International Journal of Development and Sustainability
ISSN: 2186-8662 – www.isdsnet.com/ijds
Volume 14 Number 9 (2025): Pages 732-746
https://doi.org/10.63212/IJDS25042901

Drivers of Zimbabwe's unsustainable external public debt: A qualitative review

Victor Kudakwashe Mapuvire *

Department of Public Management, Faculty of Humanities, Tshwane University of Technology, Pretoria, South Africa

Abstract

This paper discusses the drivers of Zimbabwe's external public debt. Using a qualitative approach based on secondary data, the study identifies a range of structural, legal, and policy-related weaknesses that have exacerbated Zimbabwe's external public debt burden. Several drivers have been responsible for aggravating the country's debt woes. These include, accumulation of arrears; lack of clearly defined debt management policy and strategy; secretive and undeclared loans; impudent borrowing decisions; non-concessional borrowing; failure to adhere to stipulated legal debt borrowing limits; fiscal indiscipline and mismanagement of public funds; recurrent expenditures; fiscal deficits; poor auditing of debt; failure to follow reporting guidelines as well as poor record keeping and compilation of debt statistics. The study recommends urgent reforms including the adoption of a transparent, legally grounded debt management strategy, improved fiscal discipline, reduced reliance on non-concessional borrowing, and stronger institutional oversight to restore debt sustainability and support long-term economic recovery.

Keywords: First Keyword; Second Keyword; Third Keyword; Forth Keyword; Fifth Keyword

Cite this article as: Mapuvire, V.K. (2025), "Drivers of Zimbabwe's unsustainable external public debt: A qualitative review", *International Journal of Development and Sustainability*, Vol. 14 No. 9, pp. 732-746.

* Corresponding author. *E-mail address:* victormapuvire@gmail.com

1. Introduction

In Zimbabwe's public sector financial discourse, the sustainability of foreign public debt has taken front stage. Zimbabwe's foreign public debt sustainability has been impacted by a variety of issues. Furthermore, Zimbabwe has had a number of difficulties in managing its foreign public debt, which have contributed to the unmanageable debt of the nation. It should be mentioned that a variety of unique circumstances and difficulties have been linked to various consequences and have contributed significantly to the nation's financial problems. Therefore, in order to better understand why Zimbabwe has found itself in a situation where its external public debt is unsustainable, this paper discusses the drivers of Zimbabwe's unsustainable external public debt.

External debt sustainability has become a popular area of debate. In order to fully understand the subject matter, it is thus important to understand why countries borrow in the first place, what triggers debt crises and how debt sustainability issues have evolved over time. External debt management challenges have in recent years become more prevalent in several countries across the globe. External debt problems have been most notable in less economically developed countries. Sheikh et al. (2014, p. 7) suggest that, in the modern-day era, almost all economically developing countries are subject to the problem of external debt because of current account and fiscal deficits and imprudent debt management practices. More so, external borrowing has drastically been on the increase over the past few years in a number of countries across the globe and this has further worsened their economic positions. Increased debt has meant that more resources have been channelled towards the repayment and servicing of these debts. As a result, public debt management has become an area of great concern for numerous countries. A country's ability to maintain its debt at sustainable levels is thus a pertinent issue.

Zimbabwe is currently saddled with an external public debt burden that is unsustainably high due to the continuous accumulation of arrears (International Monetary Fund [IMF], 2020, p. 7). Zimbabwe's public external debt stock is estimated at US$12.3 billion as at end September 2024 (Minister of Finance, Economic Development and Investment Promotion, 2024, p.11). The country's accumulation of debt has been because of the failure by the relevant authorities to service their external debt to multilateral institutions over the years, averaging US$589 million per annum between 2005 and 2013 and this has resulted in an increase in arrears (African Development Bank [AfDB], 2016). This has resulted in interests and penalty charges exceeding the principal amount borrowed. As of December 2021, Zimbabwe's arrears on external debt stood at an estimated US$6.6 billion (which is about 49% of the total PPG external debt (MoF&ED and Zimbabwe Public Debt Management Office [ZPDMO], 2022, p. 5).

Zimbabwe owes arrears to multilateral creditors such as the World Bank, African Development Bank, and European Investment Bank, as well as bilateral creditors including the Paris and Non-Paris Clubs. Due to these arrears, international financial institutions have suspended lending, leaving Zimbabwe with limited prospects of resolving its debt crisis (African Forum and Network On Debt and Development [AFRODAD], 2020, p. 8). As of December 2021, the country's debt-to-GDP ratio had reached 62.1%, surpassing the 40% threshold recommended for developing economies (MoF&ED and ZPDMO, 2022, p. 15; UNESCAP, 2013). This has occurred amid fiscal stress and declining investor confidence, further worsening the situation. In 2019, the fiscal deficit stood at 4.9% of GDP (World Bank, 2019), and in 2020, the financing gap was ZWL$14.9 billion, or 3.8% of GDP (IMF, 2020, p. 5). Persistent budget deficits have driven unsustainable debt growth, as Zimbabwe struggles to meet its debt obligations, trapping the country in a cycle of borrowing and default

(Makochekanwa, 2008, 6; Mashakada, 2013, p. 2). It is therefore essential to examine the key drivers undermining Zimbabwe's external debt sustainability.

2. Literature review

Debt sustainability is an extensively debated concept in both the theoretical and empirical literature. Literature has shown that, even though debt sustainability has been a popular topic of debate for an extended period of time, it is still an imprecise concept. In spite of being widely mentioned and used by numerous academics and policy-makers, "debt sustainability" is a concept that does not have a widely agreed upon definition. Available descriptions and definitions of debt sustainability tend to differ in time horizons, scope and choice of variables. Mustapha and Prizzon (2015, p. 3) assert that "*debt sustainability is far from a homogenous concept as it varies according to the debtor's characteristics, the time horizon adopted and can focus on either external or domestic debt.*" Debt sustainability is thus forward-looking in nature and this often entails predicting the future evolution of a number of key macroeconomic variables. However, debt sustainability, which concerns a country's feasibility in terms of meeting its financial obligations related to a period starting with the present, has shown to be an elusive concept. This view is equally shared by Mupunga and Le Roux (2015, p. 98), who note that "*the sustainability of public debt cannot be determined with certainty and what matters is the risk caused by significant public debt accumulation, instead of the expected evolution of the public debt*." Such a description can be interpreted to mean that higher levels of debt are therefore not necessarily unsustainable as long as the country can meet the debt service obligations.

Interest in the conditions for debt sustainability builds on an earlier tradition of work on debt management where the focus was on country risk and on the likelihood and consequences of debt default. Although there is lack of a generally agreed upon definition of what precisely constitutes a sustainable debt position, it is instinctively evident that debt sustainability aims at ensuring that debt remains within manageable levels that do not present the threat of default. However, it is widely agreed that debt is sustainable when a country can meet its current and future debt service obligations in full, without recourse to debt relief, rescheduling or accumulation of arrears (Hakura, 2020, p. 60; International Development Association (IDA) and the International Monetary Fund (IMF), 2001, p. 7). According to Boote and Thugge (1999, p. 3), debt sustainability is "*the situation which exists when a country is expected to be able to meet its current and future external debt service obligations in full, without recourse to debt relief rescheduling of debts or the accumulation of arrears and without unduly compromising growth*." These definitions suggest that a country's debt becomes unsustainable if, in the absence of adjustment, sooner or later the government would not be able to service its debt. There are at least four common indicators of debt performance noted in literature and these; debt-to-GDP, total investment-to-debt, fiscal deficit-to-GDP and debt-to-revenue ratio and the most common indicator for assessing the debt levels is the 'debt-to-GDP ratio'.

A number of factors have been noted in literature to be responsible for determining the threshold at which a nation's debt becomes unsustainable. Such factors include the denomination of the debt, political circumstances, and most importantly, underlying economic conditions (Congressional Research Service, 2019, p. 6). A sudden change in any of these circumstances may result in a shift in a country's debt and render it unsustainable without even the underlying amount of debt changing at all. Literature identifies some notable effects that come about as a result of the failure to ensure sustainable levels of debt. Kose et al. (2021, p. 2) are of the view that unsustainable debt results in the government losing its ability to indefinitely finance its operations in a sound manner. Unsustainable debt levels have also been noted to lead to major disruptions in economic activity (Hakura, 2020, p. 61). Such explanations suggest that unsustainable debt tends to be accompanied by undesirable effects on a country's economy, raising the need to pursue policies that ensure continued debt sustainability.

3. Methodological note

This paper adopted a qualitative research approach, relying primarily on secondary data. Secondary data refers to information not directly collected from original sources, but rather gathered through a comprehensive review of existing literature, such as academic books, peer-reviewed journals, policy publications, and reputable newspaper articles. Thematic analysis was employed to examine the data, guided by an interpretivist framework that seeks to understand the underlying causes and patterns contributing to Zimbabwe's external public debt challenges. Key themes were identified inductively through a careful reading and coding of the literature, allowing for the emergence of recurrent concepts such as fiscal mismanagement, institutional weaknesses and arrears accumulation. These themes were then grouped and analysed in relation to their impact on debt sustainability, enabling a more critical and interpretive understanding of the the drivers of Zimbabwe's unsustainable external public debtrather than merely listing them descriptively.

4. Findings

There are several drivers of Zimbabwe's unsustainable external public debt. Such drivers have included aspects such as, accumulation of arrears; lack of clearly defined debt management policy and strategy; secretive and undeclared loans; impudent borrowing decisions; non-concessional borrowing; failure by the government of Zimbabwe to adhere to stipulated legal debt borrowing limits; fiscal indiscipline and mismanagement of public funds; recurrent expenditures; fiscal deficits; poor auditing of debt; failure to follow reporting guidelines as well as poor record keeping and compilation of debt statistics. These are discussed in greater detail below.

4.1. Accumulation of arrears

An important question to answer is why Zimbabwe's debt has become unsustainable even in the absence of new borrowing from the IFIs. It should be noted that, Zimbabwe has not been accessing any loans from the traditional multilateral international financial institutions (IFIs) such as the IMF and World Bank since the year 2000, when the GoZ initially defaulted on its external debt obligations (Chigumira et al., 2018, p. 3). The expectation is that, in the absence of new and increased borrowing, the country would have had enough time to put its affairs in order and address its external debt sustainability issues. However, the GoZ has continued to incur arrears and penalties due to its failure to meet its payment obligations and this has led to unsustainable external public debt (Chigumira et al., 2018, p. 3). Most of Zimbabwe's debt are arrears owed to both bilateral and multilateral creditors which include, the IFIs, the Paris Club, Non-Paris Club and private creditors

(Zimbabwe Coalition on Debt and development [ZIMCODD], 2020, p. 3). Table 1 below shows the public external debt arrears by creditor as at end September 2021.

Table 1. Public External Debt Arrears by Creditor as at end September 2021 (US$ millions)

	Non-Guaranteed			Guaranteed			Grand Total
	DOD	Arrears	Total	DOD	Arrears	Total	
External Debt (a+b+c+d)	**1,738**	**5,182**	**6,920**	**4,883**	**1,488**	**6,271**	**13,191**
a. Bilateral Creditors	**1,271**	**3,320**	**4,591**	**22**	**832**	**854**	**5,445**
Paris Club	110	2,831	2,942	19	823	843	3,784
Non-Paris Club	1,160	489	1,649	3	8	11	1,661
b. Multilateral Creditors	**246**	**1,862**	**2,108**	**0**	**557**	**557**	**2,644**
World Bank	162	1,070	1,232	0	291	291	1,523
African Development Bank	31	599	630	0	87	87	716
European Investment Bank	14	167	181	0	179	179	361
Others	38	26	64	0	0	0	64

Source: (MoF&ED 2021:7)

As shown in Table 1 above, a significant portion of the country's external debt owed to IFIs is now in arrears. It can be noted that, as of 2021, the external debt arrears amounted to US$6.5 billion of the total external debt is (GoZ, 2021). Arrears have therefore remained a key element of the external debt and it is these arrears that have remained as one of the main challenges to the country's economy (ZPDMO, 2020, p. 18). The presence of arrears signifies that the GoZ has been finding it extremely difficult to clear its debt, a scenario which negatively impacts the country's credit ratings. As a result of these arrears, there is a very limited chance that the country can emerge out of its debt servicing challenges within the near future (IMF, 2017, p. 66). On the other hand, the accumulation of arrears and penalties on the debt which the GoZ acquired during the 1980s and 1990s perhaps serves as the first sign of the poor management of the country's debt by the responsible authorities. The accumulation of arrears has therefore been one of the major drivers of external public debt in Zimbabwe.

4.2. Lack of clearly defined debt management policy and strategy

A debt management policy is an essential element in terms of attaining a satisfactory level of sustainable development and debt sustainability is an essential precondition for economic stability and growth in low-income countries like Zimbabwe (ZIMCODD, 2020, p. 11). Such a policy is lacking in Zimbabwe's case. In Zimbabwe's case, there seems to be no concrete debt policy in place. Instead, in recent times the country's debt policy can be denoted from a number of economic blue prints such as the Transitional Stabilisation Programme and National Budget Statements as well as other national policy documents. A debt policy is of the utmost importance as it plays the part of outlining the institutional framework for the management of external public debt (particularly how debt is initiated, the roles and responsibilities of the Ministry of Finance, PDMO, Parliament and AG's office among others). The debt policy further provides for debt sustainability analysis as well as requires for the need to carry out external public debt audits when they are due (Adeniran et al., 2018, p. 29). It is important that all debt management operations must be guided by a formal debt management strategy, and therefore the finalisation and publication of this Mid Term Management Strategy would immensely improve the country's debt management function (Cabral, 2015, p. 3). It must further be highlighted that, if implemented a MTDMS has the capability of improving accountability considering that the debt portfolio poses a substantial amount of risk and thus the strategy offers a sense that public debt is being prudently managed (Dubrow, 2020, p. 28).

4.3. Secretive and undeclared loans

Debt management in Zimbabwe has been severely undermined by the lack of transparency in debt management which has manifested through aspects such as secretive and undeclared loans. Secret and undisclosed loans are one aspect of external public debt management that raises a great deal of concern in Zimbabwe. There have been reports that, since Zimbabwe was suspended from accessing loans and aid from IFIs such as the IMF and World Bank, the GoZ has been engaged in secret borrowings which are often undeclared. Such a scenario goes against the international best practices for debt management which call for transparency and accountability within the debt management function. Griffiths (2020, p. 8) states that, the public disclosure of loans is a crucial element of prudent and sustainable debt management. The failure to fully disclose the country's borrowings has raised questions as to the true extent of the country's external indebtedness. The undeclared debt stems from, among other sources, the GoZ's farm compensation, Chinese loans, Afreximbank borrowings and the growing burden of crumbling parastatals (Malaba et al., 2019, p. 56). For instance, most of these loans from China were contracted illegally without Parliament's consent. One notable example of such loans is the US$55 million debt which was borrowed from China for the purposes of purchasing tractors which were distributed to "new farmers" through a private company called Farmer's World (Malaba et al., 2019, p. 76). In this context, Zimbabwe's former Minister of Finance, Tendai Biti, characterized the country's debt crisis as a systemic issue, stating that "there is a malignant cancer that is spreading in the spine of the Zimbabwean economy, and that cancer is hidden debt and grey debt" (as cited in Malaba et al., 2019, p. 77). This metaphor underscores the pervasive and destabilizing impact of opaque and unaccounted-for debt on the country's economic stability.

4.4. Impudent borrowing decisions

Imprudent borrowing decisions made by the GoZ have led to unsustainable external public debt. The failure by the government of Zimbabwe to adhere to stipulated legal debt borrowing limits as well as a high proportion of foreign government debt requiring servicing. Amidst the heavy burden of an inherited debt as well as one which was accrued during the 1980s and 1990s, the GoZ has in recent years increased its borrowing. The GoZ after being suspended from accessing loans from IFIs has on recent years been quenching its huge appetite for external borrowing through accessing loans from private lenders as well as from non-concessional sources of borrowing (AFRODAD, 2020, p. 8). The GoZ has failed to exercise caution when borrowing (Malaba et al., 2019, p. 56). The GoZ's borrowing for the purposes of funding numerous projects has in recent times has been on a sharp increase. Zimbabwe has therefore been borrowing extensively for the purposes of funding its spending requirements and this has seen an increase in terms of the external loan disbursements. For instance, between January and September 2020 alone, the GoZ borrowed an estimated total of US$1,478,740,726 for the purposes of funding several projects (ZPDMO, 2020, p. 48). More so, in 2021, the GoZ concluded a concessional loan amounting to US$35.7 million for the smallholder irrigation revitalisation programme funded by the International Fund for Agricultural Development (IFAD). It should be noted that that this is the only loan said to have been concluded by the GoZ in 2021 and this is indicated in Table 2.

Table 2. Loans concluded by Government in 2021 (US$ millions)

Loan Facility	Lender	Loan Amount	Tenure (years)	Grace Period (years)	Interest Rate (%)
Smallholder Irrigation Revitalisation Programme	IFAD	35.7	40	10	15

Source: (MoF&ED, 2021, p. 10)

Such continued loan acquisitions in the presence of more external debt which the country has seemingly found it difficult to settle are not only careless but further sink the country into more external debt. It is therefore apparent that Zimbabwe's increased borrowing in the face of already existing debt challenges has worsened the sustainability of the country's debt. As a matter of fact, the country has been incurring more debt and aggravating the sustainability of the external public debt that had previously been acquired.

4.5. Non-concessional borrowing

Borrowings from non-concessional sources by the GoZ have also aggravated the sustainability of the country's debt. On top of the existing mismanaged debt consisting of inherited debt, principal amounts owed to IFIS as well as arrears and penalties on these debts, the GoZ the authorities have proceeded to effectively secure several additional external loans from non-concessional sources. Due to its failure to access loans from the traditional IFIS, Zimbabwe has been relying on loans from non-concessional sources of finance, mostly China (Chigumira et al., 2018). For instance, in 2019, the GoZ notably acquired a few additional external loans from China and African Export-Import Bank (Afrexim bank) for the purposes of funding infrastructure projects as well as for defending the new ZWL$ and for facilitating the importation of essential goods (such as fuel, maize, pharmaceuticals) (ZIMCODD, 2020, p. 4). Some of these loans have been securitized by future mineral exports (IMF, 2020, p. 2). However, it has been argued that such loans will notably result in adverse social and economic implications within the medium to long term since the debt is not transformed into growth enhancing outlays (Sharara 2021, p. 1). Of concern have been Zimbabwe's questionable and suspicious loans from China as well as from African Export-Import Bank as indicated above (Afreximbank). China has within the past few years become the single biggest source of external funding for Zimbabwe. The GoZ of Zimbabwe has in recent years acquired significant loans on non-concessionary terms from China. Concessionary loans tend to be much more expensive and are associated with unfavourable terms and therefore these loans are thus more expensive for the GoZ (Mupunga et al. 2019, p. 7).

4.6. Failure by the government of Zimbabwe to adhere to stipulated legal debt borrowing limits

The GoZ has notably failed to adhere to the stipulated threshold in the total amount of debt they have incurred. The GoZ has in recent times been regularly violating the limits as well as procedures set out by the Constitution of Zimbabwe and the Public Debt Management Act [Chapter 22:21] of 2015. The GoZ has on several occasions exceeded the debt limits set forth in section 300 of the Constitution of Zimbabwe without the authority of Parliament and such an act notably violates the country's laws. For instance, as at end 2020, Zimbabwe's total PPG External and Domestic Debt Stock/GDP stood at 72.6%, (ZPDMO, 2020, p. 18). This figure notably exceeds the 70% threshold espoused in the Transitional Stabilisation Programme, the Public Debt Management Act and the Public Finance Management Act [Chapter 22:19]. It is therefore apparent that, one of the major challenges has been the constant violation of the legal as well as the constitutional provisions regarding the management of public finance as well as reporting requirements (ZIMCODD and AFRODAD, 2019, p. 19). Such disregard to the relevant laws is particularly worrisome and means that some of the debt which has been incurred by the GoZ in this manner has been illegal as it violated the Constitutional requirements.

4.7. Fiscal indiscipline and mismanagement of public funds

Fiscal indiscipline and mismanagement of public funds are notable factors that have resulted in the country's debt crisis spiralling out of control and reaching unsustainable levels. Fiscal indiscipline and the mismanagement of public funds have been key issues of concern in Zimbabwe and is at the centre of the prevailing unsustainable external public debt (Saungweme and Mufandaedza, 2013, p. 7). These issues have raised a lot of concerns and have been consistently been flagged and noted the Auditor General's reports. The reports by the Auditor general have been consistent in terms of revealing issues regarding the mismanagement of public funds, irregularities in the public debt management as well as wasteful expenditures and corruption in public finance management amongst other things. For instance, the 2019 Auditor General's a report by revealed that; in 2019, Treasury incurred unauthorised excess expenditure amounting to $6 806 340 654 as a result of Unallocated Reserve transfers made to line Ministries amounting to $7 386 995 654 (Office of the Auditor General Zimbabwe, 2021, p. 1). This expenditure was in excess of the approved budget of $580 655 000 and therefore contravened Section 305 (5) of the Constitution of Zimbabwe Amendment (No. 20) Act, 2013. Such an act shows that, Treasury which has the task of managing the country's public funds has not been adhering to the legal requirements in terms of the authorise use of public funds. In addition, the 2019 Auditor General's report revealed that the GoZ in 2018 overspent by more than US$2 billion without Parliament's approval (Office of the Auditor General Zimbabwe, 2021, p. 33).

4.8. Recurrent expenditures

Recurrent expenditures which have been a mainstay in Zimbabwe's annual national budget expenditure have contributed significantly to Zimbabwe's debt challenges. The GoZ has for a considerable length of time, beginning when the country attained its independence in 1980 been devoting more than 90 per cent of its budget on average towards recurrent expenditures mainly a bloated civil service wage bill and perks for senior government officials (Besada 2011, p. 9). Initially, this partly stemmed from the socialist policies pursued by Robert Mugabe's Zimbabwe African National Union Patriotic Front's (ZANU-PF) led government since 1980 (Mupunga and Le Roux, 2014, p. 2). Such as scenario has been persisting even in more recent times as show by the fact that, between 2015 and 2017, total government spending on recurring expenditure in Zimbabwe was 90.49% with only 9.5% of the country's yearly budget spending being allocated to capital infrastructure (Adeniran et al., 2018, p. 23). For instance, the black government adopted the Growth with Equity policy in 1981 as the first post-independence economic policy statement (Besada 2011, p. 9). Growth with Equity sought to attain a sustainable increased level of economic growth, speedy development so as to raise the incomes and standards of living for Zimbabweans as well as widen employment of both rural peasants and urban workers (Sibanda and Makwata, 2017, p.5). Simply put, the policy was meant to address social economic disparities inherited from the colonial era. The Growth with Equity policy however led to an exponential increase in the GoZ's recurrent expenditures which resulted in fiscal disequilibria, and hence stimulated the need to borrow, especially from abroad (Besada, 2011, p. 9). Table 3 below shows government expenditure components between 1980 and 2018.

Table 3. Government expenditure components (% of total expenditure)

	1980–1990	**1991–1996**	**1997–2008**	**2009–2012**	**2013–2018**
Recurrent expenditure	87.4	81.8	87.1	86.4	79.1
Capital expenditure	12.6	18.2	12.9	13.6	21.8

Source: (Kavila, 2021, p. 10)

From Table 3 above shows that, between 1980 and 2018, the country's current expenditure has averaged 84.36 percent, whilst the capital expenditure within the same period has averaged a measly 15.82 percent. Therefore, recurrent expenditures have been the more dominant component as compared to capital expenditure. Such a scenario means that there have been insufficient amounts of capital expenditure, critical for fostering long-term economic growth (Kavila 2021:9). It should be noted that, economic growth is crucial for ensuring that the country attains some level of external debt sustainability (Mupunga and Le Roux, 2015, p. 100).

4.9. Fiscal deficits

Fiscal deficits have been one of the most noticeable and noticeable drivers of Zimbabwe's rising external public debt and accompanying sustainability challenges. According to Dube and Mapfudza (2020, p.29), "the fiscal deficit of a government is defined as the excess of government expenditure over government revenue and at any point in time, the accumulated value of this deficit is the public debt." The GoZ has been incurring extensive and persistent fiscal deficits since the country attained its independence in 1980, where the persistent incurrence of budget deficits emanated from the quest to meet development expenditure requirements, which were seen as crucial for fostering economic growth and development (Kavila, 2021, p. 1). The pervasive deficits have remained a constant feature in Zimbabwe's fiscal management ever since (IMF, 2020, p. 3). Such a scenario means that there has notably been poor public financial management as well as inadequate revenues that have been generated internally. Kavila (2021, p. 11) suggests that, Zimbabwe's fiscal deficits have largely been driven by politically motivated expenditure overruns, such as military involvement in the DRC, war veteran gratuities, the land reform programme, and costly agricultural subsidies like Command Agriculture. The country's limited access to external financing, due to the suspension of donor support, has further strained the budget. Although fiscal revenues have remained relatively stable, high inflation has eroded their real value. Additionally, the government frequently exceeded the statutory borrowing limit from the central bank, undermining fiscal discipline. Additionally, the IMF (2020, p. 5) states that, between 2016 and 2018, Zimbabwe experienced significant fiscal slippages due to off-budget quasi-fiscal activities, unbudgeted agricultural programmes, and wage bill overruns. Although revenue targets were largely met, actual and budgeted expenditures exceeded projections by an average of 45%, highlighting poor expenditure control. It should be noted that, the GoZ has thus found it difficult to place these budget deficits under control as shown by the scenario that, in 2020 alone, the GoZ had a fiscal financing gap of about ZWL$14.9 billion (approximately US$1 billion) which is at least 3.8 percent of GDP or a quarter of spending in the 2020 budget (IMF, 2020, p. 15). It should be noted that this is a notably large fiscal gap.

4.10. Poor auditing of debt

Poor debt audits have been a defining feature of Zimbabwe's debt management. Zimbabwe's external public debt audits appear to be below best practices. It has been observed that both internal and external audits of public debt are necessary, and that one of the most important prerequisites for a competent external public debt management function is an efficient public audit (World Bank, 2017, p. 92). It should be mentioned that performance audits are essential because they verify that the laws governing public debt are being followed, determine whether the nation is receiving value for the money spent on the debt in comparison to what was originally planned, and further identify any gaps. This helps a nation's debt management efforts to be in line with achieving debt sustainability (International Organisation of Supreme Audit Institutions Development Initiative [INTOSAI], 2021).

4.11. Failure to follow reporting guidelines

The GoZ's inability to report loans to Parliament and the public, has significantly contributed to the government's lack of accountability over the expansion and use of loans. Failure to follow reporting guidelines has further weakened transparency standards, and reporting procedures have further exacerbated

Zimbabwe's debt issues. According to Section 36 of the Public Finance Management Act [Chapter 22:19] of 2009, the Minister of Finance is required to present a report to Parliament that includes information on the debt strategy's performance, the debt management activity's outcome in comparison to its goals, a list of all government-issued debt guarantees, all outstanding borrowings, and the associated debt service projections. It has been observed that very little reporting is being done on Zimbabwe's external public debt position, which not only demonstrates non-compliance with the legal framework for debt management but also jeopardises transparency in the country's overall debt management situation (Chimhangwa, 2020, p. 1). This indicates that the reporting quality is insufficient to improve debt sustainability evaluations and track how the debt situation is changing. It is clear that the lack of openness threatens the sustainability of debt since it contradicts worldwide best practices for debt management.

4.12. Poor record keeping and compilation of debt statistics

Problems with inadequate record keeping and debt data compilation are closely linked to the egregiously underestimated debt (ZIMCODD, 2020, p. 12). Poor documentation and debt statistics compilation have been hallmarks of Zimbabwe's debt management. "Zimbabwe's debt management is weak and debt statistics are not systematically compiled and published," according to the IMF (2020:50). The Ministry of Finance and Economic Development is not yet providing any debt information about the nation's foreign debt sustainability position, despite the Public Debt Management Office's efforts to publish a debt bulletin (IMF, 2020, p. 50). A thorough debt reconciliation process is necessary in this case, since the GoZ's debt record keeping and understanding of its debt status are called into doubt by this inability to distribute the necessary information (ZIMCODD, 2020, p. 12). Therefore, the GoZ's noteworthy failure to compile Zimbabwe's debt data, one of the essential components of a successful debt management exercise has further worsened the country's external public debt sustainability. Any attempts to achieve debt sustainability are complicated by the data that appear to be erroneous on the actual level of the nation's debt.

5. Conclusions and recommendations

This article attempted to articulate the numerous factors that have affected the sustainability of the external public debt in Zimbabwe. It is apparent from the argument presented in this article that there are drivers behind Zimbabwe’s unsustainable external public debt. The drivers that have been discussed in this article include, accumulation of arrears; lack of clearly defined debt management policy and strategy; secretive and undeclared loans; impudent borrowing decisions; non-concessional borrowing; failure by the government of Zimbabwe to adhere to stipulated legal debt borrowing limits; fiscal indiscipline and mismanagement of public funds; recurrent expenditures; fiscal deficits; poor auditing of debt; failure to follow reporting guidelines as well as poor record keeping and compilation of debt statistics.

Therefore, in order to improve the sustainability of Zimbabwe’s external public debt, there is need to reform the debt management practices. This can be done through adherence to legal borrowing limits**.** If the GoZ is to attain external public debt sustainability must adhere to the stipulated borrowing limits. The GoZ should desist from borrowing beyond that is legally provided for by the country’s laws.

Additionally, there is need to develop a clearly defined debt management strategy. The Ministry of Finance and Economic Development must come up with a clear debt management strategy and policy which outlines the institutional framework for the management of external public debt, particularly how debt is initiated, the roles and responsibilities of the Ministry of Finance, PDMO, Parliament and AG's office among others. A debt management policy is an essential element in terms of attaining a satisfactory level of sustainable development and debt sustainability is an essential precondition for economic stability and growth in low-income countries like Zimbabwe. The Medium-Term Debt Management Strategy must be designed so as to operationalise the objectives of the management of public debt in Zimbabwe as outlined in Section 3 of the Public Debt Management Act. Therefore, the GoZ must ensure that all debt management operations must be guided by a formal debt management strategy. Further, the DMS must be clearly outlined in the debt management strategy document. The debt management strategy document should be a stand-alone document and must be publicly available to promote transparency and accountability. In crafting the debt management strategy document, the legislature, the public and the market participants should be kept in mind as the audience.

Also, Zimbabwe's external public debt can be made more sustainable through improving transparency in debt management. It should be noted that, for the purposes of improving the transparency of the management of external public debt, the GoZ through the MoF&ED should ensure that all of the country's external borrowings as well as the true extent of the country's external indebtedness are disclosed. There must be transparency in the process for obtaining financing as well as assuming sovereign debt obligations and liabilities and this transparency entails making the debt management strategy and objectives public.

There is need for the GoZ to reduce its borrowing if external public debt is to be made more sustainable. It is no secret that, the GoZ has been borrowing excessively even when faced with the prospects of increasingly unsustainable debt is It was further noted that, increased borrowings from non-concessional sources by the GoZ have also aggravated the sustainability of the country's debt. This has been as a result of the failure to access loans from the traditional IFIS, Zimbabwe has been relying on loans from non-concessional sources of finance, mostly China. It is therefore apparent that Zimbabwe's increased borrowing in the face of already existing debt challenges has worsened the sustainability of the country's debt. It is therefore recommended that, the GoZ should in the meantime desist from obtaining new external public debt, especially from concessionary sources or private lenders up until the country has decisively dealt with the debt previously acquired and up until this debt has been managed to sustainable levels.

References

Adeniran, A., Ekeruche, M.A, Bodunrin, O.S., Ali, A.A., Mandri, B. and Tayeb, G. (2018), *Africa's Rising Debt; Implications for Development Financing and a Sustainable Debt Management Approach*, Global Economic Governance (GEG Africa), Kabale.

African Development Bank (AfDB) (2016), "Country brief update 2014 – 2016, Zimbabwe", available at: https://www.afdb.org/en/documents/document/zimbabwe-country-brief-update-2014-2016-50762 (accessed 27 November 2022).

AFRODAD (2020), "The China-Zimbabwe Relations: Impact on Debt and Development in Zimbabwe", available at: https://afrodad.org/sites/default/files/publications/China-Zimbabwe-relations_-implications-on-Zimbabwes-Development.pdf (accessed 31 May 2022)

Besada, H. (2011), *Zimbabwe: Picking Up the Pieces*, Palgrave Macmillan, New York. https://doi.org/10.1057/9780230116436

Boote, A.R. and Thugge, K. (1999), *Debt Relief for Low-income Countries and the HIPC Initiative*. International Monetary Fund, Washington D.C. https://doi.org/10.5089/9781557757241.054

Cabral, R. (2015), *How Strategically is Public Debt Being Managed Around the Globe? A Survey on Public Debt Management Strategies*, World Bank, Washington D.C.

Chigumira, G., Mupunga, N. and Chipumho, E. (2018), *An Assessment of Arrears Clearance and Sustainable Debt Options for Zimbabwe*, African Capacity Building Foundation and Zimbabwe Economic Policy and Research Unit (ZEPARU), Harare.

Chimhangwa, K. (2020), "Zimbabwe citizens demand accountability from government over debt in a landmark high court ruling", available at: https://www.opendemocracy.net/en/oureconomy/zimbabwe-citizens-demandaccountability-government-over-debt-landmark-high-court-ruling/ (accessed 31 May 2022).

Congressional Research Service (2019), *Deficits, Debt, and the Economy: An Introduction*. Washington D.C: Congressional Research Service. Available at: https://crsreports.congress.gov (accessed 20 January 2021).

Constitution of Zimbabwe Amendment (No. 20) Act, 2013

Dube, L.Z. and Mapfudza, C. (2020), "Debt Sustainability in Fragile Economies: The Case of Zimbabwe", *Journal of Management and Science*, Vol. 10 No. 3, pp. 29-32. https://doi.org/10.26524/jms.10.10

Dubrow, G. (2020), *The Role of Parliament in Public Debt Management, Weathering the Covid-19 Crisis and Beyond*, WFD, London.

GoZ (2021), *Statement of Public Debt*, Ministry of Finance and Economic Development, Harare.

Griffiths, J. (2020), *The role of debtors and creditors in preventing debt crises in low-income countries,* IMF and World Bank, Washington D.C.

Hakura, D. (2020), "What is Debt Sustainability. Finance and Development", available: https://www.imf.org/en/Publications/fandd/issues/2020/09/what-is-debt-sustainability-basics (accessed 31 May 2022).

International Development Association (IDA) and the International Monetary Fund (IMF) (2001), *The Challenge of Maintaining Long-Term External Debt Sustainability*, IMF, Washington D.C. https://doi.org/10.5089/9781498328012.007

IMF (2017), *The Medium-Term Debt Management Strategy: An Assessment of Recent Capacity Building, IMF Policy Paper*. IMF, Washington D.C. https://doi.org/10.5089/9781498346573.007

IMF (2020), *2019 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for Zimbabwe*. IMF, Washington D.C.

International Organisation of Supreme Audit Institutions Development Initiative (INTOSAI IDI) (2021), "Audit of Public Debt Management: A Handbook for Supreme Audit Institutions", available at: https://www.idi.no/elibrary/professional-sais/audit-lending-and-borrowing-frameworks/1249-audit-of-public-debt-management-handbook-for-sais-v1/file (accessed 18 May 2022)

Kavila, W. (2021), *Understanding the dynamics of the budget deficit and economic performance in Zimbabwe*, The African Economic Research Consortium, Nairobi.

Kose, A., Ohnsorge, F., Reinhart, C. and Rogoff, K. (2021), "The Aftermath of Debt Surges: No Easy Solution", available at: https://documents1.worldbank.org/curated/en/249451631308017450/pdf/the-aftermath-of-debt-surges.pdf (accessed 18 May 2022). https://doi.org/10.3386/w29266

Makochekanwa, A. (2008), "The impact of a budget deficit on inflation in Zimbabwe", available at: https://www.researchgate.net/publication/46446436_The_impact_of_a_budget_deficit_on_inflation_in_Zimbabwe (accessed 9 May 2020).

Malaba, B., de Carvalho, C.R., Valoi, E. and Mafa, C. (2019), "Southern Africa's Debt Conundrum, The Investigative Report", available at: https://zimcodd.org/wp-content/uploads/2020/06/Southern-Africas-Debt-Conundrum.pdf (accessed 12 June 2022)

Mashakada, T.L.J. (2013), "Macroeconomic Consequences of Fiscal Deficits in Developing Countries: A comparative study of Zimbabwe and selected African countries (1980-2008)", Doctoral Dissertation, University of Stellenbosch.

Ministry of Finance and Economic Development (MoF&ED) (2021), *Statement on Public Debt*, Ministry of Finance and Economic Development, Harare.

Ministry of Finance, Economic Development and Investment Promotion (2024), *2025 National Budget Statemen*t, Ministry of Finance, Economic Development and Investment Promotion, Harare.

MoF&ED and ZPDMO (2022), *Annual Public Debt Bulletin, 2021 Financial Year,* MoF&ED and ZPDMO, Harare.

Mupunga, N. and Le Roux, P. (2014), "Analysing the theoretical and empirical foundations of public debt dynamics in Zimbabwe", Economic Research Southern Africa (ERSA) Working Paper 409, Johannesburg.

Mupunga, N. and Le Roux, P. (2015), "Estimating the optimal growth-maximising public debt threshold for Zimbabwe", *Southern African Business Review*, Vol. 19 No 3, pp. 02-128.

Mupunga, N., Ngundu, T. and Makena, P. (2019), "External Debt Dynamics and Implications for Monetary Policy in the SADC Region", RBZ Working Paper Series Number 1/ 2019, Harare.

Mustapha, S. and Prizzon, A. (2015), "Debt Sustainability and Debt Management in Developing Countries. Overseas Development Institute", available at: https://assets.publishing.service.gov.uk/media/57a0897eed915d622c00023f/EPS_PEAKS_Topic_Guide_Debt_Sustainability_and_Debt_Management_in_Developing_Countries.pdf (accessed 13 March 2021).

Office of the Auditor-General Zimbabwe (2021), *Report of the Auditor-General for the Financial Year Ended December 31, 2019 on Appropriation Accounts and Fund Accounts*, Office of the Auditor-General Zimbabwe, Harare.

Public Debt Management Act [Chapter 22:21] of 2015

Public Finance Management Act [Chapter 22:19] of 2009

Saungweme, T. and Mufandaedza, S. (2013), "An empirical analysis of the effects of external debt on poverty in Zimbabwe: 1980-2011", *International Journal of Economics and Research,* Vol 4 No. 6, pp. 20-27.

Sharara, K. (2021), "Why Zim needs to resolve debt crisis. E-Business Weekly", available at: https://www.ebusinessweekly.co.zw/why-zim-needs-to-resolve-debt-crisis/ (accessed 14 December 2021).

Sheikh, M.R., Abbasi, M.N., Iqbal, S. and Masood, S. (2014), "External debt sustainability analysis: A case of SAARC countries", *International Journal of Management Research and Emerging Sciences*, Vol 7 No. 2, pp. 26-49.

Sibanda, V. and Makwata, R. (2017*), Zimbabwe Post Independence Economic Policies: A Critical Review*, Lambert Academic Publishing, Saarbrucken.

United Nations Social Commission for Asia and the Pacific [UNESCAP] (2013), "Forward looking Macroeconomic Policies – Re-examining Inflation and Debt Limits", available at: https://www.unescap.org/sites/default/files/pb14.pdf (accessed 30 May 2022).

World Bank (2019), "The World Bank in Zimbabwe", available at: www.worldbank.org/en/country/zimbabwe/overview (accessed 10 July 2020).

ZIMCODD and AFRODAD (2019), "The Impact of Indebtedness on Human Rights in Zimbabwe", available at: https://afrodad.org/sites/default/files/publications/The-Impact-of-Indebtness-on-Human-Rights-in-Zimbabwe.pdf (accessed 25 May 2022).

ZIMCODD (2020), "Linkage Between Debt, Extractives Sector, Inequality and Illicit Financial Flows. A Case Study from Zimbabwe", available at: https://zimcodd.org/sdm_downloads/linkage-between-debt-extractives-sector-inequality-and-illicit-financial-flows/ (accessed 27 May 2022).

Zimbabwe Public Debt Management Office (ZPDMO) (2019), "Annual Public Debt Bulletin, 2019 Financial Year", Available at: https://zimtreasury.co.zw/wp-content/uploads/2025/01/Bulletin-Dec-2019-20November-2020.pdf (accessed 12 May 2021).