in mitigating crises. These theories guided the discussion on whether Zambia's situation stemmed primarily from external dependency on Chinese capital or domestic institutional derelictions, or both.

The research primarily focused on qualitative data to understand the behaviours and motivations of Zambia's political elites and the factors behind China's lending decisions.

I obtained primary qualitative data through semi-structured interviews with six experts in the China-Africa domain. Using purposive sampling, I conducted initial interviews with Dr. Cobus Van Staden (The China Global South Project), Dr. Marja Hinfelaar (Southern African Institute for Policy and Research, Lusaka), and Caesar Cheelo (Southern African Institute for Policy and Research, Lusaka). Snowball sampling then expanded the expert pool, leading to interviews with Jacob Mkandawire (on debt accumulation and institutional roles), Dr. Godfrey Hampwaye (on institutional weaknesses and internal debt management), and Newton Norviewu (on Chinese lending practices and fiscal discipline).

I triangulated the information from these interviews with data from journal articles, books, newspaper sources, and other secondary sources.

Additional primary and secondary sources further enriched the research. While increased transparency following the G20 Common Framework and the 2021 government change improved access to Zambian government records, policy documents, parliamentary records, reports from Chinese financial institutions and officials on decision-making documents are largely inaccessible due to confidentiality. To address this gap, the study relied on obtaining data from several sources and databases (AidData, Freedom House reports, V-Dem, etc.). Additionally, measurement indicators included governance scores, debt restructuring terms, and loan-to-project efficiency, with IMF and World Bank reports supporting findings on governance. Academic books, articles, blogs, and grey literature on Zambia's political dynamics, debt management, and Chinese engagement, enabled historical and comparative analyses. Measurement indicators included governance scores, debt restructuring terms, and loan-to-project efficiency, with IMF and World Bank reports supporting findings on governance.

1.4. Limitations

The main limitation of this study is the interview sample. Despite the six expert-interviews providing a richness of perspective, participants comprised of academics (Dr Marja Hinfelaar and Dr Godfrey Hampwaye), policy researchers and analysts (Dr Cobus van Staden and Mr Newton Yaw Norviewu), an economist (Mr Caesar Cheelo), and a debt management

practitioner (Mr Jacob Mkandawire). There is a need for insider perspectives from Zambian government officials or Chinese representatives who are a part of the lending institutions funding Zambia. Zambia's debt management and loan negotiations need to be voiced by decision-makers directly involved.

The researcher has acknowledged the limitations to this study and has aimed to mitigate it by triangulation of data from expert-interviews with secondary data available (Afrobarometer data, AidData, other academic sources). Despite constraints faced, the researcher combined both primary and secondary data to strengthen the richness, reliability, and validity of the study. However, some critical sources remain inaccessible, particularly regarding Chinese institutional motivations.

Direct access to Chinese banking and government documents is largely inaccessible, which limits the analysis as it makes it difficult to uncover China's true motivations behind its interests. To address this gap, patterns in available data obtained from literature and expert interviews have been analysed to determine inferred motivations on loan conditionalities, lending strategies, and trends in behaviour regarding China's engagement with Zambia.

Future studies could enhance the analysis of Zambia's 2020 sovereign debt default by increasing the interview sample to include officials from the Zambian Ministry of Finance and National Planning, members of Parliament, or key Chinese representatives involved in lending institutions funding Zambia. Key scholars within the field, such as Deborah Brautigam, Tim Zajontz, and Hannah Ryder, amongst several others, offer knowledgeable perspectives into this discussion and are worth interviewing.

1.4. Paper outline

Chapter 1: Introduction

This chapter introduces Zambia's debt crisis and explains why it is necessary to investigate external lending behaviour, especially from China, combined with domestic political and institutional factors. It introduces the primary research questions and objectives and briefly describes the dominant theories and approaches.

Chapter 2: Literature Review: China's engagement with Africa

This chapter summarizes existing research on China's economic engagement with Africa and identifies key Chinese-funded ventures in Zambia. It also narrates the history of Zambia's debt accumulation.

Chapter 3: Power, Institutions, and Debt: An Empirical Exploration

This chapter presents the research findings, utilizing qualitative interviews and quantitative data. It addresses the political elites' function, evaluates the institutional oversight flaws, and explores China's lending strategy in contrast with other African countries.

Chapter 4: Conclusion

Concludes that the Zambian debt crisis resulted from political elites' desire for short-term gains and poor institutional oversight, permitting unrestricted Chinese lending. While Dependency Theory explains Zambia's external world exposure, Institutionalism is a more appropriate explanation of governance failure at home. The chapter recommends more stringent institutional accountability, parliamentary oversight, and transparency of foreign funding to prevent potential future crises.

1.5. Theoretical Framework

1.5.1. Dependency Theory

Dependency theory is a developmental approach stemming from Latin America and began gaining attention in the 1960s (Hout, 2023). We can define it as a particular situation where the economy of certain countries is influenced by the growth and expansion of other dominant countries to which they are subordinate (Hout, 2023).

Emeh (2013) defined dependency as a situation where "a particular country or region relies on another for support, survival, and growth." He further explains that dependent countries have specific characteristics: they are third world, economically underdeveloped countries, such as Africa, Latin America, Asia, and Oceania, which face poverty, high birth rates, and have an economic dependence on first-world countries, such as those in the West and North America (Emeh, 2013).

It is within this theory that we see that centre nations create a reliance on periphery nations on them, creating a dependency. Despite the decline in popularity of dependency theory, this

paper posits that it is relevant to today's issues. Several relationships between centre nations and periphery nations may be exploitative in nature. Some argue that within the lens of this theory, it is easy to view Africa as a significant raw material exporter, with China being exploitative of Africa for this purpose.

China views Africa, as outlined by the Silk Road Academy, as a continent rich in resources such as "oil and gas, uranium, cobalt, [and] copper" (Taylor and Zajontz, 2020). This makes it evident that resource-rich Africa may attract many global players for its abundant natural resources. As the largest global producer of industrial goods and one of the world's biggest economies, investors, and lenders, China's involvement in Africa reflects a shift from dependency on the West, created by imperialism, to a new form of dependency on China (Taylor and Zajontz, 2020). China has immense power and influence in investments and global markets. While China asserts that its relationship with Africa is based on mutual benefit and cooperation, Taylor and Zajontz (2020) argue that it closely mirrors Africa's former exploitative relationship with the West. Many argue that China achieves this exploitative relationship with African countries through the Belt and Road Initiative.

The Belt and Road Initiative (BRI) is commonly associated with Chinese infrastructure initiatives on a global scale, most commonly in Africa. However, it goes far beyond that. China's ambition is to connect itself with new trade routes and global markets, extend its political and economic influence, and facilitate progressiveness and technological advancements (Jie and Wallace, 2021). Taylor and Zajontz (2020) assert that under the BRI, history may repeat itself, with the relationship marked by "unequal exchange and exploitation, consistent with previous readings of Africa's underdevelopment". They argue the BRI could intensify Africa's underdevelopment and dependency on China. The argument proposed by Taylor and Zajontz (2020) is compelling due to the historical evidence of Africa's exploitation by the West, whereby the West developed itself out of African resources, leaving Africa underdeveloped. The same could be true for the China-Africa relationship, as the BRI may be under the guise of a mutually beneficial relationship, while China benefits more at the expense of African countries and their valuable assets and resources. Hence, some argue that there is a need for African countries to assert more agency to regain their power.

Links (2021) adds that power and agency are closely linked, with the more powerful actor typically possessing more agency. The China-Africa relationship is often viewed as a "zero-

sum" game, where Africa sees minor gains while facing long-term consequences. The perspective provided by Links (2021) is troubling, as it asserts that African countries may lose more than they can gain, such as its sovereignty at the cost of minor gains. Under the BRI, concerns around dependency continue, with questions raised about whether African countries will truly benefit or merely take on new risks (Links, 2021). Chinese funding is readily available, providing a steady financial flow. Since Zambia prioritises development to drive economic growth, it continues to borrow from China despite high debt levels. This is concerning as constant borrowing may lead to economic and fiscal instability, which is unfortunately the outcome of Zambia's debt situation. Constant borrowing has hindered growth and increased economic instability, as a large portion of funds is reserved for loan repayments.

1.5.2. Institutionalism

According to Amenta and Ramsey (2010), political institutionalism focuses on the study of political structures, such as state-level institutions (governments, legislatures, and party systems), and how these factors influence political outcomes. This theory is crucial to understanding the political environment of Zambia that may or may not have contributed to the crisis. This theory asserts that historical institutional arrangements, such as the organization and distribution of power, can influence a country and its relations with other countries and political behaviour. It is important to note that this theory considers historical legacies' impact on Zambia's political environment. Political institutionalism explains how political actors can work within and change these institutions.

This theory is useful as it allows the researcher to analyse Zambian institutions to determine how debt is managed, and it helps in assessing borrowing decisions. It may provide an understanding of where strengths and weaknesses in Zambian political institutions lie. Looking at Zambia's historical context, we can analyse its colonial history and institutional development to understand if these factors have created weaknesses that enabled or facilitated the current debt crisis. I will look at how Zambian elites use and manipulate institutional structures for their benefit, whether to secure loans with a lack of transparency and accountability. The study of political institutions can provide further understanding of institutional gaps and how political elites may exploit these gaps.

Chapter 2: Literature Review – China's Engagement in Africa

2.1. Historical Context

Chinese engagements in Africa date back to the Han Dynasty in 140–87 BC, during the reign of Emperor Wuti, in search of allies, which brought them into Africa (Alden and Alves, 2008: p.46). These engagements emphasize the long and rich history of Sino-African relations. However, the climax of this relationship was during the Ming Dynasty, when the Chinese navy, under the guidance of Zheng He, entered the northeast coast of Africa during the 1500s (Oqubay and Lin, 2019: p.61; Alden and Alves, 2008: p.46). The reason behind the voyage was exploration. To understand China's engagement in Africa, there is a need to examine its relationship with these countries during their pre-independence.

While most studies of the Cold War focus on the role of the USA and USSR, China also influenced Africa during this period, helping some African countries with their independence struggles (Large, 2008; Alden and Alves, 2008: p.48). In the 1960s–1970s, China competed with the Soviet Union and the West for increased influence in Africa through infrastructure development and other forms of aid (Large, 2008; Alden and Alves, 2008: p.52). In the 1980s and 1990s, China's role in Africa declined due to domestic reform and shifting global priorities (Large, 2008; Cheng et al., 2023: p.64; Alden and Alves, 2008: p.53).

China's re-engagement in Africa took off in the 1990s**.** The idea behind the Forum on China–Africa Cooperation (FOCAC) began in 1997 and materialised in 2000 (Cheng et al., 2023: p.65). The purpose behind FOCAC was to increase cooperation between China and African countries to facilitate "political dialogue, regional security, multilateral affairs, economic growth and social development" (Cheng et al., 2023: p.65). FOCAC paved the way for solidifying diplomatic engagements between China and African countries.

Increased diplomatic engagement between China and Africa in the early 2000s led to the creation of the White Paper on China-Africa Policy, issued in January 2006 (Alden and Alves, 2008: p.54). The year 2006 was deemed China's "Year of Africa," as there were increased relations between China and African countries in terms of diplomacy, infrastructure, developmental aid, and trade (Large, 2008). Economic interests also drove China's resurgence, such as securing natural resources, accessing African markets, and extending its geopolitical influence (Large, 2008; Cheng et al., 2023: p.64).

It is important to add that China's principles in its foreign engagements make it a desirable partner, in comparison to Western loans. The five principles that ground China's foreign policy are: "mutual respect for territorial integrity and sovereignty, mutual non-aggression, mutual non-interference in internal affairs, equality and mutual benefit" (Cheng et al., 2023, p. 77; Alden & Alves, 2008, p. 47).

The main difference between Chinese and Western lending lies in the rationale behind the loans and the attached conditions. Chinese lending focuses on "mutual benefit" between governments and prioritises infrastructure development projects such as "parliaments, sports stadiums, bridges, and railways" (Gort & Brooks, 2023).

China provides conditional loans that boost its own business interests, with allocations made for the Chinese labour force, contracts, and experts in the field (Gort and Brooks, 2023). On the other hand, Western lending, commonly dispersed through institutions such as the World Bank and IMF, focuses on interest payments rather than infrastructure development (Gort and Brooks, 2023). Historically, Western lenders have tied their loans to "structural adjustments, liberalisation, and Western technical assistance" (Gort and Brooks, 2023).

Compared to the West, Chinese lending is commonly associated with opaqueness and a lack of transparency, which tends to operate multilaterally (Gort and Brooks, 2023; Cormier, 2022). There is a direct correlation between a lack of transparency with borrowers regarding their financial situation and China's willingness to continuously increase financial assistance with opaque borrowers (Cormier, 2022).

The reasons behind this could be that, in order to avoid scrutiny, China opts for countries that lack transparency when it comes to lending, or borrowers that lack transparency prefer Chinese loans over Western loans because Western loans come with restrictions and conditions with more transparency, which can bring political risks for untransparent political elites (Cormier, 2022).

2.2. Chinese Engagement in Zambia

The relationship between Zambia and China began long before Zambia had attained its political freedom and independence from the United Kingdom, which occurred in October 1964 (Rapanyane, 2020; Rapanyane and Shai, 2020; Rapanyane and Maphaka, 2022; Dynamic, 2019; Flint and Waddoups, 2021). China was viewed as a helper to Zambia during

its colonial struggles, providing support in Zambia's political emancipation through financial and material means (Rapanyane, 2020; Rapanyane and Shai, 2020; Hampwaye et al., 2023). This historical legacy paved the way for future political and economic ties in Zambia's post-independence governance.

From 1964 to 1991, the United National Independence Party (UNIP) governed the country (Sishuwa, 2024). The founding President, Kenneth Kaunda, proclaimed Zambia a "one-party state" in 1972 (Sishuwa, 2024). Kaunda supported reform agendas that gave African business owners a chance to develop without the competition of foreign counterparts, and "Matero" declarations, which facilitated the "partial nationalization of the non-mining and mining industries" (Hearson, 2021). However, under Kaunda's rule, the early 1970s were characterized as the years of falling copper prices and a tax-to-GDP ratio amounting to "34 percent" (Hearson, 2021). This resulted in Kaunda's one-party state losing popularity, credibility, and ultimately power, giving way to democracy and multiparty politics from 1990 (Hearson, 2021; Sishuwa, 2024). In 1991, the Multiparty Democracy (MMD), led by Frederick Chiluba, came into power (Sishuwa, 2024). Zambia's political landscape has been through periods of endemic corruption and relative instability, which have impacted its performance, leading to increased debt and mismanagement of funds.

Under the administration of former President of Zambia, Kenneth Kaunda, the relationship between China and Zambia deepened, leading to one of the largest Chinese-funded infrastructure projects in Africa – the TAZARA railway (Rapanyane, 2020; Dynamic, 2019; Rapanyane and Shai, 2020). The TAZARA railway, which started in 1970 and was completed in 1976, was a railway connecting Tanzania to Zambia and is said to have facilitated the "political and infrastructural developmental phase" of China in Africa (Rapanyane, 2020). The TAZARA railway was provided as an interest-free loan amounting to over $400 million (Rapanyane, 2022; Dynamic, 2019). In other words, the TAZARA project opened China to Africa in terms of assistance, paving the way for billions of dollars to be spent on infrastructure development in African countries.

The Zambian economy is heavily reliant on the value of copper in the global market and the rates of domestic production. When Michael Sata took the presidency in 2011 under the Patriotic Front (PF), it is said that he may have played a pivotal role in motivating Chinese involvement in Zambia's mining industry (Rapanyane, 2020). China is known as the "world's biggest consumer of copper" (Hampwaye et al., 2023). As a result, China has contributed

billions of dollars to Zambia's mining sector. However, the catch was that state-owned Chinese mining companies tend to adopt "vertical integration" – meaning that instead of supporting Zambian suppliers, Chinese companies use their own resources or procure from affiliated companies (Li et al., 2022). The result of this is that it prevented growth and technology transfer locally, hampering economic development in Zambia (Li et al., 2022). Nonetheless, the fall of copper prices had led to the Zambian economy slowing down, facilitating and motivating Chinese infrastructure expansions in Zambia, such as the construction of the Ndola airport and an additional terminal located at the Lusaka International Airport, intensifying Zambia's debt (Hampwaye et al., 2023).

2.3. China's Debt-Trap Diplomacy Debate

The term "Debt-Trap Diplomacy" (DTD) was coined in 2017 by Indian scholar Brahma Chellaney (Himmer and Rod, 2022; Dullar, 2024). He explained that China has a specific lending strategy as it purposefully lends exorbitant amounts of money to developing countries, most notably under the Belt and Road Initiative (BRI), placing them into unfeasible debt, and when they cannot repay this debt, strategic assets are seized in return (Himmer and Rod, 2022; Dullar, 2024). DTD is often viewed as a neo-colonial strategy that is used to take control of resources, key infrastructure and to gain political leverage (Himmer and Rod, 2022; Dullar, 2024).

The DTD narrative has been emphasized by Western powers as they argue that China's opaqueness in its lending strategy "undercuts sovereignty" and creates a vicious cycle of dependency (Dullar, 2024; Gelpern et al., p:4; Mak, 2025, p:239). Critics point out clauses seen in Chinese contracts that support this perception, including: 1) Loan contracts having certain provisions to limit transparency by ensuring that details are kept confidential (Bagwandeen et al., 2023; Dullar, 2024; Zajontz, 2022; Mak, 2025, p:239) ; 2) Chinese lenders gaining repayment priorities and clauses that exclude the debt from entering international restructure processes (Gelpern et al., p:6) ; 3) Lender has control over collateral or special accounts (Mak, 2025, p:239; Gelpern et al., p:6); 4) Specific clauses that may influence policies of the borrower, including default triggers linked to diplomatic relations (Mak, 2025, p:239).

However, despite claims made of China being deliberate in placing countries in debt with the intention of seizing their assets, there is a lack of empirical evidence to support this view.

Alternatively, root causes to debt distress often points to domestic governance weaknesses and creditor dynamics as several African and Asian countries are more indebted to Western lenders instead of China (Himmer and Rod, 2022; Bagwandeen et al., 2023; Mak, 2025, p:237). For example, in 2018, African governments owed 32% of their external debts to private creditors, and only owed 20% to China, with an average of 2.7% interest rate which is half of Western lenders' interest rates (Bagwandeen et al., 2023).

China has aided several countries in their efforts towards debt management through relief and restructuring. From 2000 to 2019, China cancelled 94 interest-free loans amounting to $3.4 billion (Bagwandeen et al., 2023; Chiyemura et al., 2022). In 2022, it wrote off 23 loans owed by 17 African countries (Bagwandeen et al., 2023; Chiyemura et al., 2022). China actively participated in the G20 Common Framework as a co-chair to Zambia's creditor committee to help Zambia restructure its debt of about $840 million in claims, showing flexibility in repayment terms (Bagwandeen et al., 2023; Dullar, 2024).

Case studies that are used to show China's debt trap have minimal empirical evidence to support the argument that China pushes countries towards debt to gain control of their assets. In Sri Lanka, China accounted for a small portion of the debt for the Hambantota Port, which was formed on local decisions (Himmer and Rod, 2022; Dullar, 2024). In Zambia, concerns over China seizing its valuable assets when it could not repay the loans were proven false as China was a part of the G20 Common Framework, which had restructured Zambia's debt (Bagwandeen et al., 2023; Himmer and Rod, 2022; Zajontz, 2022). Similar cases are for Kenya and Djibouti, where the ports of these countries were still owned by their respective governments (Himmer and Rod, 2022). However, it is worth noting that Laos is a case study that stands out from the rest since China had a debt-for-equity deal in which they acquired a large share in a national power company (Himmer and Rod, 2022).

It is evident that despite the increasing concerns around China's debt-trap diplomacy, there is very little empirical evidence to support this narrative. Despite Chinese loans being opaque with lack of transparency, there is lack of trend to prove that China has any coercive intent or aims for asset seizure.

2.4. Timeline of Zambia's Debt Accumulation

Zambia's debt crisis spiralled because of "public policy failures, domestic political developments, and unexpected global economic shocks." The country relies on the mining sector (Saungweme and Odhiambo, 2019). Zambia's debt dynamics can be acknowledged by two periods: (1) the pre-debt crisis phase from 2000 to 2011, and (2) the phase during the debt accumulation resulting in the debt crisis from 2012 to 2019 (Kessler, 2023: p.1).

The 2000s in Zambia were characterised by growth and development because of reforms adopted, favourable economic conditions on a global scale, high global copper prices, and debt relief provided by the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiatives (MDRI) (Kessler, 2023: p.1; Grigorian and Bhayana, 2024; Saungweme and Odhiambo, 2019). The HIPC and MDRI initiatives wrote off most of Zambia's public debt in 2005, under President Mwanawasa (Grigorian and Bhayana, 2024). As a result, Zambia experienced real GDP growth in the years leading up to 2010, "averaging 6.4 percent per annum and hitting 10.3 percent in 2010" (Kessler, 2023: p.1). The economic sectors that drove Zambia's growth were mainly the mining sector, followed by the agricultural and construction industries, accompanied by downward inflation rates and stable exchange rates (Kessler, 2023: p.1). Zambia's primary economic driver is copper, which still accounts for over 70% of foreign export earnings. In the 1990s and 2000s, in efforts to boost foreign investment and improve efficiency, the country privatised its copper mines (Grigorian and Bhayana, 2024; Bassett and Fradella, 2022; Hinfelaar and Sichone, 2019). While the privatisation process was plagued by problems, it ultimately enabled foreign investment in the mining sector, some of which entered Zambia in the 2000s through China. From the 2000s onwards, Chinese state-owned banks began infrastructure-led investment in Zambia, leading to the development of "dams, railways, and roads" (Grigorian and Bhayana, 2024).

The Patriotic Front (PF) came to power in 2011 following its campaign for the state to be front and centre of developmental initiatives, particularly for public infrastructure development (Zajontz, 2021). The PF was met with a treasury that had "relatively low levels of external debt," at 8.4% of GDP at the end of 2011 (Zajontz, 2021). The PF pushed for infrastructure development and supported expansionary fiscal policies in the Ministry of Finance and State House, more than its predecessor, the MMD (Zajontz, 2021). Within Zambia's budget from 2011 to 2017, the main priority was road infrastructure, amounting to approximately "42% of all expenditures on non-financial assets between 2011 and 2017"

(Zajontz, 2021). The reasons behind the push for investment in Zambia's infrastructure and transportation systems were said to be to facilitate economic growth through job creation. They increased productivity and efficiency levels, putting Zambia on the global stage for "international competitiveness" (Zajontz, 2021). Zambia had previously received concessional loans from IFIs, but when this became slow, Chinese investment was readily available as a substitute, supporting Zambia's infrastructural development pursuits (Zajontz, 2021).

In 2012, the Zambian government applied for its first Eurobond (Kessler, 2023). Eurobonds are loans taken out on capital markets at commercial interest rates. Unfortunately, just after the issuing of the Eurobond in 2012, Zambia's economic environment began to slow down in 2013, leading to a decrease in GDP growth from 7.6% in 2012 to 4.7% in 2014 (Kessler, 2023). Zambia experienced a growth rate it hadn't encountered before, with an average of 7.4% GDP growth from 2004 to 2014 (Bassett and Fradella, 2022; Hinfelaar and Sichone, 2019). Macroeconomic indicators showed that Zambia's economic environment had been going from bad to worse even before the pandemic hit (Kessler, 2023). Michael Sata, former President of Zambia, died at the end of 2014, and a new PF administration entered the State House under Edgar Lungu in early 2015. It was this administration from 2015–2021 that would drive further reckless borrowing, overtaking even Sata's high levels of borrowing, which this paper will further discuss in Chapter 4. Additionally, low copper prices meant that the gap between income and expenditure began to grow alarmingly. From 2015 to 2017, Zambia saw an increase in public debt stocks and debt servicing costs, and it was at this time that economic growth slowed down, placing Zambia at risk of debt default (Saungweme and Odhiambo, 2019). Post-2017, Zambia continued borrowing despite being in debt distress and lacking fiscal stability (Saungweme and Odhiambo, 2019). However, this was just the start of its troubles, since the economic situation worsened because of the COVID-19 pandemic, leading to a decline of 2.8% GDP in 2020 (Kessler, 2023).

Chapter 3 - Power, Institutions, and Debt: An Empirical Exploration

A thorough investigation is done in this chapter on how Zambia found itself in an immense debt crisis, just fifteen years after its HIPC debt forgiveness programme. A combination of both quantitative and qualitative data is deployed to make an argument on how the influences of domestic political elites, institutional frameworks, and Chinese lending strategies interacted with one another, ultimately leading Zambia to a sovereign default in 2020. Materials and data for this study include the Chinese Official Finance Database from AidData (2021), supplemented by Varieties of Democracy (V-Dem) indicators, Freedom House reports for 2023, and Afrobarometer data on public perceptions of how China's economic power influences Zambia as the primary source of information to explore these perceptions. These quantitative data provide a macro-level response regarding public opinion, governance quality, and the flow of resources, while in-depth interviews with Zambian experts, policymakers, and other stakeholders reveal micro-conditions and motivations that are not yet outlined in the academic literature and are not provided by economic data.

For instance, Afrobarometer time-series data, especially those generated from 2011 to 2020, showed fluctuations in public opinion regarding the country's present economic conditions throughout the years. In 2011–2012, 9.2% held the opinion that the economic condition was "Very Bad", with 6.1% saying that it was "Very Good". However, after this period, there was an increase in negative opinion as levels went up to 29.3% and 32.3% in 2014–2015 and 2017–2018, respectively. Additionally, there was a dramatic shift of events in 2020 when Zambia defaulted on its sovereign bond debt repayment, creating a significant effect on people's views, with negative views climbing to 57.8% (2020–2021). Although this decreased to 24.1% (2021–2022) soon after, by the latest phase, the sentiment had turned negative once more to 44.9% (2024–2025), revealing the lingering impact of the default and ongoing economic troubles.

The growth of Chinese Official Development Assistance (ODA) and Chinese financial flows to the infrastructural sectors of Zambia significantly increased from 2012, especially through large-scale lending operations. When Zambians were asked, "How much influence do you think China's economic activities have on our economy, or haven't you heard enough to say?", citizens who voted "A lot" were the highest at 62.6% in 2014–2015. However, as the years progressed, this figure decreased, and in 2024–2025, it stood at 33.4%, with an increasing number of citizens who checked "Don't know" at 35% in 2024–2025. According

to the data, it is evident that there are many Zambian citizens who are not aware of the influence that China has on their country. When asked, “Do you think that the economic and political influence of China on Zambia is mostly positive, mostly negative, or haven’t you heard enough to say?”, we see that 18.3% (2021–2023) of citizens felt that China had a positive influence, which increased to 26.9% in 2024–2025. It can be said that public opinion may have a mixed message; that, on one hand, most Zambians have embraced Chinese investment as a trigger for infrastructure development, and on the other, opinions are turning out to be less favourable with growing concerns about debt sustainability.

In contrast, an advantage, however, can be seen in the fact that V-Dem measures of legislative effectiveness and executive dominance show that the power structures of Zambia awarded the presidency extensive powers, thus diminishing the capacity of the legislature to check borrowing meaningfully. Freedom House reports further accentuated the weak institutional image created by previous administrations, with failures in transparency and public accountability that facilitated debt overextension.

The interviews with Jacob Mkandawire (26 February 2025), Dr. Godfrey Hampwaye (27 February 2025), Dr. Cobus van Staden (28 February 2025), Caesar Cheelo (24 February 2025), Newton Norviewu (6 March 2025), and Dr. Marja Hinfelaar (11 February 2025) provided crucial information and insight into how successive Zambian administrations prioritised political benefits over infrastructural investment, culminating in largely non-transparent agreements with China and other creditors.

The analysis then offers a structured account of how the combination of all these variables within Zambia and beyond brought forth the debt crisis. This chapter will discuss Zambia’s institutional settings and failures, as well as the overlooking of existing oversight mechanisms that were supposed to prevent over-borrowing. Additionally, this chapter will delve into an evaluation of China’s lending strategy and motivations, and ultimately, it will look at Zambia’s institutional capacities in comparison with other African countries that China lends to. A final section will serve the purpose of putting these results into the broader picture of Dependency Theory and Institutionalism, focusing on the external vulnerabilities and institutional problems within the Zambian state, which enabled the debt burden to become unsustainable.

3.1 Analysis of Zambia's Political Elites

The core question to be answered is what role the political elite played in the crisis that led to the 2020 sovereign default. Their official function is to promote development, yet in doing so, they became responsible for the economic crisis that unfolded during their term of office. The chapter concludes with an explanation of how elite behaviour enabled the accumulation of unsustainable debt, which ultimately led to the default.

It is important to note that while this study analyses the role of Zambia's political elites in contributing to the country's debt crisis, the term "elites" is used broadly and is not indicative of a single group or entity. Instead, the study uses "Zambia's political elites" to refer to different individuals and entities with differing interests, such as politicians, technocrats, bureaucrats, business figures, ministries, and power centres. Borrowing choices are often heavily influenced by either infrastructure development ambitions or political intent, with some taking on loans to facilitate economic growth, while others do so to secure patronage networks or electoral gain. These divisions are necessary when determining "elite behaviours" since each actor comes with its own competing priorities.

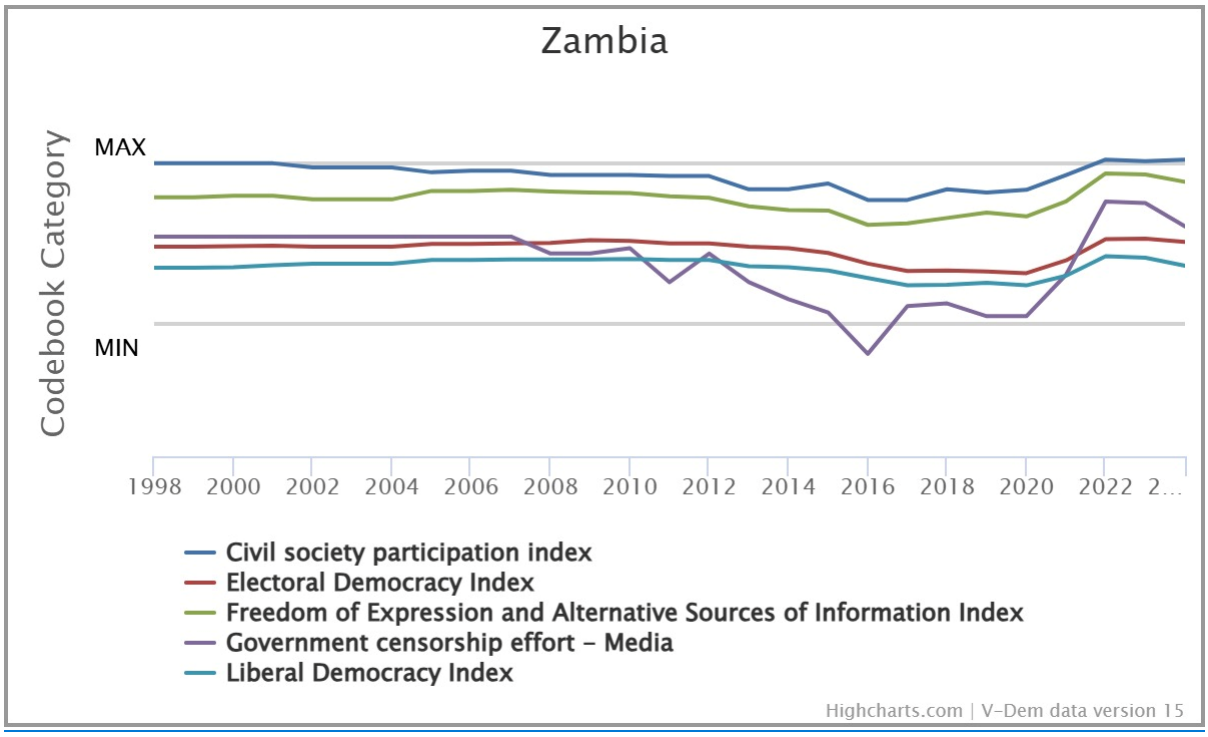


Figure A: Assessing Zambia's Democratic Governance and Accountability through Key Indicators (1998–2023); Source: V-Dem Dataset, Version 15.

The trends in the graph show that during the period between 2012 and 2020, democratic backsliding occurred in Zambia, as evident in the steady decline in the Liberal Democracy Index and the rapid drop in government censorship efforts for the media, indicating a period of high censorship. Additionally, Civil Society Participation and Freedom of Expression, despite being steady from 1998 onwards, also saw a dip during the 2012–2020 period. This period of democratic decline strongly coincides with Zambia's rapid external borrowing in the form of Eurobonds and Chinese infrastructure financing. It could be suggested that the surge in debt during this period was politically motivated, with high censorship of the media aiding in preventing public scrutiny and weakening institutional checks. However, from 2020 onwards, we notice all indicators begin to recover and reach their maximum values. This may have been a result of the post-2020 institutional reforms that were put in place following Zambia's 2020 sovereign debt default.

3.1.1 Zambia's debt accumulation, by numbers

From around 2012, Zambia embarked on a very ambitious infrastructure programme that required billions of external financial resources. In fact, according to IMF data (2023), external debt increased fourfold between 2012 and 2019, from US$7b to approximately US$28b, due to Eurobond loans issued in 2012, 2014, and 2015, totalling US$3b, but at a high coupon rate, signalling a move away from its earlier sources of concessional funding. AidData's database (2021) found that flows from China also increased dramatically during the late 2010s. Among these, the two thematic sectors where flows peaked most were transport and power projects. Afrobarometer Round 9 findings (2022) on government spending on public services show that nearly two-thirds of respondents (64%) agree that it is vital for the government to only spend resources that it can generate, even if this means cutting down on services to the people. Meanwhile, a minority (32%) support the view that they would prefer quality public services even if it means the government incurs debt to provide them.

3.1.2 Qualitative Insights Based on Interviews and Case Studies

Interestingly, the data also show that this spike in debt during these years is closely connected to political exigencies that Zambia's elites faced in the 2010s. Four interviewees underscore that the Patriotic Front (PF) government under Presidents Michael Sata and Edgar Lungu

viewed infrastructure development both as an investment and a political strategy for garnering support.

To provide context, in September 2011, Michael Sata won the presidential election in Zambia through the Patriotic Front (PF). This was viewed as a victory as the PF endorsed democratization, which had slowed during the MMD rule. In fact, the key promises made by the PF were "the drafting of a new, people-driven constitution intended to deal with the authoritarian legacy of the imperial Zambian presidency" (Hinfelaar et al., 2021: p.63). Despite the MMD making similar promises, they could not hold up their end of the bargain and instead slowed Zambia's democratization process by constantly undermining reforms that limited presidential powers (Hinfelaar et al., 2021: p.65–66).

When Sata came into office, he stood firm on his anti-corruption stance, promising jobs, a new constitution, and decreased food prices for the people within 90 days (Ware, 2012). He was characterized as "unpredictable, irritable, and with a tendency to shoot from the hip" and "with a reputation for getting things done" (Ware, 2012). However, Sata was critiqued for having autocratic tendencies, often making his own decisions based on personal preferences, resulting in a few scandals during his reign. Following the suspension of Supreme Court judge Philip Musonda and two High Court judges, Charles Kajimanga and Nigel Mutuna, Sata faced criticism from the public (Lusaka Times, 2012). Sata claimed that this suspension was due to interference caused by the trio in a case involving the Development Bank of Zambia and the Post newspapers (Lusaka Times, 2012). However, the public perceived this as an act by Sata to undermine the judiciary and influence the separation of powers.

Additionally, upon appointment, Sata replaced many public officials with those he believed would support his 90-day transformation. Eyebrows were raised when Sata appointed Xavier Chungu as a provincial permanent secretary – criticism arose because Chungu faced corruption charges at the time, conflicting with Sata's anti-corruption stance (Smith, 2011). It seemed a poor decision, which he later reversed.

Following the death of Sata, Edgar Lungu held office for two consecutive full terms, from 2015–2016 and 2016–2021 (Mfula, 2024). Under Lungu's administration, democratic backsliding became apparent. Several scandals surfaced during his time in office. Lungu was known for intimidation tactics, which he used on opposition parties and civil society organizations (Cheeseman, 2019). He amended the 2016 constitution to give more powers to

the President, “rubber-stamping” executive decisions and appointments without parliamentary oversight and providing provisions to extend presidential term limits (Hinfelaar et al., 2021: p.71). His failed attempt at serving a third term caused speculation about his pursuit to amend the Constitution to extend his rule and remove power constraints (Cheeseman, 2019). It can be said that it is within Lungu’s administration that the debt crisis intensified. Despite the 2016 amendments giving Parliament powers to oversee and approve international debt agreements, this was largely cosmetic, as the President retained the ability to take on debt without checks, which led to further debt accumulation (Hinfelaar et al., 2021: p.73–74).

Despite Sata’s reign starting with anti-China sentiments, this soon changed as he welcomed investments and aid. In Lungu’s reign, he also welcomed Chinese aid and investments. One interviewee said, “PF won support with a big infrastructure push, and with hindsight nobody asked where they were going to get the money” (Jacob Mkandawire, personal communication, 26 February 2025). Zambia has equated infrastructure development with economic development, and China’s involvement played a pivotal role in winning the PF more support. Dr. Marja Hinfelaar (personal communication, 11 February 2025) said, “The Chinese came in with very good infrastructure projects, which served political elites very well, in the sense that it was the kind of projects they could also sell to their voters.” She added, “Chinese willingness to lend money for those big infrastructure projects – stadiums, roads, schools, and so on – benefited Zambia” (Dr. Hinfelaar, personal communication, 11 February 2025).

In addition, greed and unconstitutional enrichment also played a significant role in elite decisions. Some of the respondents felt that inflated costs might have provided personal gain for these leaders through kickback sales by foreign contractors. Jacob Mkandawire (personal communication, 26 February 2025) said that Zambia “accumulated debt very fast for projects that did not generate revenues very quickly,” resulting in a “mismatch that meant that progressively, they were facing challenges to pay back the loans as they became due.” Caesar Cheelo (personal communication, 24 February 2025) mentioned that prior to 2022, Zambia did not have the Public Debt Management Act that is in place currently. Instead, it had a “loans and guarantee act” which was “vague” and “allowed a lot of discretion to the finance minister to borrow indiscriminately without really seeking parliamentary approval.” This is supported by the Financial Intelligence Unit’s (2019) report, which showed an increase in the

discovery of suspicious financial transactions at the beginning of a steep rise in external debt stock.

External borrowing was approached with incredible arrogance by the PF leadership, who viewed it as another moral hazard created by the relaxation in debt relief for Zambia in the mid-2000s. Experts like Newton Norviewu (personal communication, 6 March 2025) argue that this was a case of Zambian leaders taking solace in the thought that somehow they would be bailed out again by creditors or multilateral institutions should things turn sour. This also explains why they plunged deep into borrowing even when debt sustainability indicators worsened, with Zambia being labelled by the IMF as at high risk of debt distress by 2017. Yet many were still signing new agreements long after 2019 under the same PF administration.

3.1.3 Conclusions: Elite Behaviour and the 2020 Sovereign Debt Default

The Zambia 2020 sovereign default in November indicates that elite political action in infrastructural investment became sharply visible because of the immediate and tangible presentation of investments from loose borrowing conditions, as will be discussed in the next paragraph. Political leaders chase electoral advantage and gloss over the long-term negatives. The interviews revealed a clear and consistent narrative of how the short-term goals of political elites aligned with the willingness of external lenders to provide massive capital.

The data further established that political elites kept public opinion at bay by presenting development benefits only insofar as short-term gains were portrayed. Thus, once the people realized the heavy burden of indebtedness, one of those warnings, according to Afrobarometer findings, might have come in the nick of time. Excessive reliance on externally financed projects and underestimation of the pace of growth in debt service costs relative to fiscal revenue have been setting up conditions for future default, a situation further affected by other macroeconomic factors – copper price declines among them – but fundamentally driven by a political environment in which rapid, unchecked borrowing was possible.

3.2 Institutional and Governance Structures in Debt Accumulation

This section is about governance mechanisms that were theoretically supposed to regulate Zambia's borrowing and provide checks within central institutions such as the presidency,

treasury, and ministries, the weaknesses found within them, and how governance gaps have allowed unfettered debt. By analysing financial decision-making in terms of lack of transparency, weak oversight, and executive overreach, we can further understand the true motivators behind Zambia's debt accumulation. What constituted the reckless borrowing? This section unpacks governance and institutional shortcomings that led to Zambia's debt spiralling out of control.

3.2.1 Overview of Key Institutional Bodies

The Presidency and Political Leadership

Zambia's constitution grants generous powers to the presidency, which determine how financial decisions are reached. During the PF era, the former Presidents – Sata and Lungu – exercised their presidential powers to almost extreme limits. The problem was further compounded by the culture of the PF administration, where, according to Jacob Mkandawire (personal communication, 26 February 2025), ministers had the ability to quickly approve loans, which made borrowing easy and frequent, with weak regulation on the amount of debt being taken. Debt approvals were only called for cabinet approval and lacked oversight. However, mechanisms are now in place to enforce proper oversight, such as debt reports, which are made public to hold executives accountable.

Thus, presidential directives on the building of certain roads, airports, or power stations became huge loan agreements that were usually negotiated at the presidential or ministerial level with minimal collective discussion. In this way, previous de jure presidential controls acted as a kind of bypass or dilution for an independent scrutiny system that otherwise may have alerted incumbents to rising risks.

3.3.1 The Role of the Treasury and Ministries

The above scenario occurred because the Ministry of Finance is supposed to be constitutionally bound to deal with resources provided to it equitably (PDM 2022 made this clearer). Caesar Cheelo (personal communication, 24 February 2025) maintains that Zambian legislation did not legally require the minister to seek parliamentary approval in contracting debt until a more robust Public Debt Management Act was enacted in 2022. Dr Godfrey Hampwaye (personal communication, 27 February 2025) adds that the normal process of loan acquisition is for ministries to request funding from the Ministry of Finance. If the MoF cannot finance the ministry, it will go to external lenders. Requests made are generally sent to

committees to review before they reach the cabinet. The President and ministers play a role in decisions, which may be dominated by a few. However, with changes now implemented, debt approvals may require parliamentary approval in the future, strengthening oversight (Dr Godfrey Hampwaye, personal communication, 27 February 2025).

The ministries overseeing roads, energy, and other sectors frequently negotiated directly with Chinese and other foreign creditors. This approach led to what was termed "pipeline debt" – ministries would seek financing and apply to the Ministry of Finance only afterwards. Indeed, the Ministry of Finance often ended up incorporating these fresh loans into the national debt. The speed of deals in the project phase, plus a lack of formal financial oversight, left ministries misaligned, resulting in duplicated projects, cost overruns, and suboptimal priorities.

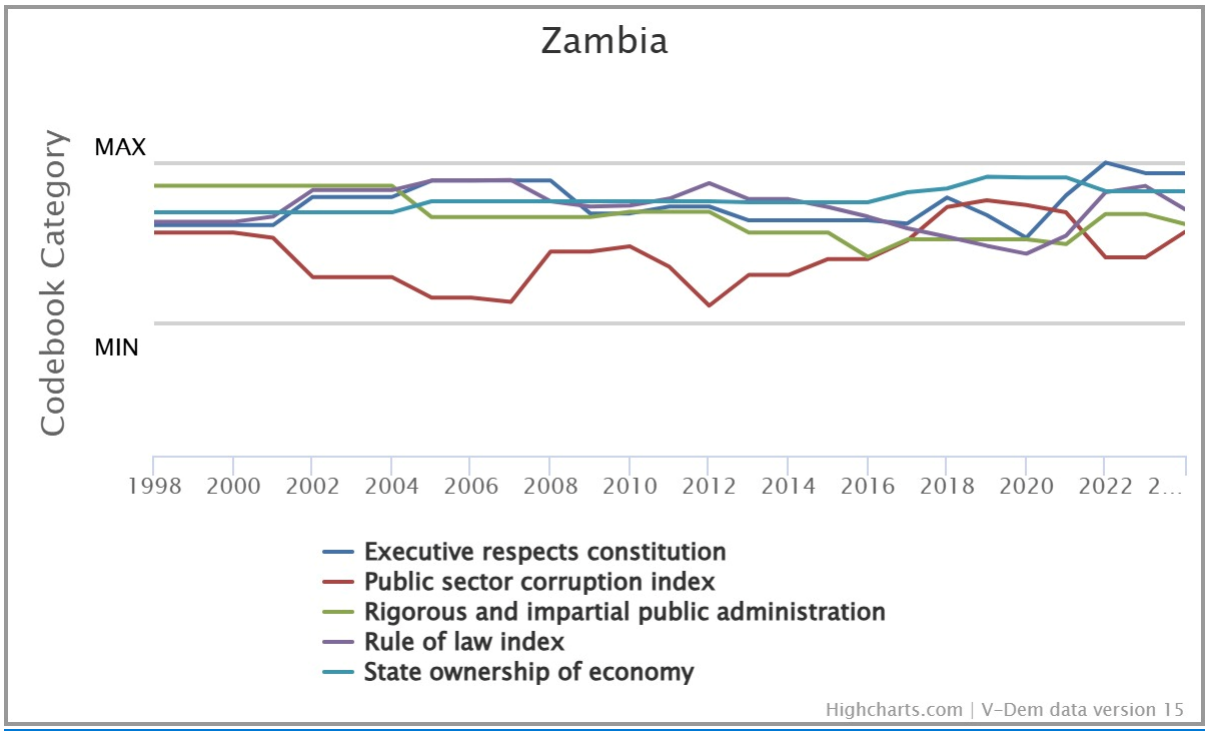


Figure B: Assessing Zambia's Institutional Strength and Governance Quality through Key State Capacity Indicators (1998–2023), Source: V-Dem Dataset, Version 15.

The trends in the graph reveal that public-sector corruption in Zambia has been consistently concerning, with the highest rates occurring from mid-2016 to mid-2020. This period coincides with rapid increases in external borrowing (2012–2019). Additionally, the concurrency and fluctuations in the rule of law and the executive respect for the constitution in this period highlight institutional weaknesses that facilitated Zambia's debt accumulation.

It can be argued that during this period, executive dominance strengthened, which facilitated the Presidency carrying out debt decisions with little parliamentary and legislative oversight. This led to rising debt accumulation levels, ultimately culminating in Zambia's sovereign debt default in 2020. However, from 2020 onwards, we see an increase in all indicators, with a rapid decrease in public-sector corruption. This may have been a result of the post-2020 institutional reforms that were put in place following Zambia's 2020 sovereign debt default.

3.3.2 Institutional Weaknesses and Failures

Zambia's weak institutional framework facilitated reckless borrowing, which manifested through governance failures across key ministries and oversight bodies. The MoF habitually had fiscal cautions overridden by leaders in the political space who prioritized short-term electoral goals, as evident in the Mansa–Luwingu Road project, which was approved despite concerns and objections raised by technocrats (Lee, 2017, p.49–50; Zajontz, 2022). Ineffectiveness of parliamentary oversight was evident as contracts were commonly awarded to Chinese companies without competition for procurement, despite this practice violating Zambia's procurement laws (Lee, 2017, p.48; Zajontz, 2022; Chiyemura et al., 2022). Politicians and Chinese contractors bypassed agencies, such as the Road Development Agency, and persisted on projects that did not go through official planning processes (Lee, 2017, p.51–52; Zajontz, 2022). Reports from the Auditor General, which made evident irregularities in procurement, such as AVIC International being awarded the Lusaka 400 project without open competition, were ignored (Zajontz, 2022).

With a lack of feasibility studies, some loans were still approved, such as the $168 million loan awarded to ZESCO by the China Eximbank (Lee, 2017, p.52). These cases emphasize how Zambia's institutional weaknesses enabled and facilitated unsustainable debt through lack of transparency and politically driven borrowing.

The biggest shortfall was a lack of proper legislative oversight, which hampered the institutional framework in Zambia. It was correct in theory that the National Assembly could inquire into new debt or disapprove it, but with the ruling party majority, crucial debate rarely went far. Caesar Cheelo (personal communication, 24 February 2025) elucidated that "the parliamentarians were also compromised, because they were in the ruling party and had to play nice" – due to the President having the last say. Three respondents alluded to the point that informal norms of executive loyalty took precedence, such that ministers and senior

officials generally sided with high-level directives rather than pushing for caution or insisting on due process.

This political dominance of the president and legislative paralysis became a barrier to the finance authorities recommending fiscal prudence. Although some technocrats in the ministry understood the dangers of excessive borrowing, they were effectively powerless because they lacked the authority to cancel projects already announced by the President. The legal framework itself, such as the Loans and Guarantees (Authorization) Act, placed the duty of self-regulation directly on the ministers. Due to political pressures and other personal stimuli within the PF hierarchy, self-control was highly improbable.

3.3.3 Discussion: How Governance Structures Contributed to Unchecked Borrowing

Four respondents agreed that with such governance, it was almost inevitable that a debt crisis would hit Zambia, where the presidency, intent on large infrastructure construction projects, had a highly compliant parliament and ineffective oversight mechanisms at its disposal. The enforcement of every loan through debate in the National Assembly or comprehensive project evaluation might have prevented at least some of the most questionable agreements from taking place.

Likewise, the fragmented administrative system, with a Ministry of Finance that was sometimes the last to hear about new loan obligations, highlighted this institutional debt. This fragmentation explains why, by 2020, the official public figures for China-held debt differed so dramatically from independent estimates; by that year, there was still no centralized, transparent loan registry that would have made it harder for line ministries to negotiate or commit funds away from public scrutiny.

In short, not only was the PF regime's understanding of political calculus a driving force behind the indebtedness binge, but also the weak institutional structure that made it possible and kept it rolling despite almost no countervailing checks.

3.4 Outline of Installed Oversight Mechanisms in Zambian Debt Agreements

As indicated in interviews, there is a common observation that the constitution and statutes regarding finance in Zambia relied on oversight being carried out by Parliament, making debates and then approving or rejecting loan agreements theoretically possible. To carry out

performance audits, monitor expenditures, and identify corrupt or irregular transactions, the Office of the Auditor General and the Financial Intelligence Centre were expected to operate in addition to Parliament's oversight function. The Ministry of Finance, on the other hand, was expected to coordinate project appraisals to ensure that every externally funded investment had discernible economic or social returns.

Feasibility studies were built into the process and were supposed to take place before signing loan agreements, establishing whether costs were proportionate to potential benefits. Overpricing, potential viability shortfalls, or duplication of efforts were supposed to be identified at the appraisal phase.

3.4.2 Analysis of Cases: Oversight Failures and Their Ramifications

There is a strong indication that weaknesses in Zambia allowed debt accumulation while public oversight was limited. Nyabiage (2023) notes that most of Zambia's external debts from China were reported as US$3–4 billion in 2020, but independent estimates by the China Africa Research Initiative, which include lending to state-owned enterprises and other parastatals, put the figure at least US$6.6 billion. The reasons for these conflicting claims relate to omission from parliamentary disclosure and the absence of any project feasibility review that could assess whether loans were properly evaluated.

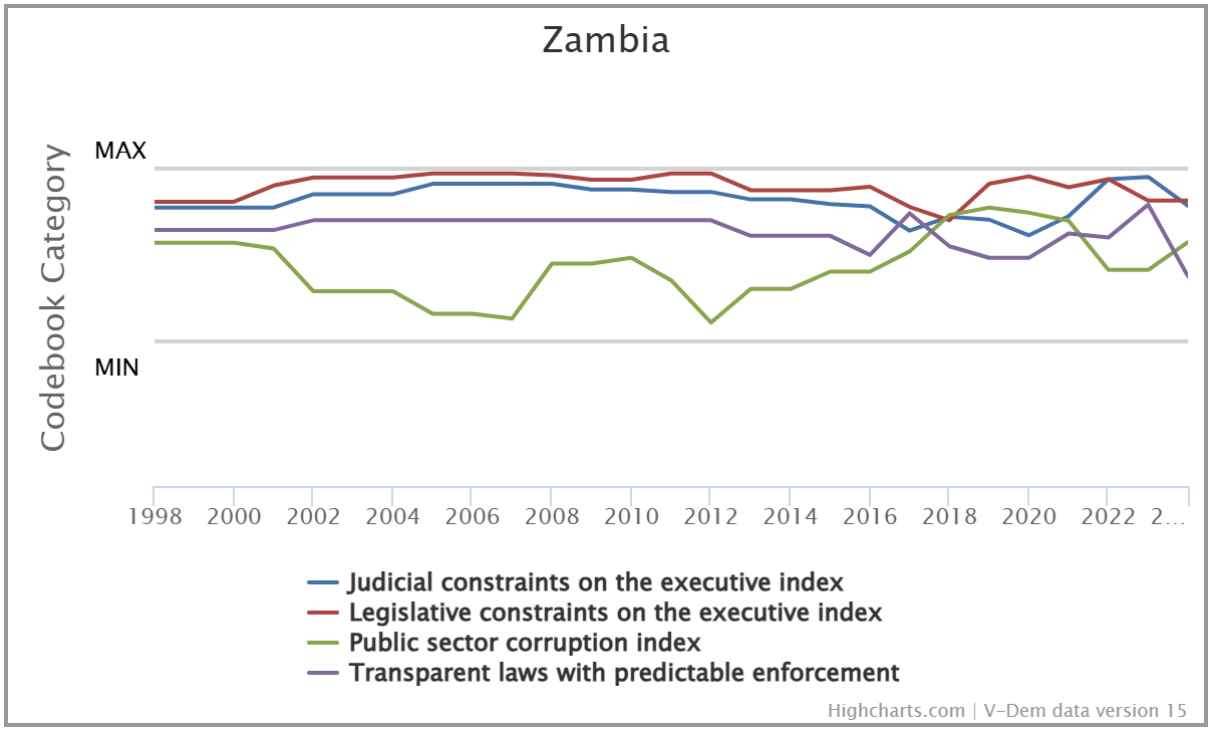


Figure C: Assessing Zambia's Governance and Institutional Oversight through Key Indicators (1998–2023), Source: V-Dem Dataset, Version 15.

The trends in the graph show that from 1998 to 2016, legislative and judicial constraints on the executive remained high, near maximum levels, indicating that checks and balances were strong at the time. However, we notice a decline from 2016 to 2018 in judicial and legislative constraints on the executive, as well as transparency in laws with predictable enforcement, with public-sector corruption levels increasing. This deterioration in institutional oversight coincides with increasing executive dominance and major increases in external borrowing between 2012 and 2019, as the Presidency gained authority to carry out debt decisions with little parliamentary oversight. Additionally, the rise in the public-sector corruption index emphasizes institutional vulnerabilities during this period. However, from 2020 onwards, we see an increase in all indicators, with a rapid decrease in public-sector corruption. The recovery of checks and balances during this period may have been a result of the post-2020 institutional reforms implemented following Zambia's 2020 sovereign debt default, aimed at restoring democratic values and strengthening an anti-corruption stance.

A clear example of oversight failure was the construction of extensive road networks in rural areas, which had minimal economic returns at the time. Two interviewees described how feasibility studies were superficial, often rushed, or sometimes never conducted. When the

Auditor General's Office indicated the need for greater scrutiny in these road contracts, the recommendations were disregarded. Financial investigation reports concerning suspicious fund flows into infrastructure agreements were also ignored, demonstrating how little oversight mechanisms influenced real policymaking (Financial Intelligence Centre, 2019).

One of the most telling examples of these institutional shortcomings is the Lusaka Urban Roads (L400) Upgrade Project. As noted in an AidData report (2023), during 2017–2018, the Industrial and Commercial Bank of China (ICBC) and the China Eximbank provided over $241 million in financing for Phase 3 of the Lusaka Urban Roads Upgrade Project through a commercial contract with AVIC International (Custer et al., 2023). By 2022, the Eximbank loan had only a 34% disbursement, with the Zambian government attempting to cancel the remaining balance under the G20 Common Framework debt restructuring processes (Custer et al., 2023).

Some of these have actual consequences. A joint report by the World Bank and the IMF noted that Zambia spends a significant portion of its revenues on foreign debt. In 2019, Zambia's debt repayments amounted to $1.6 billion, which was significantly more than its foreign reserves for May 2019. Revenues went towards servicing debts, crowding out funds for basic health, education, and social protection expenditures. When Eurobond coupon payments began falling due and revenues from copper were found wanting, there were no contingencies in place for restructuring. In November 2020, Zambia failed to pay a coupon on a US$42.5 million Eurobond, marking the first African sovereign default during the COVID-19 era (Kessler, 2023: p. 1). Almost all observers allege that this happened, in no small way, because of longstanding lapses in debt governance.

3.4.3 Discussion: The Impact of Strategic Oversight Failures on the Sustainability of Debt

These cases, particularly Zambia, demonstrate how oversight failures can transform moderate public investment into a debt crisis. Even under optimistic growth scenarios, prudent states usually implement protective checks on external borrowing. Zambia's experience shows that debt burdens accumulate as soon as parliamentary discussions, rigorous feasibility appraisals, and auditing are bypassed. By the time alarm bells ring, the debts are often large enough to make default unavoidable. These systemic issues, examined through the lens of domestic institutions, also raise questions about the role of external lenders, especially China.

3.5 Analysis of China's Lending Strategy and Motivations

In the absence of international and domestic capital markets willing to cater to these supranational needs, and even though it was clear that Zambia was already exposed to sovereign risk, what drove China to lend to Zambia during this period was primarily a matter of feasibility and the exploitation of available political opportunities, facilitated by, or taking advantage of, governance gaps in the country.

3.5.1 Chinese Loan Patterns in Zambia

Post-2010, China lent Zambia extensively, as shown in AidData figures, which are corroborated by local sources such as Ofstad (2020). Chinese financing targeted various sectors, including road networks, airports, and power projects. By the end of 2021, Zambia owed $6.6 billion to Chinese lenders, including China's state-owned banks and policy banks such as the Export-Import Bank of China and the China Development Bank, making China Zambia's largest bilateral creditor (Thomas, 2021). Lending was primarily project-based, although Zambia also received some concessionary facilities to cover recurrent expenditures.

V-Dem data for Zambia indicated a severe decline in legislative and media freedom, coinciding with the increase in loans that were kept opaque by China. This temporal coincidence suggests that transparency in Zambia was weak enough to allow China to issue credit with minimal public or parliamentary scrutiny. However, recent efforts aim to increase transparency by making loan documents available for public review.

3.5.2 Reasons Behind Continued Credit

The primary reasons for continued Chinese lending to Zambia during this period include historical goodwill, as exemplified by the TAZARA railway project in the early 1970s. Africa was perceived as a strategically important region for overseas infrastructure investment under the BRI, and Zambia, with its high capital needs and strategic location in Southern Africa, was viewed as a promising partner.

Newton Norviewu (personal communication, 6 March 2025) noted that, despite having other borrowing options, Zambia preferred China because Chinese loans come with fewer restrictions. Compared to Western lenders, Chinese financing is a faster way to secure loans with fewer "strings attached", whereas Western lending requires greater transparency, good

governance, and other conditions. China's patient approach to risk assessment also served as a key incentive, in addition to the country's natural resource endowments and presumed repayment capacity. Zambia's substantial copper reserves likely provided confidence that, although short-term debt service might be challenging, future revenues would suffice.

This approach contrasts sharply with Western commercial investors, who calculate debt relative to immediate GDP levels and credit ratings, often resulting in high borrowing costs, reduced lending, or the complete discontinuation of further financial support.

3.5.3 The Influence of Zambia's Political and Institutional Weaknesses on Chinese Decision-Making

Although such engagement was by no means intended to shackle the country with debt, the lean governance environment in Zambia likely gave Chinese banks tremendous leverage, enabling deals that were not predicated on speedy parliamentary approval but were beneficial for Chinese firms. Numerous Chinese loans include confidentiality clauses that mask crucial information from public or parliamentary oversight (Sun, 2021). This protected them politically, allowing ambitious but questionable projects to proceed without serious domestic scrutiny, given the timing or data requirements in Parliament.

Some interviewees revealed that the central structure of Chinese lending may have itself limited internal due diligence, as multiple Chinese financial institutions competed to finance African deals. In a country eager for sizeable loans wherever available, this relationship created a vicious cycle of ever-increasing borrowing. Together, these dynamics led to a spree of deals that neither side could easily manage in a financial downturn, highlighting how Zambia's political and institutional deficits interacted with China's structured yet sometimes indiscriminate lending mechanisms.

3.6 Comparative Analysis: Chinese Investments in Zambia Versus Other African Nations

This section compares Chinese lending agreements in Zambia with those in other African nations to understand the variation in resources, institutions, and governance contexts that potentially affect outcomes.

3.6.1. Comparative Insights: Lessons from Angola and Kenya

Angola represents China's resource-backed lending model, often called the Angola Model (Custer et al., 2023). Developed through a 2004 Master Loan Facility Agreement between China Eximbank and the Angolan government, this model linked loans for infrastructure to future oil exports via Sonangol, Angola's national oil company (Custer et al., 2023; Lee, 2017, p.52). Unlike other arrangements, the Angola Model excluded Chinese companies and was strictly government-to-government, with loan repayment tied to oil exports at market rates (Bagwandeen et al., 2023). Angola used its oil resources to finance post-war reconstruction, illustrating Dependency Theory's claim that resource-rich countries trade natural resources for development finance.

The Angolan case also demonstrates strong elite bargaining power. Studies by Corkin (2016) and others found that leaders were authoritarian yet strategic, securing market-rate oil prices and diversifying lenders to avoid dependence on China. However, lack of transparency and elite control still hindered oversight, resulting in a centralized and unaccountable debt system (Lee, 2017, p.47). This contrasts with Zambia, which, despite a more open system, has weaker institutional structures.

Kenya illustrates an infrastructure-led borrowing model, heavily financed by China, particularly for the Standard Gauge Railway (SGR) from Mombasa to Nairobi. Between 2010 and 2015, Kenya borrowed approximately US$6.3 billion from China, making it one of Africa's largest Chinese loan recipients (Himmer and Rod, 2022). The China Eximbank financed about 90% of the SGR, built by the China Road and Bridge Corporation (CRBC) (Himmer and Rod, 2022).

Although recognized as transformative, studies later found the SGR politically driven and financially unviable, with poor profitability identified in feasibility reports. In 2020, the Kenyan Court of Appeal deemed the contract illegal due to irregular procurement and lack of transparency (Himmer and Rod, 2022; Bagwandeen et al., 2023).

The Kenyan case shows that fiscal prudence can be overridden by elite interests and electoral incentives. Unlike Angola's state-led opacity, Kenya's weaknesses arose from politicized decision-making within democratic institutions (Bagwandeen et al., 2023; Chiyemura et al., 2022). Despite concerns of "debt-trap diplomacy," there is no evidence that China intended to

seize Kenyan assets. Instead, weak accountability and inflated public debt drove Kenya's indebtedness (Zajontz, 2022). Civil society and regional actors also exercised agency in shaping Chinese-financed projects (Chiyemura et al., 2022). The key lesson: dependency dynamics emerge when democratic systems lack fiscal discipline, paralleling Zambia's politically driven borrowing amid weak institutional oversight.

The comparison between the two case studies makes evident that despite each having differences in political systems, they both had similar experiences due to elite-driven borrowing and weaknesses in their institutions. On the one hand, Angola's resource-backed model emphasises how elites can have authoritarian control and acquire large sums of loans, while still maintaining lack of transparency and having elite dominance. On the other hand, Kenya's democratic system emphasises how unsustainable outcomes can occur because of electoral incentives and poor fiscal discipline. Zambia's experience consists of it being democratic in system, but containing fragility in its institutions, and it is within this context that debt oversight is undermined by the executive. In all three case studies, debt sustainability is heavily influenced by political incentives and institutional strength, instead of regime type. Using Dependency Theory and Institutionalism, these cases make evident the sources of debt distress to be weak governance in combination with a structural reliance on external finance.

3.6.3 Discussion: The Role of Political Stability and Institutional Strength in Shaping Chinese Investment Strategies

The Zambian crisis demonstrates how a stable political environment can generate severe risks in attracting foreign borrowing if it is not paired with strong governance and institutions. On one hand, Zambia's stability made it more attractive than countries in conflict, possessing a stable climate for several large-scale projects by China. On the other hand, the PF government enjoyed almost complete dominance with minimal enforced oversight, making it a borrowing paradise, an expression analysts might use, where finance flowed easily from abroad without accountability. Leadership in countries such as Tanzania or Ethiopia would not have engaged in such all-encompassing projects or systemic planning, balancing risks against internal challenges.

Hence, strategy highlights the non-monolithic character of China in Africa, which is shaped by the nature of domestic institutions. Zambia, with historically weak accountability

institutions and a strong elite appetite for politically motivated infrastructure, experienced massive over-borrowing, whereas other states facing similar pressures avoided outright sovereign default through stronger internal governance.

3.7 Integration and Theoretical Implications

This section situates the empirical findings within the frameworks of Dependency Theory and Institutionalism, illustrating how the Zambian crisis results from both external vulnerability and internal governance lapses. The discussion underscores that explanations cannot rely solely on external or internal factors; they must be understood in relation to each other.

3.7.1 Integrating Dependency Theory with Empirical Findings

According to Dependency Theory (Dos Santos, 1970), a peripheral economy enters a subordinated relationship with wealthier states or institutions, leading to unequal exchange and underdevelopment. Zambia exemplifies this theory: seeking external finance for grand infrastructure, it followed the pattern seen in 2006, when after substantial debt relief it began borrowing large sums from China by the early 2010s. Brautigam (2021) notes that, although such financing was presented as mutually beneficial, African countries often remain vulnerable if their economies cannot generate sufficient returns to service large loans. Zambia relied almost entirely on copper exports, whose prices are determined by global markets.

Revenue flows stalled when copper and other mineral prices fell, exposing structural vulnerability. The 2020 sovereign default reflects Zambia's dependent position, where exogenous shocks had severe consequences due to limited economic autonomy or policy levers. This dependency may have also facilitated China's strategic positioning to deepen influence over Zambia's trade and future economic dealings.

3.7.2 Integration of Institutionalism with Empirical Findings

Institutionalism, according to North (1990 et al.), emphasizes the design of formal and informal rules that create incentives for actors and shape economic outcomes. The data indicate that domestic governance failures were key triggers for debt accumulation in Zambia. In contrast, even within Zambia's unequal international framework, well-developed institutions could have enforced borrowing limits or ensured sound loan negotiations.

Freedom House (2023) assessed Zambia during the 2010s for public transparency and government accountability, while V-Dem records highlight the crisis in legislative oversight, indicating an executive effectively deciding on external borrowing with minimal checks.

Several interviewees reported that Parliament largely ignored oversight, sidelined the Minister of Finance, and operated according to political expediency. This environment precluded effective governance, so even a highly institutionalized system would have struggled to enforce borrowing limits or reject imprudent loans. Therefore, Institutionalism explains why Zambia's leadership was able to accumulate massive debt with relative ease.

3.7.3 Synthesis: Interaction Between External Dependency and Internal Governance Failures

Zambia's situation is best explained by integrating Dependency Theory and Institutionalism, rather than viewing them as mutually exclusive. When the nation accepted easy capital from China, the state's expanded inefficacy ensured that the effects of this external dependency were magnified. Zambia had neither a unitary vision for national development nor effective controls on executive action to link these loans to timely or informed decisions. The confluence generated a cycle of debt accumulation, destabilized fiscal order, and entrenched dependence on foreign creditors through eventual relief or restructuring.

Upon default, Zambia continued to face influential pressures, as negotiations clearly highlighted its peripheralization. Creditor countries, including China, played pivotal roles in shaping macroeconomic policy strategies, demonstrating the potential impact of a debt crisis even in weak and vulnerable economies. It is, therefore, the combination of strong dependency on external finance and dysfunctional institutions that makes an analysis of the Zambian crisis more descriptive and convincing than focusing on either factor alone.

Chapter 4: Conclusion

The central research question is the extent to which Zambia's political elites, together with its institutions and governance structures, led to the borrowing of such large amounts of debt. The heart of the matter mainly lay with the political elites who oversaw the acquisition of loans to spend on today's politics, while institutions and governance structures had very weak cushions or control mechanisms over such excessive borrowing. China's exploitation of such zero oversight was evident in the country, and as seen in other African countries, this also contributed to external debt problems with regard to investment loans. Although Dependency Theory points towards Zambia's substantial structural weakness in relation to foreign finance, it is Institutionalism that explains why domestic institutions failed to stop reckless borrowing.

The default of sovereignty by Zambia in 2020 was not sudden; it was the result of politics, institutions, and the way lenders perceived external dynamics all at once. The political elite did prioritize showcase projects, often influenced by electoral considerations and self-aggrandizement, but these extensions massively induced borrowing, both in the bond markets and from China. Institutional weaknesses included a toothless parliament, permissive legal frameworks, and soft enforcement mechanisms that were necessary for auditing, allowing the executive branch to incur debt recklessly without considering the sustainability of such debt.

While China's strategy in Africa is predominantly focused on infrastructure finance, the situation in Zambia; marked by non-transparency and a strongly executive-centric decision-making structure; catalysed the proliferation of project-based loans. Comparative evidence across Africa shows that although other nations are also heavily infiltrated in regard to Chinese funding, countries with slightly stronger checks and balances or resource-based collateral agreements have managed to escape outright default. Zambia's case; an example of external dependency combined with institutional failure; set the wheels of indebtedness in motion. Dependency Theory provides a greater understanding of how Zambia's peripheral economic status made it subject to powerful external forces, while Institutionalism explains why internal controls remained weak, providing a structural explanation of the crisis and highlighting the local governance problems that followed.

Addressing Zambia's current crisis should involve enhancing the accountability of the institutions involved, reinforcing parliamentary oversight, reviewing the legal status of public debt, and ensuring more transparency in all future external contracts. Likewise, Chinese

lenders may be prompted to undertake more stringent due diligence to avoid financing ventures that may not be viable or that risk driving the borrower country into insolvency. This is where Zambia's experience is crucial, especially for other African countries seeking external financing on a large scale. While infrastructure investments may promote economies, they also need to be matched with governance systems that can prevent risks and uphold the public interest.

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Interviewees:

1. Dr Marja Hinfelaar (virtual interview, 11 February 2025)
   "Director of Research and Programs at the Southern African Institute for Policy and Research (SAIPAR) and lead researcher for ESID's politics of natural resources project in Zambia. Marja is also an Honorary Senior Research Fellow at The University of Manchester."
2. Caesar Cheelo (virtual interview, 24 February 2025)
   "Mr. Caesar Cheelo, an Economist, is an Associate Executive Director and Research Fellow at the Southern African Institute for Policy and Research (SAIPAR), where he serves on two editorial Boards of SAIPAR peer review journals. He is a Research Economist in the Trade and Customs Division of the Common Market for Eastern and Southern Africa (COMESA) Secretariat."
3. Jacob Mkandawire (virtual interview, 26 February 2025)
   "Mr. Jacob Mkandawire is the Director in the Debt Management Programme at the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI), having joined the Institute on 24 May 2023."
4. Dr Godfrey Hampwaye (virtual interview, 27 February 2025)
   "Senior research associate, African Studies Center - TUFS / Senior Lecturer, Department of Geography and Environmental Studies, University of Zambia"
5. Dr Cobus van Staden (virtual interview, 28 February 2025)
   "Dr. Cobus van Staden is an accomplished scholar, journalist, and think tank analyst with more than 20 years of experience in Africa and Asia. Previously, he was the senior China-Africa researcher at the South African Institute of International Affairs (SAIIA) in Johannesburg."
6. Newton Norviewu (virtual interview, 6 March 2025)
   "Mr. Newton Yaw Norviewu holds a Master of Public and Social Policy from Macquarie University, Australia, and a Bachelor of Science Degree in Mathematical Science and Statistics from the University for Development Studies, Ghana. Professionally, Newton has over 7 years of working experience as a Monitoring and Evaluation Specialist and Research Analyst for Afrobarometer. He has worked with Civil Society Organisations (CSOs), policymakers, and citizens in general to improve government accountability and duty bearers' responsiveness to improved service delivery."