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**ПРОБЛЕМЫ ПРЕДОТВРАЩЕНИЯ ГЛОБАЛЬНЫХ
ФИНАНСОВЫХ КРИЗИСОВ: ПРИМЕР ЗАМБИИ
THE CHALLENGES OF GLOBAL FINANCIAL
CRISIS PREVENTION: THE CASE OF ZAMBIA**

Аннотация. В данной статье исследуются структурные препятствия, затрудняющие эффективное предотвращение финансовых кризисов и смягчение их последствий в развивающихся экономиках, с особым акцентом на примере Замбии. В то время как развитые страны располагают возможностью опираться на устойчивые институциональные механизмы и диверсифицированные финансовые системы для нивелирования последствий глобальных финансовых потрясений, Замбия остаётся крайне уязвимой вследствие выраженной зависимости от экспорта меди и жёстких ограничений бюджетного пространства. На основе системного анализа уязвимостей, присущих финансовой архитектуре Замбии, в настоящем исследовании обосновывается тезис о том, что недостаточный потенциал в области предотвращения кризисов обусловлен не только дефицитами технического прогнозирования, но и хроническими слабостями в сфере внутреннего бюджетного управления. В заключение статьи утверждается, что предотвращение будущих кризисов требует выхода за рамки технократических решений и обращения к структурным асимметриям, присущим глобальной финансовой архитектуре, включая создание обязывающих многосторонних правовых механизмов реструктуризации суверенного долга.

Abstract. This article examines the structural impediments that hinder effective financial crisis prevention and mitigation in developing economies, with particular focus on Zambia. While advanced economies are able to leverage robust institutional frameworks and diversified financial systems to cushion the effects of global financial shocks, Zambia remains acutely exposed owing to its pronounced dependence on copper exports and severely constrained fiscal space. Through a systematic analysis of the vulnerabilities embedded in Zambia's financial architecture, this study argues that inadequate crisis prevention capacity stems not merely from deficiencies in technical forecasting, but is equally attributable to chronic weaknesses in domestic fiscal governance. The article concludes that averting future crises necessitates moving beyond technocratic remedies toward addressing the structural asymmetries inherent in the global financial architecture, including the establishment of binding multilateral legal frameworks for sovereign debt restructuring.



Ключевые слова: Финансовый кризис, предотвращение кризисов, развивающиеся экономики, суверенный долг, реструктуризация долга, бюджетное пространство, финансовая уязвимость, глобальная финансовая архитектура.

Keywords: Financial crisis, crisis prevention, developing economies, sovereign debt, debt restructuring, fiscal space, financial vulnerability, global financial architecture.

Introduction

Financial crises represent a systemic phenomenon that transcends the boundaries of advanced economies, undermining the long-held assumption that financial instability is predominantly a characteristic of less developed financial systems. The global financial crisis of 2007-2009, followed by a succession of sovereign debt crises across developing nations, has brought to the fore a compelling and unresolved problem in the literature on international finance and macroeconomic policy namely the persistent vulnerability of certain countries to the devastating spillover effects of global financial disturbances, notwithstanding relatively sound macroeconomic fundamentals and concerted regulatory reforms. This paradox challenges conventional theoretical frameworks and warrants rigorous empirical investigation. The case of Zambia offers a particularly instructive illustration of this vulnerability, serving as a salient example through which the interplay between external financial shocks and domestic economic resilience can be critically examined.

The main part

Zambia is a copper-exporting country in the Southern Central of Africa. Resulting from a gradual diversification of modern economic activities rather than being dependent on revenue from copper exports, the country's economy has been classified as an emerging economy [1].

During the global financial crisis of 2008, Zambia had no direct exposure to subprime mortgage or assets. It is known that most developing countries' economic growth is highly dependent on their exports. In spite of not having direct exposure to the cause of the crisis, Zambia's economy suffered significantly, its exchange rate collapsed, and capital investments fled. A decade later, despite a prolonged commodity boom, in 2020 Zambia defaulted on its debts during the Covid-19 pandemic. These subsequent economic periods reveal different ways in which a financial stability can be affected. The challenge of preventing crises doesn't rely on failing early warning systems or fiscal policy. It is an institutional crisis.

Although the issue of crisis prevention in general has been studied from various theoretical points of view, from Keynesian to Minskian, as well as from the behavioral perspective, the new institutional theory of DiMaggio-Powell (1983) and Meyer Rowan (1977) offer a special view on the issue. However, as I argue, the contemporary financial globalization, the balance of powers between financial organizations and financial institutions has dramatically changed. Powerful financial organizations no longer simply submit to financial institutions, but instead they actively shape, manipulate and even "reverse legitimate" the institutions around them. This is the key to understanding the reasons for failure of crisis prevention, particularly in vulnerable, commodity dependent countries Zambia.

This study argues that the main barriers to the prevention of global financial crises, such as Zambia's are political and structural rather technical or information based. This article highlights some of the main theoretical problems to the prevention of financial crises, namely structural dependency of periphery countries in global capitalism and their inability to change the situation regardless of post-crisis reforms, the nature of mainstream debt sustainability analyses (DSA), which are considered to be always too optimistic and the slow burn process of growing vulnerability which is incompatible with current approaches aimed at preventing shocks. Zambia as a case of a developing country whose economy is trying to evolve into a diversified economy. Although the focus is on Zambia, the argument is applicable to other developing countries that export commodities.



The recurrence of global financial crises in recent times necessitates an examination of the crises from an institutional perspective, specifically investigating the interplay between global financial industry organizations, international financial institutions (IMF, World Bank) and global/national institutions. This article also focuses on institutional obstacles to prevention, namely the lack of success of the G20 common framework for debt restructuring, the pro-cyclical stance of private creditors and emerging creditors using China as an example, and the political restrictions austerity policies Zambia.

Zambia's debt situation can be defined as trajectory. The country was not completely affected during the 2008 financial crisis however, due to the consistent borrowing over the years the economy went into a default.

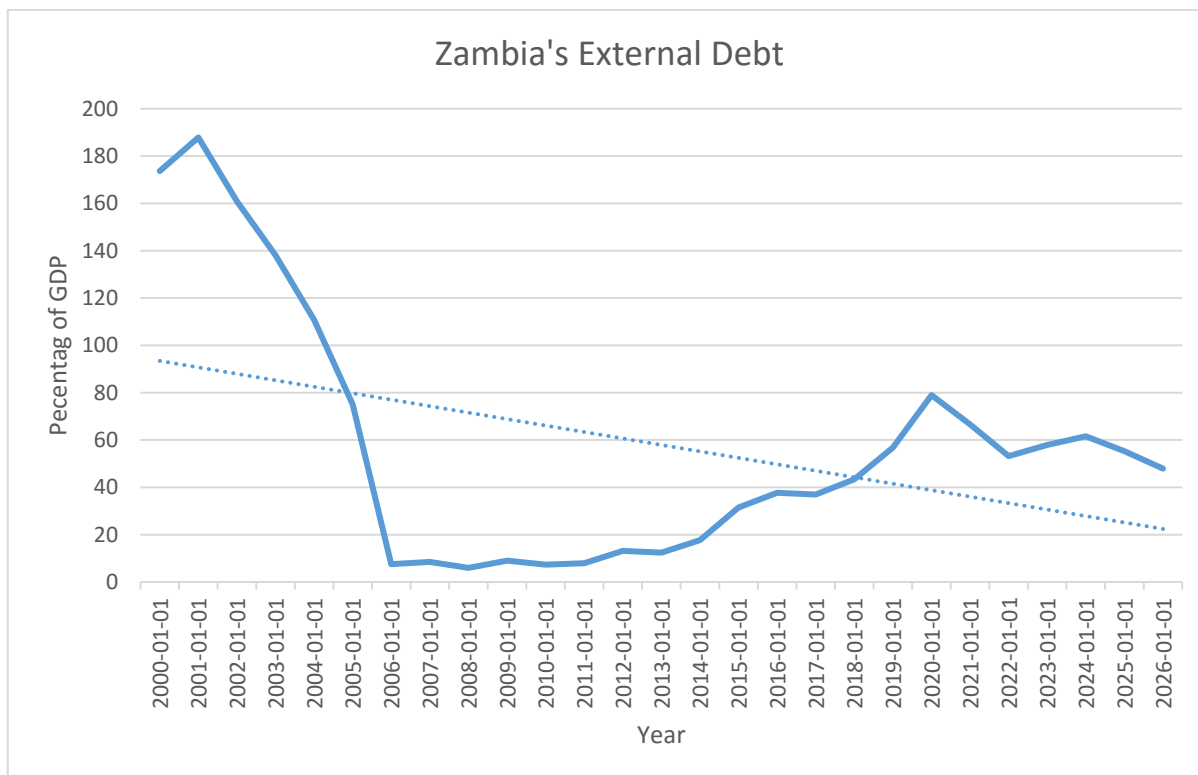


Figure 1: Zambia's External Debt to GDP (percent)

Source: Official External Debt: Debtor Based for Zambia [Electronic resource] // Stlouisfed.org. 2026. URL: <https://fred.stlouisfed.org/series/ZMBDGGDPPT> (accessed: 09.04.2026).

As presented in Figure 1, Zambia continues to have brittle economic conditions, which are illustrated in the diagram above [2]. The country's debt burden keeps increasing and peaked in 2018. However, it's total level of debt to GDP ratio declined to about 58% by 2023. The public debt increased by \$34 billion because of the significant continuity in borrowing internally and currency devaluation. In 2020, Zambia became the first nation in Africa to default on its sovereign debts during COVID-19 pandemic period. In accordance to the IMF, Zambia was said to be irresponsible and did not follow the regulatory terms of borrowing. As of 2026, the country's total public debt decreased to about 48%. Despite its debt situation stabilizing, Zambia is still at a high risk of distress and is highly vulnerable to external shocks [3]

The IMF categorizes financial crises occurrence into four types namely, currency crisis, sudden stop, debt crisis and banking crisis. The IMF's definition of a financial crisis is a series of complex chain of events necessitating substantial changes in credit volumes and asset prices, severe



disruption of financial intermediation, balance-sheet strains on a massive scale and increased government interventions. Zambia is considered to have a debt crisis with expectations of shifting to a moderate risk level of financial crisis by 2027-2030, if the country government adheres to maintaining Strick fiscal moderation [4].

From a post-colonial standpoint, Zambia's incessant debt crisis illustrates vast geopolitical inequities that are commemorated by colonial legacies (Bassett 2017). The post-colonial theories basically examine the interplay between power and knowledge, specifically the structural supremacy of Western nations institutions such as the IMF.

In terms of the Basel III, the framework increased a significant increase of capital and liquidity requirements. Zambia's banking system adequacy ratio stands at 23,5 %, significantly exceeding the required 12,5%, while the liquidity coverage ratio is at 385%, surpassing the 100% regulatory threshold [5]. However, the adoption process experiences disparities.

Zambia's vulnerability is not an accident but an extractive, rooted in colonial legacies and reinforced by neoliberal structural programs (SAPS) [6]. Frameworks for prevention, i.e., the IMF's Integrated Policy Framework, consider capital flows and volatile prices of commodities as exogenous factors as opposed to being par of a system whose roots lie in an international division of labor that is fundamentally unequal. Seeing that the country is solely dependent on one commodity being copper, any attempt at crisis prevention that fails to take account the need for diversification of exports is bound to end up failing. Luckily, in current times, the conditions imposed by IFIs still work against this.

Zambia faces like other developing countries still face obstacles in the prevention of financial crises. The first one being the most recent institutional attempt on crisis prevention is the G20 Common Framework for Debt treatments beyond DSSI, which was launched in the year 2020. The main purpose of this frame was to provide a coordinated, timely restricting process. However, through Zambia's experience it was believed to be a major obstacle to prevention, and not a solution. There are at least three reasons why the framework cannot serve as a to for preventing a crisis. Firstly, it doesn't provide any means to stop creditors from receiving payments when discussing a restricting deal; hence, the Zambian government was forced to make some repayments to some of its creditors being China and some private investors among them, while other investors remained unpaid. Secondly, it enforces the principle of comparable treatment which is extremely difficult to guarantee in highly fragmented environment of contemporary international finance. The impossibility to reach a consensus regarding loan forgiveness, especially considering Chinese opposition and unwillingness of some private lenders to compromise led to the delay of the process for more than three years [7]. Finally, by the time the parties came to an agreement it was too late and the economic damage had already been done.

The new geographies of lending provide a new challenge to preventing a crisis. In the context of the crisis that occurred in the 1980s, lending by the Paris Club, which comprised of western developed countries, represented a near monopoly when it came to bilateral loans. As we all know China has become one of the largest creditors for most developing African countries including Zambia. As for Zambia, China is the countries single biggest creditor, with one third of the country's external debt. Although most of its lending was rendered to the development of important infrastructure projects such as the Lusaka-Ndola, it is because of all this Chinese lending that Zambia has become an indebted nation owing to terms which changed from concessional to commercial. Which brings up the question of whether or not the country is in a Debt trap?

The most problematic aspect of Chinese lending is that there have been no proceeds when it comes to participating in debt forgiveness on a multilateral level. From a preventative angle, the problem is clear cut, no one in charge has access to information regarding a nations contingent liabilities including China's secret loans hiding in form of state-owned properties. Finally, the model China using, where Chinese companies construct infrastructure and earn profits does not create any



productive capacity or earnings in foreign currency necessary for serving the countries debts. As stated by Hameiri and Jones [8], it is known that China acts self-interestedly towards its potential allies in the south.

The preventative approach is bound to fail due its reliance on political measure such as fiscal consolidation, lower public spending and increased tax, that which would be hard to sustain under Zambia's democracy. According to Zhang (2025), The countries president Hakainde Hichilema, had to deal with political unrest and restricted civil liberties in effort to restore the country's stability. By trying to anticipate future crises through fiscal adjustment, the government invites its own downfall. The government pays for the negative impact of the now preventative approach, whereas the positive benefits will not materialize until the unknown future, Therefore, the government delays making tough choices, borrows in order to even out consumption, in the hopes for a windfall gain from rising commodity prices which never seems to come.

The failure to prevent the crisis has serious consequences that make future prevention more difficult. Economically, the Debt Overhang [9] has nearly wiped-out Zambia's fiscal space. Most of the countries money is frequently used for debt serving rather than development in their health or education sectors. Socially, the resulting austerity has worsened gender inequality. Cuts made to Zambia's public health and care services, hit women hard, as they act as unpaid caregivers. Politically, the crisis has sparked anti-Chinese violence and xenophobia, as people blame foreign creditors for their hardships. Every one of these consequences not only weakens state capacity but also, social unity and the government's ability to carry out any long-term prevention strategy. Hence, Zambia find itself caught up in a vicious cycle. Crisis usually leads to austerity, which causes social unrest and very poor governance. In the end all this results in low creditworthiness and increased borrowing costs, leading back to a crisis.

Conclusion

Beyond Technocracy, toward structural reform preventing the next Zambian debt crisis, as well as the one currently developing in Ghana, Mozambique or Sri Lanka, requires letting go of the idea that better early warning systems or improved debt sustainability models are enough. The challenge discussed in this article are not flaws but real aspects of an international financial system that is still hierarchical, fragmented, and favors powerful creditors.

To address these challenges, three structural reforms are needed. First, there is a need for a legally binding international framework for sovereign debt restructuring, similar to a domestic bankruptcy code (for example, a UN Convention), must substitute the voluntary and inconsistent G20 Common Framework. This will not only enforce standstills but also resolve holdout issues and ensure fair treatment amongst all creditors. In addition, lending to resource development economies must like to productive diversification and industrial policy, rather than just fiscal goals.

This means that international financial institutions must drop their opposition to state led development. Furthermore, Zambia and other nations at risk must works towards a common goal of regional financial integration, including the use of local currencies for trade within Africa, to lower their reliance on dollar dominated debt and unstable capital flows. Without these essential changes, the repeating threat of debt crisis will continue haunt Zambia, proving that the global financial system has learned little from its own history.

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