PUBLIC DEBT REPORT

DECEMBER 2022

ZIMCODD

ZIMBABWE COALITION ON DEBT & DEVELOPMENT

1 INTRODUCTION

Domestic resource mobilization has remained a perennial challenge in Zimbabwe owing to bad economic policies, climate change, COVID-19, burgeoning debt as well as structural rigidities such as corruption and illicit financial flows. These challenges have continued to bedevil the government's efforts to mobilize resources pushing it to over-rely on collateralized borrowing which is oftentimes not publicly disclosed. Now, the nation is trapped in debt distress as it is failing to fully service its debts leading to the accumulation of arrears and penalties. The prevailing unsustainable debt level is exerting dire developmental impacts on the economy and citizens. Despite these impacts, the latest 2023 Zimbabwe Public Debt Statement released alongside the 2023 national budget shows continued borrowing appetite by the government. The ZIMCODD analysis assesses the statement presented by the Minister of Finance and Economic Development, Hon. Prof Mthuli Ncube against the legal and regulatory framework for public debt management in Zimbabwe, regional standards (comparative analysis), as well as highlighting some human faced developmental impacts of public debt.

2 LEGISLATIVE AND INSTITUTIONAL FRAMEWORK FOR DEBT MANAGEMENT IN ZIMBABWE

Notwithstanding the severity of debt and its impacts on social and economic rights in the country for a long time, debt management in Zimbabwe was supposed to be guided by the legal framework which includes the following:

- Constitution of Zimbabwe Amendment (No. 20) Act of 2013
- Public Finance Management (PFM) Act (Chapter 22:19) of 2009
- Public Debt Management Act (Chapter 22:21) of 2015.
- The Reserve Bank of Zimbabwe Act (Chapter 22:15) of 2010 as amended
- The International Bank Loans Assumptions Act (Chapter 22:08)
- Public Procurement and Disposal of Public Assets Act (Chapter 22:23)

Also, oversight mechanisms informing debt and PFM processes include:

- Parliament of Zimbabwe
- Ministry of Finance and Economic Development (MoFED)
- Public Debt Management Office
- External and Domestic Debt Management Committee (EDDC)
- Reserve Bank of Zimbabwe?

However, the existing framework continues to attract public displeasure as the government has assumed RBZ's legacy debts (blocked funds) in 2022 thereby increasing public debt. Earlier, the government enacted the RBZ Debt Assumption Act of 2015 which was used to transfer the institutional debt to the government without publicly disclosing the individual beneficiaries. The government had also adopted the RBZ's farm mechanization debt together with the ZISCO Steel debt totalling US$1.85 billion -magnifying the debt burden to the public. The government also adopted non-performing loans (NPLs) from the banking sector through the Zimbabwe Asset Management Company (ZAMCO) totalling US$1.13 billion. All this shows that a debt management framework that is highly susceptible to political manipulation and corruption protracts tax injustice and entrenches social and economic injustices as a larger chunk of public funds are directed toward debt servicing. The following are some of the identified PFM gaps hindering state efforts to address the debt crisis.

- **Disregard of existing framework:** Despite having a Medium-Term Debt Management Strategy in place, the government often times violates the legal and institutional frameworks that govern aspects of debt management including the continuous by-passing of Parliament's oversight role in debt management.
- **Lack of political will:** In the past, the government engaged in various alternatives to debt resolution. This witnessed the initiatives such as the Zimbabwe Accelerated Arrears Debt and Development Strategy (ZAADS) and the 2015 Lima Plan, strategies that failed to fulfill set targets. The failure was arguably due to a lack of political will to implement reforms required by the international community including Zimbabwe's creditors for fruitful engagement and re-engagement.
- **Policy inconsistencies:** The government's efforts to debt crisis are also hindered by its policy inconsistencies. For instance, since re-introducing the local currency in 2019, the government has changed exchange rate regimes multiple times leading to a loss of wealth and savings thus fuelling the need to borrow to fund government business as well as stabilize the local currency. currency change alone created 1,2 billion of legacy debt (expand this point)
- **Inaction towards Comprehensive Debt Audit:** Despite the efforts by the government, there is no single debt audit undertaken to date. An independent public debt audit is key as it will inform the scale and nature of the country's debts, which are oftentimes not transparently publicized. As such, the lack of regular debt auditing is promoting corruption and illicit transactions. Thus, subduing the government's domestic resource mobilization efforts.

3 ZIMBABWE DEBT PROFILE

According to the latest statistics released in the debt statement presented by Minister of Finance and Economic Development, Prof. Mthuli Ncube, in line with the Constitution of Zimbabwe Section 300 (4) (b) and the Public Debt Management Act [Cap 22:21] Section 36(3) which empowers the minister of finance to present in Parliament a comprehensive statement of the public debt of Zimbabwe, Zimbabwe's total Public and Publicly Guaranteed (PPG) debt (external and domestic) including RBZ debt, is estimated at ZWL$10.97 trillion (US$17.6 billion), as at end September 2022, up from ZWL1.9 trillion (US$17.2 billion) recorded as of December 2021. Of the total, external PPG debt accounts for 79.6% (US$14 billion or ZWL8.7 trillion), including Blocked Funds at 13.2% (US$2.3 billion or ZWL1.5 trillion) and domestic debt representing the balance at 20% (US$3.6 billion or ZWL2.2 trillion). The amount for the compensation of Former Farm Owners (FFOs), amounting to US$3.5 billion (ZWL$2.18 trillion), represents a significant share of the domestic debt at 97%.

Table 1: Total Public & Publicly Guaranteed Debt Stock end Sept 2022

	DOD	Principal Arrears	Interest Arrears	Penalties	Total Arrears & Penalties	TOTAL
Total Public Debt	**7,040,436**	**1,682,886**	**967,681**	**1,277,164**	**3,927,731**	**10,968,167**
1. External Debt (inc blocked funds)	**4,808,361**	**1,679,065**	**967,681**	**1,277,164**	**3,923,909**	**8,732,270**
a. Bilateral Creditors	**1,123,583**	**989,267**	**313,134**	**1,151,604**	**2,454,006**	**3,577,589**
Paris Club	72,107	779,642	267,126	1,090,394	2,137,162	2,209,269
Non-Paris Club	1,051,477	209,625	46,008	61,211	316,844	1,368,320
b. Multilateral Creditors	**138,895**	**689,798**	**654,547**	**125,559**	**1,469,903**	**1,608,798**
World Bank	88,213	425,741	403,367	-	829,108	917,321
African Development Bank	16,893	168,527	231,724	-	400,251	417,144
European Investment Bank	6,643	83,887	15,116	125,559	224,562	231,205
Others	27,145	11,643	4,340	-	15,983	43,128
c. RBZ Debt	**2,095,766**	**-**	**-**	**-**	**-**	**2,095,766**
2. Blocked Funds	**1,450,116**	**-**	**-**	**-**	**-**	**1,450,116**
Cash Payments	20,191	-	-	-	-	20,191
Treasury Bonds	652,141	-	-	-	-	652,141
Other Creditors	777,784	-	-	-	-	777,784
3. Domestic Debt	**2,232,075**	**3,822**	**0**	**0**	**3,822**	**2,235,896**
Government Securities	55,452	-	-	-	-	55,452
Treasury Bills	44,444	-	-	-	-	44,444
Treasury Bonds	11,008	-	-	-	-	11,008
Compensation of Former Farm Owners	2,176,623	-	-	-	-	2,176,623
Domestic Arrears	-	3,822	-	-	3,822	3,822

Extracted from Zimbabwe Public Debt Statement **Sept interbank ZWL/USD 621.88*

The astronomical spike of debt figures by 477% in ZWL terms between December 2021 and September 2022 mainly represents a deterioration of the local currency against the US$, which depreciated from $108 ZWL/USD at the end December 2021, to 622 ZWL/USD as at end September 2022.

However, in US$ terms, the total PPG debt registered a marginal increase of about 2.3% (US$0.4 billion) between December 2021 and September 2022, owing to new disbursements for ongoing projects and Reserve Bank of Zimbabwe borrowing, as well as the continuous accumulation of penalties. Further analysis of the total PPG debt shows that the debt of ZWL10.97 trillion as of September 2022 represents 104% of the 2022 GDP which is projected at ZWL10.55 trillion. This shows the country is highly indebted because its debt-to-GDP ratio is breaching the 70% threshold as set out in the Public Debt Management Act as well as the 60% threshold agreed by member countries under the Southern African Development Community's (SADC) macroeconomic convergence targets.

4 GLOBAL DEBT EXPERIENCE

The global economy is experiencing massive growth in debt exacerbated by the COVID-19 pandemic which has forced countries to borrow to boost their reserves and bring some form of economic resilience. The borrowed funds were also used to finance stimulus packages to support struggling businesses, at-risk groups (elderly, unemployed youths, women, people with disabilities, etc.), and financing education & health-related infrastructure among other initiatives. Also, the pandemic has fuelled debt expansion as countries struggled to service their debts, with Zambia becoming the first country to experience COVID-19-induced debt default in 2021. As of the end of 2021, total global external debt registered a nominal increase of 5.6% to US$9 trillion. According to the latest World Bank 2022 International Debt Report,[1] 60% of the countries eligible for the Debt Service Suspension Initiative are assessed at high risk of debt distress or are already in debt distress. The escalation of geopolitical tensions from the Russia-Ukraine war which is leading to tighter global financial conditions, higher global inflation, lower growth, and higher stress on public finances is exerting massive adverse implications for low and middle-income countries' debt dynamics.

1. https://www.worldbank.org/en/programs/debt-statistics/idr/products

5 REGIONAL COMPARATIVE DEBT ANALYSIS

The 2022 World Bank report shows that the external debt stock of low and middle-income nations in Sub-Saharan Africa (SSA) has increased to US$790 billion in 2021 -a new record high. This is a 5.1% and 145.3% jump from US$752 billion and US$322 billion recorded in the decade ending 2020 and 2010 respectively. Consequently, the SSA region's reserves-to-external debt plunged to 15% in 2021 from 19% in 2020 and 48% in 2010.

Table 2: SSA External Debt Stock (US$ million)

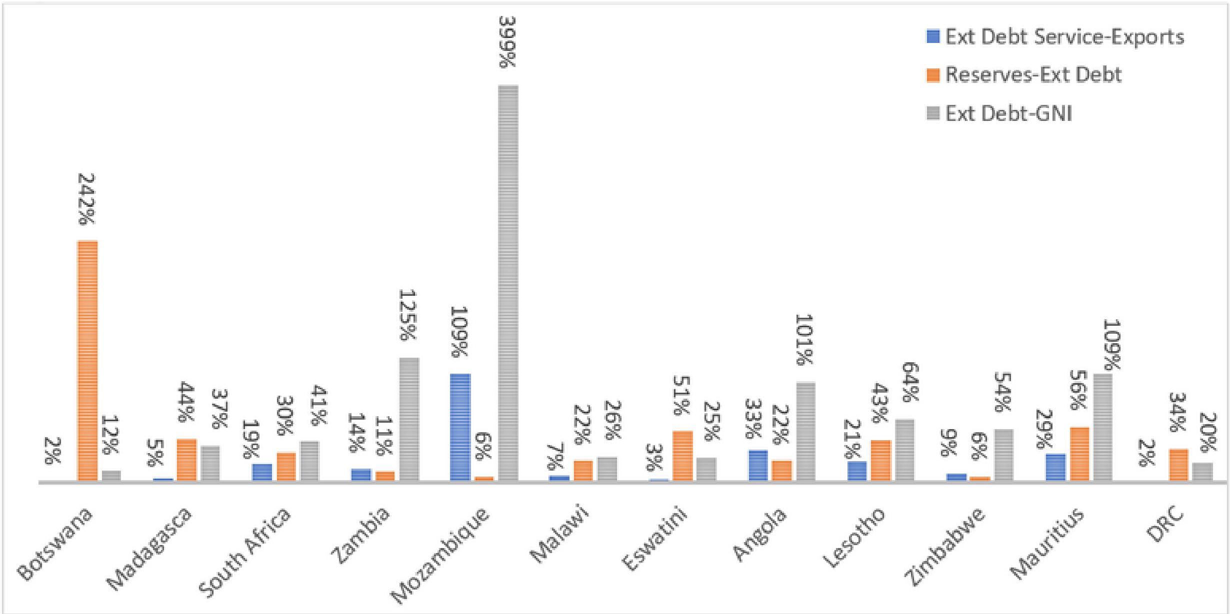
	2010	2017	2018	2019	2020	2021
Total External Debt Stock	322	622	665	712	752	790
Long-term External debt	243	524	557	602	627	636
Short-term External debt	59	77	86	87	83	85
Disbursements (long-term)	42	91	90	88	70	79
Principal repayments (long-term)	13	32	51	48	49	61
Interest payments (long-term)	4	14	19	21	19	18
Debt Service-to-Exports (%)	5	13	17	17	20	19
Reserves-to-Debt (%)	48	26	25	22	19	15

Source: *2022 World Bank International Debt Report*

Zimbabwe transacts most of the times with SADC countries relative to other sub-regions in SSA due to geographical proximity. Generally, when physical distance between exporter and importer reduced, trade flows between them increase so; the geographic distance has influence on flow of trade. Therefore, to compare likes with likes, the analysis narrows down to focus on the SADC region. Figure 1 compares two (2) debt ratios between major SADC economies: External Debt Service-to-GDP ratio and Reserves-to-GDP ratio.

The continued growth of Zimbabwe's debt is worrisome as it is now tied with Mozambique as a SADC member with the lowest Reserves-to-External Debt ratio in the region. Statistics show that as of December 2021, the duo had a Reserve-to-External Debt ratio of 6%, which is lower when compared to other highly indebted countries in the region: Zambia (11%), Mauritius (56%), Angola (22%), and Lesotho (43%). This ratio shows how many dollars a country has in reserves for every dollar of debt owed to its external creditors. The ratio also indicates how much money the government is setting aside for future use and its flexibility to react to adverse or unforeseen contingencies. The dwindling reserves occur at a time the world is experiencing a seismic shift in climatic conditions as droughts, floods and cyclones are becoming more frequent and having a huge toll on the Global South.

Fig 1: SADC 2021 Debt Ratios



Source: World Bank

Again, Zimbabwe is underperforming judging using the External Debt Service-to-Exports ratio alternatively known as the debt service ratio. The debt service ratio is a ratio of debt service payments made by or due from a country to that country's export earnings. As such, it is one of the key indicators for measuring the severity of a country's debt burden. The latest World Bank data shows that out of the 12 SADC nations as covered in Figure 1, Zimbabwe is only one (1) notch above the semi-interquartile range, arranged in descending order - countries with the highest debt service ratios. Therefore, it means that Zimbabwe is among the SADC nations spending more of their export earnings servicing external debt.

Nevertheless, in terms of transparency of budget processes, as measured by the International Budget Partnership's (IBP) Global Open Budget Survey (OBS), Zimbabwe has moved 11 points up from No. 52 to settle at No. 41 out of 120 countries surveyed globally in 2021.[2] Within the African continent, Zimbabwe is ranked third after South Africa and Benin. This means that she is faring well in ensuring public access to budget information, allowing the participation of citizens in national budget formulation and implementation, and respecting the role of budget oversight institutions like the Parliament and Supreme Audit Institutions (SAIs). While there is still a lot to be desired in Zimbabwe's budget processes as shown by ZIMCODD's annual open budget surveys,[3] the upward trajectory of its global ranking by IBP since 2019 is a welcome development.

2. https://www.chronicle.co.zw/zimbabwe-scores-high-on-budget-transparency-rankings/
3. https://zimcodd.org/wp-content/uploads/2021/11/Open-Budget-Survey-2021-5.pdf

But, be that as it may, Zimbabwe is facing an economic meltdown. Despite record generation of foreign currency receipts (up 53.5% from 2020 to US$9.7 billion in 2021)[4], the Treasury is grappling with acute forex shortages to finance infrastructure development, provision of public services (health, education, housing, water, sanitation, etc.), and funding of critical imports like electricity as well as support the tumbling ZWL. Largely due to a faltering ZWL which had lost at least 75% of its value against the US$ between Jan 2022-Nov 2022, the country is facing the highest inflation rate globally[5] and this has plunged about 40% of the population into extreme poverty as estimated by the World Bank.[6]

6 DRIVERS OF DEBT IN ZIMBABWE

The root cause of the debt crisis in Zimbabwe is rampant public corruption perpetrated through a lack of debt transparency. Since its 2000 debt default, Zimbabwe can no longer easily access concessionary credit lines from international financial institutions (IFIs). This has left authorities with no choice but to find other alternative ways of borrowing such as collateralized borrowing to finance development programs and arrest the economic meltdown that is being experienced since the turn of the millennium. However, these alternative sources attract high-interest rates, have shorter maturities, and are oftentimes shrewd in top secrecy. Also, the Treasury is accruing debt outside of Parliamentary oversight while some of the debts are not publicized thus breeding corruption and an appetite for more debt financing. The drivers of public debt include inter alia:

- **Debt Guarantees:** In the past, the government guaranteed private-sector loans which it went on to repay or assume after the default by the loan beneficiaries. This has created a moral hazard in that all those with guaranteed debt are defaulting knowing that the State will help them to repay.
- **Impunity:** Lack of rule of law is an incentive to debt management laws breachers. No penalties for not respecting debt management provisions. It is not criminalised to spend beyond limits. As such, Zimbabwe's debt crisis is partly a product of illegalities by the Executive arm of government, for example, the violation of the RBZ Act (overdraft), lack of recourse to Parliament, and violation of Public Debt Management Act.
- **Debt Assumptions:** Through borrowing, the government and the RBZ have engaged in various programs like the US$200 million Farm Mechanization Programme that largely benefited the ruling elites & a connected few. On failure to repay their dues, the government then assumes those debts without even disclosing the names of beneficiaries of those programmes and how the funds were utilized. This has been the case also by parastatals and State-Owned Enterprises (SOEs) -a clear cover up for incompetence and corruption of public officials.

4. https://www.zimbabwesituation.com/news/zimbabwes-foreign-currency-receipts-hit-record-high-of-9-7-bln-usd-in-2021/
5. https://tradingeconomics.com/country-list/inflation-rate-
6. https://www.africa-press.net/zimbabwe/all-news/40-of-zimbabweans-living-in-extreme-poverty-world-bank

- **Fiscal indiscipline and Budget Overruns:** Over the years, the Treasury has been spending unsustainably, that is, spending more than it budgeted, leading to widening budget deficits. This entails the issuance of government debt (Treasury Bills) to finance these deficits. At the end of each fiscal year, the Treasury would seek condonation from Parliament which it in turn easily got because of the whipping system used in Zimbabwe. This has been fuelling public debt.
- **Resource-backed loans (RBLs):** As alluded to earlier, the government is engaged in collateralized borrowing as it lacks access to loans from IFIs. Because RBLs are fast to acquire although they have high-interest rates attached, the government faced with a bloated fiscal space has solely resorted to RBLs to fund domestic projects.
- **Unsustainable tax incentives:** In a quest to attract Foreign Direct Investment (FDI), the government is awarding high and unsustainable tax incentives to investors, particularly those in the mining sector. This is the case despite it facing a constrained fiscal space. To cover for the lost revenues as a result of these incentives, the government is forced to borrow to finance its budget.
- **Climate change:** Climate change has become an existential threat to life on earth. Although developing nations like Zimbabwe are contributing less to global warming, they are disproportionately affected by ensuing natural disasters like droughts, floods, and diseases as they lack adequate financing for climate change mitigation and adaptation measures. To support citizens after these natural disasters, the cash-strapped government is borrowing either locally or abroad.
- **Failed development models:** The failed development models have precipitated the debt crisis. After the 1990s failed Economic Structural Adjustment Reforms (ESAP) which left many citizens unemployed and millions more in poverty, the government resorted to borrowing to cushion the vulnerable. Also, the austerity measures and currency reforms introduced in 2019 affected the sustainability of government finances thereby fuelling domestic borrowing.
- **Confluence of borrowing, politics and corruption.** Public debt has also increased due to the conflation of state and party business. Public funds are being abused by ruling ZANU PF party bankrolling party initiatives. For instance, it is alleged that the party ordered debt ridden State-owned enterprises and parastatals to sponsor its 2022 congress by buying exhibition space that cost between US$3 000 and US$6 000.[7] Zimbabwe has 107 state enterprises and parastatals. This means that between US$321 000 and US$642 000 was generated for partisan business at the expense of national development. Debts incurred through this are always transferred to the citizens and resultantly pushing debt.

7. https://www.newsday.co.zw/local-news/article/200002488/zanu-pf-leans-on-parastatals-to-fund-congress

7 IMPACTS OF DEBT

The debt statistics provided in the 2022 Public Debt Statement show that Zimbabwe is being choked by debt distress. Despite this, debt is set to jump significantly in 2023 as Treasury faces a mammoth task of financing a ZWL575.5 billion budget gap comprising an overall deficit (ZWL336.9 billion) and net loan repayments (ZWL248.6 billion). The Treasury proposed to finance this deficit by issuing a domestic bond to the tune of US$100 million and ZWL82.8 billion treasury bills (TBs), and a US$400 million external loan facility is expected from Afreximbank. Ahead of the 2023 harmonized elections, the Treasury will also gobble tens of millions of US$ as housing loans to lawmakers and cabinet ministers together with their deputies.[8] Likely, these loans were not budgeted for and hence have debt ramifications. These are some of the impacts of ballooning and unsustainable debt level:

Crowding-out Public Service Delivery

Zimbabwe`s debt has undermined Zimbabwe's social spending. For instance, Zimbabwe is estimated to be facing a housing backlog of 2 million housing units yet the 2023 budget statement shows that the government is aiming to build only 450 000 units by 2025. Approximately, 70% of local authorities across the country have dilapidating social amenities while public social spending has failed significantly to reach the 4.5% Social Policy for Africa (2008) benchmark.

Table 3: Trend Analysis of Budget Allocations VS International Benchmarks

Sector	%threshold & International commitment	% Total budget 2021	% Total budget 2022	% Total budget 2023
Education	20% Dakar Declaration (2000)	16.5%	13.4%	14.02%
Healthcare	15% Abuja Declaration (2001)	13%	14.9%	10.5%
Water & Sanitation	1.5% Ethekwini Declaration (2008)	0.1%	0.20%	3.17%
Transport & Infrastructure	9.6 AU Declaration (2009)	7.1%	6.5%	3.2%
Social Protection	4.5% Social Policy for Africa (2008)	1.3%	2.1%	1.12%
Agriculture	10% Maputo Declaration (2003)	11%	13.3%	8.05%

Source: *ZIMCODD calculations from the National Budgets*

8. https://nehandaradio.com/2022/07/04/us500k-loan-facility-for-ministers-to-buy-houses-as-economy-tumbles/

Thus, resources are channelled toward debt services as evidenced by the ZWL248.6 billion projected to cover debt-related payments in 2023. This amount exceeds a paltry ZWL50.4 billion awarded to the Ministry of Public Service, Labour, and Social Welfare for social safety nets. This poor social spending means limited financial support for the Basic Education Assistance Module (BEAM); the Harmonized Social Cash Transfer Programmes; the Drought Mitigation Programme; the Health Assistance Programme; the Child Protection Services and the support of the elderly as well as people living with disabilities.

Reliance on Resource-backed Loans (RBLs)

The previous debt default and subsequent accumulation of arrears and penalties are limiting Zimbabwe's access to concessionary borrowing from International Financial Institutions (IFIs). As such, authorities are now relying on RBLs - loans given to a government where repayment is either made directly in natural resources or from a resource-related future income stream. For instance, Treasury recently revealed that Zimbabwe had borrowed from China about US$200 million in October 2006 for farm mechanization equipment. The loan was collateralized with mining rights to the 26 million ounces of platinum resources which are valued at over US$20 billion in today's global platinum prices. The loans have dire development impacts as they are:

- fueling unsustainable resource extraction leading to environmental degradation, air, and water pollution, forced displacements, farmer-miner & human-wildlife conflicts
- RBLs are accrued in secrecy thereby rendering Parliament useless and increasing the chances of corruption and illicit transactions,
- They are risky as they may lead to asset forfeiture when a country default
- Not mutually beneficial because they mostly cater to those in negotiations
- They may lead to violation of labor laws & mining workers' rights.

Elevated interest, tax, & inflation rates

Excessive borrowing by the Treasury fuels the domestic cost of money thereby increasing the cost of doing business in Zimbabwe. Consequently, the private-sector investment which is generally considered crucial for GDP, incomes, and employment growth will be crowded out and local producers will be rendered regionally uncompetitive thus plunging Zimbabwe into a supermarket economy. High indebtedness also cripples resource mobilization hence reliance on high and regressive taxes which are also inflationary. This is shown by additional anti-poor tax measures in the 2023 proposed budget which includes among others:

- Maintained the regressive 2% tax
- Maintained the 2% USD cash withdrawal levy which is impacting low-income earners and increasing the cost of doing business which in turn feeds into price inflation.
- Restored VAT to its pre-COVID level of 15% from the current 14.5% despite households already under the grip of inflation tax
- Increase excise duty on energy drinks by 100% to US$0.10
- Not extending the suspension of import duty on basics could trigger shortages and price increases for some basic goods
- The proposed increase in tax bands is inadequate to provide relief as the lowest tranche (0% tax bracket) is way below the poverty datum line.

Depletes national reserves

A high debt burden depletes national reserves (hard currency like the US$ or precious minerals like gold) as it subdues fiscal space. Low reserves will constrain the monetary authority from insulating its currency from speculative attacks, that is, sudden and massive buying and or selling of local currency in the market to destabilize its value. This is the case for Zimbabwe since 2019 when ZWL was re-introduced albeit with a lack of strong macroeconomic fundamentals including reserves to anchor it. Also, depleted reserves inhibit a nation's ability to respond to production shocks like the current prolonged load-shedding hours as well as climatic shocks & other unforeseen contingencies such as El-Nino induced droughts, Cyclone Idai, COVID-19 pandemic, and Russia-Ukraine war.

8 CONLCUSION

The government has not been adhering to legal provisions which require transparency and accountability in debt management as set out in the Public Debt Management Act (Chapter 22:21). Zimbabwe's public debt is shrouded in secrecy as the public is unaware of the terms and conditions of some loans accrued by the government to date. Consequent to this, total PPG debt has reached unsustainable levels and is showing no signs of slowing down as the Treasury is set to borrow substantial amounts from both domestic and external lenders to fund the 2023 budget. The situation is affecting the capacity of the state to discharge its developmental responsibilities and the realization of human rights including social, economic, and cultural rights. It is argued that budgetary indiscipline and poor debt management are the main reasons for the current debt crisis and that external outflows of financial resources in the form of debt repayments and debt servicing deprive the citizens of basic service provisions mandated by the social contract. Also, the ripple effects of the prevailing unsustainable debt are the continued suffering of marginalized women and youths who are more often than not suffering the quagmire of unemployment, fragile ZWL, and hyperinflation.

9 RECOMMENDATIONS

The following are some of the alternatives proposed by the public that may be adopted by responsible authorities like the Ministry of Finance and Economic Development for serious debt management in Zimbabwe:

- Debt Management Strategy: To achieve Vision 2030 of becoming an upper-middle-income economy by 2030, Zimbabwe needs a clear debt management strategy to ensure that its financing needs and its payment obligations are met at the lowest possible cost and consistent with a prudent degree of risks such as interest rate risk and currency risk. A key element of this strategy is the re-engagement and regularization of relations with external creditors and the international community centered on a comprehensive arrears clearance program and traditional mechanisms of debt relief that would enable the government to mobilize new financing. In return, it will help to spell out clear guidelines and targets for how the country will prioritize its debt repayment obligations without paralyzing or inflicting pain on the citizens who are already suffering the effects of debt servicing through a burden of regressive tax regimes.
- The government should step up efforts to boost sources of domestic revenue to finance its growth plans as external debt accumulation weighs down economic growth. The need to diversify the economy is crucial as government should develop new sectors which can generate revenue to contribute towards economic growth as opposed to continuous borrowing from external lenders who in return will charge higher interest rates and suffocates the economy and ultimately lead to failure of government to provide services to its citizens.
- More sustainable ways of funding economic growth should be explored. Therefore, the government of Zimbabwe should gear up efforts to finance development through non-debt-creating initiatives. This could be done by creating an environment that is conducive to foreign direct investment inflows through implementing reforms that will improve the current Ease of Doing Business.
- The government may need to diversify the economy through supportive policies that allow for the development of new sectors which will aid in generating additional revenues to contribute towards the economic growth of Zimbabwe.

- Transparency in borrowing to ensure public scrutiny: Going forward all key terms and conditions of each loan contract should be approved by Parliament and be made public.
- Independent public debt audit: An independent debt audit will inform the scale and nature of the country's debts, which are often not transparently publicized. An audit will also become a building block to popularize discussion about the legitimacy of certain debts and whether they should be repaid.
- The government should borrow not for current consumption but largely for future consumption -investing in projects with the potential to generate future cashflows for repaying the borrowed funds.
- The Parliament of Zimbabwe needs to urgently pass a law prohibiting the use of natural resources for loan purposes. The accountability institutions like Parliament should also be strengthened and capacitated to have a greater understanding of debt sustainability, management, and restructuring.

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