Compendium on Sovereign Debt Restructuring Initiatives in Southern Africa.

Experiences & Lessons from Malawi, Mozambique, Zambia & Zimbabwe.

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www.zimcodd.org

Acknowledgements

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ACRONYMS

ADF	African Development Fund
AFRODAD	African Forum and Network on Debt and Development
BIPPA	Bilateral Investment Protection and Promotion Agreements
BoP	Balance of Payments
CI	Composite Indicator
COVID-19	Coronavirus
CPIA	Country Policy and Institutional Assessment
DSA	Debt Sustainability Assessment
DSF	Debt Sustainability Framework
EAC	East African Community
EFF	Extended Fund Facility
ECF	Extended Credit Facility
GDP	Gross Domestic Product
HIPC	Highly Indebted Poor Country Initiative
IDA	International Development Association
IEG	Independent Evaluation Group
IFFs	Illicit Financial Flows
IFIs	International Financial Institutions
IMF	International Monetary Fund
KES	Kenyan Shillings
Ksh	Kenyan Shillings
LICs	Low-income countries
MDBs	Multilateral Development Banks
MDRI	Multilateral Debt Relief Initiative
MIC	Medium Income Country status
MTDS	Medium-Term Debt Management Strategy
ODA	Official Development Assistance
PRGT	Poverty Reduction and Growth Facility
PV	Present Value
RSF	Resilience and Sustainability Facility
SADC	Southern African Development Community
SDGs	United Nations Sustainable Development Goals
SDP	Structured Dialogue Platform
SDRs	Special Drawing Rights
SMP	IMF Staff Monitored Programme
SWG	Sector Working Groups
UNCTAD	United Nations Conference on Trade and Development
WAEMU	West African Economic and Monetary Union
WB	World Bank

Executive Summary

The African continent continues to be saddled with debt despite various initiatives to reduce the debt. Countries such as Zimbabwe, Mozambique and Malawi have initiated debt restructuring processes while Zambia is already under treatment. The global financial architecture has not worked in the favour of many African countries. It has been deliberately designed to place developing countries at the peripheries of the value chains. This is evidenced by IMF and World Bank policies that place greater priority on austerity measures and debt repayments to creditors. Without discounting the gains made through debt relief mechanisms such as HIPC and MRDI beneficiary countries such as Mozambique and Zambia have found themselves in debt distress. Most recently, measures such as SDRs and, the G20 Common Framework have not addressed the structural challenges that are contributing to indebtedness.

The matrices used to assess debt sustainability are marred with criticism. Notably, the DSA does not consider Africa's colonial past and its implications on the current economic structures, differentiation of countries based on income where ratios such as export to GDP lack robust evidential bases, the African Premium and failure to take into account climate risks are the major criticisms. Regardless, these assessment factors underpin debt restructuring.

Drawing from Zimbabwe, Mozambique, Malawi and Zambia as emblematic cases, debt has been driven by a plethora of both endogenous and exogenous factors that include but are not limited to decline in ODA, transition to non-concessional loans, commodity price volatility, failure to mobilise domestic resources through taxation, post debt relief borrowing, inefficient public spending and exchange rate depreciation. The transition to non-concession loans has also worsened the debt position of African countries. Unlike concessional loans with low interest rates and long grace periods, non-concessional loans come with market-based interest rates, leading to larger debt repayments that can quickly strain a developing country's budget, potentially creating a debt trap. This has been the case for all four countries. More so, the increase in debt has been compounded by poor debt governance where countries do not comply with legal provisions, and debt limits and that authority to borrow is not clearly defined.

To redress the huge debt overhang and improve economic performance, countries have employed debt restructuring as a solution. Despite its challenges, debt restructuring is pertinent given that Africa's debt is unstable, spending on social safety nets is dwindling and the continent is vulnerable to external shocks. To effectively restructure debts, there is a need to reform the global financial architecture to effectively engage the private banking sector, including collective action clauses, enhance transparency and accountability, improve creditor coordination and have a clear interpretation of comparability treatment. Most importantly, a global convention on sovereign debt will deliver on sufficient debt restructuring.

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1.1 Overview and Background

Global South countries are struggling under the burden of sovereign debt that continues to retard economic, social, and political development. African countries owe USD685.5 billion to external creditors as of 2023 and will be expected to pay USD88.7 billion in external debt service in 2025.

Africa's external debt stock reached USD1.3 trillion, and the cost of servicing it amounted to USD22 billion in 2022[1]. Thirty-two countries are paying more for service debt than they do for healthcare[2], and twenty-five spend more on debt than education[3].In 2023, African governments allocated 4.8% of their gross domestic product (GDP) to debt servicing compared to 2.6% for health and 4.8% for education[4]. The African region has seen interest payments on debt rose by 132%[5] over the past decade (2014 – 2024). These huge debt payments will divert the much-needed resources for the provision of social safety nets and drive the continent out of poverty. Against this backdrop, public debt restructuring is crucial for countries facing unsustainable debt burdens, as it can free up resources for development and growth. Such is the case for Zimbabwe, Zambia, Malawi, and Mozambique, which have either undergone debt restructuring in the past, are currently negotiating it, or have recently completed the process.

Debt restructuring is a process that involves negotiating with creditors to change the terms of a loan. The goal is to make debt more manageable by reducing interest rates, extending repayment terms, or lowering the amount owed. Debt restructuring can take forms that include (i) interest rate reduction which entails negotiations with creditors to lower the interest rate on a loan (ii) repayment term extension where debtors negotiate with creditors to extend the length of time it takes to repay a loan (iii) loan balance reduction with a focus on reducing the amount owed on a loan and (iv) debt consolidation which combine multiple loans into a single monthly payment.

[1] https://www.afdb.org/en/news-and-events/annual-meetings-2024-old-debt-resolution-african-countries-cornerstone-reforming-global-financial-architecture-70791
[2] https://www.christianaid.org.uk/news/between-life-and-debt#:~:text=Researchers%20calculated%20that%20African%20governments,more%20on%20debt%20than%20education .
[3] Ibid
[4] https://www.un.org/africarenewal/magazine/september-2024/africas-debt-burden-eroding-funds-sustainable-development-ldcs
[5] https://unctad.org/publication/world-of-debt/regional-stories

To understand the need for debt restructuring, it is important to have a profound understanding of the mechanics of the global debt architecture, the players involved and how they perpetuate debt unsustainability which warrants debt restructuring. Such an analysis is important to understand how the global debt architecture is deliberately structured and pushes the global south in the peripheries. To begin with, the global financial ecosystem is driven by a neoliberal, private, and profit-focused approach to development. The International Monetary Fund (IMF) sits at the helm of the global debt restructuring, the global financial architecture, and it is quite clear the poorest economies of the world do not influence the IMF as they have a meagre 6.01% of the voting rights. Further, since its creation, the IMF has not effectively dealt with the structural problems of debt. Its proposed treatments have made countries worse off as poverty and inequality are visible. This central role and influence of the IMF in public debt has serious implications for debt restructuring in developing countries despite the fact that IMF and World Bank debts are not subject to restructuring.

African countries borrow at high premiums due to high risks of defaulting and are given low credit ratings. Most African countries are assigned an initial sovereign rating of sub-investment grade (junk status), except Botswana, Egypt, Libya, Morocco, Mauritius, Namibia, South Africa, and Tunisia, which were rated investment grade[1]. Resultantly, they pay a premium which exacerbates their debt levels with interests, management fees and penalties outweighing the principal debt. According to the UN Conference on Trade and Development (UNCTAD), African countries are paying eight times more in interest on loans than their counterparts in the global north[2]. Countries are borrowing at 10 per cent, and are investing in projects with a 1% rate of return. This kind of mismatch does not enable repayment of loans. The Bank urged African countries to consider domestic resource mobilization instead of loans.

In a quest for favourable ratings, establishing an African Credit Rating Agency (CRA) can offer alternative assessments that better reflect the continent's realities, addressing biases and inaccuracies in existing international credit evaluations. Such initiatives can mitigate the adverse effects of negative stereotypes and perception premiums, which have historically led to higher borrowing costs for African nations. More recently, debt for nature swaps may potentially increase the ratings of African countries.

[6]https://au.int/sites/default/files/documents/44466-doc-Brief_-_Africa_Credit_Rating_Agency_AfCRA.pdf#:~:text=Most%20African%20countries%20were%20assigned%20an%20initial,move%20from%20%27junk%20status%27%20to%20investment%2Dgrade%20rating.
[7] https://african.business/2023/10/trade-investment/new-era-of-high-interest-rates-puts-africa-in-tough-spot

The debt sustainability analysis the IMF conducts to assess whether a country suffers from a temporary liquidity problem is heavily weighted in favour of continued borrowing. The current debt sustainability analysis (DSA) often overlooks Africa's colonial past and its impact on present economic structures, leading to limited domestic revenue mobilization and a reliance on external debt to bridge financing gaps. The existing DSA framework differentiates countries by income levels, applying metrics such as debt-to-GDP and debt service-to-exports ratios predominantly to low-income nations. Some of these metrics lack a robust evidential basis and are not uniformly applied to high-income countries.

Though distinct debt restructuring can be intertwined with debt reparations in addressing financial burdens for countries in debt distress. In an attempt to answer the question on who owes who in the context of slave trade, colonialism, climate and given that part of Africa's debt has its roots in exploitative lending practices, debt restructuring can potentially be framed as a form of reparations. This can contribute in addressing the root causes of economic vulnerability. More so, debt reparations can be a complement ary approach that create space allowing countrie to allocate resources towards addressing long term developmental needs and social justice initiatives.

To restore debt sustainability, global south countries have engaged their creditors to restructure their debts. Over the past three decades, debt restructurings have taken the form of an extension of maturity, a reduction in coupon payments, discounting the face value of debt, and/or a mixture of these. Multilateral Development Banks (MDBs) and International Financial Institutions (IFIs) have applied one or a combination of these tools to restructure the external debts of developing and low-income countries through the Heavily Indebted Poor Countries (HIPC) Initiative, Multilateral Debt Relief Initiative (MDRI), and the Debt Service Suspension Initiative (DSSI). Though controversial, debt restructurings have freed up fiscal space for sustained growth and development in beneficiary countries[8]. With regards to DSSI, only Chad, Ethiopia, and Zambia have applied for the framework and restructuring measures have not gone nearly far enough[9]. Without discounting notable gains, in the case of Ghana where debt restructuring is much swifter, the framework has become ineffective in addressing debt challenges due to the absence of clear procedures and timelines for debtors and creditors, a lack of clarity on how different creditors will be treated.

[8] Debt Restructuring Under the G20 Common Framework and Alternative Policy Solutions
[9] https://www.project-syndicate.org/commentary/g20-new-debt-initiative-inclusive-green-recovery-by-shamshad-akhtar-et-al-2020-11

More recently, countries have turned their eyes to the G20 Common Framework. Despite all these efforts to restructure public debt for sustainability and evidence of the gains of HIPC and MDRI, countries continue to grapple with public debt as these measures turn a blind eye to the structural challenges leading to more borrowing. Zambia and Mozambique were beneficiaries of the HIPC programme but, to date, their debt levels are high, and they are classified as countries with high risk of debt distress. The new round of lending (by new creditors: Non-Paris Club bilateral creditors and both external and domestic private creditors) took place in the 2010s, and led to today's debt crisis in the above-mentioned countries.

Despite criticism around debt restructuring, the Caribbean has some success stories. Among the cases where restructuring succeeded in helping to lower public debt were the efforts in Guyana, Suriname, and Trinidad and Tobago. Certain factors contributed to their success, including favourable commodity prices in the years following the restructuring. These countries also adopted, to some extent, broader macroeconomic policy reforms that changed the way things were done[10]. However, in several other cases, particularly in tourism-dependent countries, debt restructurings were not sufficient to yield sustainable debt reduction. The experience of Africa has shown that despite the benefits of debt restructuring, some of the solutions have not addressed the structural factors that lead to debt. For instance, one of the IMF, antidotes were Structural Adjustment Programmes that have left African countries in worse off positions.

[10] https://www.elibrary.imf.org/display/book/9781484369142/ch09.xml

1.2 Objectives of the Compendium

Due to debt unsustainability, Zimbabwe, Zambia, Malawi and Mozambique have initiated debt restructuring processes. Drawing from the experiences of these countries, the purpose of this compendium is to have a profound understanding of debt restructuring to inform a model campaign around debt restructuring. This is also in light of whether debt restructuring is a panacea and what alternative models can be developed to ensure that African countries are free from chains of debt. The compendium specifically seeks to:

- To unpack and locate global south economies in the IMF and WB Debt Sustainability
- Framework (DSF) to determine if it advances the interest of emerging economies.
- To provide a detailed analysis of the state and composition of public debt in Zimbabwe, Zambia, Malawi and Mozambique.
- To examine the dangers of non-concessional loans which are mushrooming in Zambia, Zimbabwe, Malawi and Mozambique.
- To assess if the public debt legal, regulatory and institutional frameworks in Zambia,
- Zimbabwe, Malawi and Mozambique are sufficient and effective.
- To develop a model debt restructuring campaign for Africa utilising Zimbabwe, Malawi, Mozambique and Zambia experience.

1.3 Structure of the Compendium

This Public Debt Compendium is organized as follows. Section 1 gives the global context of public debt management zeroing in on how the structure of the global financial architecture is skewed and continuously traps the African continent and the global south in general, in a vicious cycle of debt. Section 2 analyses the state and composition of public debt in Zimbabwe, Zambia, Malawi and Mozambique. Section 3 focuses on how the insufficiency and ineffectiveness of public debt legal, regulatory and institutional frameworks have contributed to debt distress warranting restructuring. Section 4 will dwell on the proposed model for debt restructuring. Lastly, section 5 provides policy recommendations that need to be acted upon by various stakeholders.

1.4 Purpose and Methodology of the Study

This research study was commissioned to provide evidence aimed at supporting Civil Society advocacy efforts. It seeks to inform key stakeholders such as parliamentarians, finance ministers, the World Bank, the International Monetary Fund (IMF), regional entities, and the media about the intricate challenges of debt distress in economies of the Global South, particularly in Africa. The research study pursued an exploratory approach, relying largely on desk research which entailed reviewing and assessing relevant debt publications by civil society, academia, government ministries, departments and agencies from the study selected countries cases of Zambia, Zimbabwe, Malawi, and Mozambique. The research study collected and analysed primary data from Key Informant Interviews (KIIs) selected using the purposive sampling method. A desk review was conducted on the efficiency and effectiveness of the public debt legal, regulatory and institutional frameworks in Zambia, Zimbabwe, Malawi, and Mozambique against global and regional best practices.

2.1 Overview

Where debt is secured by the government (public and publicly guaranteed loans) such commitments will limit the government's room to manoeuvre its development expenditure in the future as the loan repayment and interest payments tie the fiscal space of the government during the life span of the loans. How the debt composition in terms of sources and types plays out depends on the country's policy for external borrowing and its approach to utilising local resources. As with the rest of the African continent, Zimbabwe, Zambia, Malawi and Mozambique are not immune to heightened debt challenges. According to IMF DSA, these countries' debt distress ratings have deteriorated to the 'in debt distress" category. A plethora of factors have worsened the debt sustainability situations of these countries including new borrowings from the capital markets, defaults, budget deficits, exchange rate depreciations, rise in interest rates, hidden debts, commodity price fluctuations and low foreign direct investments.

2.2 Drivers of Public Debt In Africa

The main drivers of the debt sustainability deterioration are both external and internal. Firstly, the low domestic revenue amid high gross financing needs has seen African countries accelerating borrowing from both domestic and external sources to finance development expenditure. Consequently, this has seen public debt rising, posing the risk of accumulating debt to unsustainable levels. Debt accumulation has seen countries' debt distress ratings deteriorating from low and moderate to high risk and in-debt distress ratings. These countries include Zimbabwe, Zambia, Malawi, Ghana, Congo Republic, Sao Tome and Principe and Sudan[11].

Secondly, the external drivers have been the decline in Official Development Assistance (ODA) over the last two decades, partly due to the 2008/2009 economic and financial global crisis and the 2011 European debt crisis, which led most African countries to borrow. Several African countries that graduated into Medium Income Country status (MIC), such as Zambia, Ghana, and Senegal are now receiving fewer concessionary loans in transition to non-concessional loans no longer able to access concessional loans. Their new higher income status means that they are often overlooked in the provision of concessional lending by the international community. MICs therefore resorted to market-based financial instruments including sovereign bonds, public-private partnerships, blended finance and new bilateral lenders, especially in China.

[11] https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf

More recently, global north countries led by United States Agency for International Development (USAID) have cut on aid to African countries. Despite its shortfalls, aid has been a lifeline that supported basic services including climate resilience for African countries. Its cut will undoubtedly derail efforts by many African states to invest in healthcare, education, infrastructure, and climate adaptation—all at a time when they are being battered by compounding crises: unsustainable debt burdens, the escalating climate emergency, and spiraling costs of living. The recently proposed decision by the United States to cut $555 million in funding to the African Development Fund (ADF), a concessional arm of the African Development Bank (AfDB), will likely worson the debt positions who are already struggling[12].

As it shall be noted, ccess to cheaper loans contributed to debt distress. After receiving debt relief through the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), the majority of African countries found themselves eligible to borrow from the international capital markets. Countries such as Angola, Ghana, Kenya Cape Verde, Rwanda, Kenya, and Zambia have witnessed a threefold increase in their debt levels, because of "bond issuances". The low interest rates encourage countries to take out big loans which they are now having difficulty paying back, in countries such as Mozambique, Senegal, Gambia, Ghana, and Zambia.

The balance of payment situation has become precarious because of the commodity prices fall. This leads to a subsequent decline in tax revenue in economies that are dependent on the export of natural resources such as oil and natural gas, or raw mineral materials. These commodity price fluctuations affect export earnings and economic growth leading to reduced capacity to service the debt. Commodity-exporting countries have also collateralized their foreign borrowing on commodity exports that bring in foreign exchange necessary for debt service. This exposes them to the commodity-price-super cycle.

US tarrif wars further poses a serious threat to African countries's debt positions. Tariffs will dry up liquidity (decrease the amount of money available in the market), which lowers the chance that creditors will allow countries to refinance their debt (debt restructuring) (Jesse Chase-Lubitz, 2025)[13]. The announced tariffs if implemented will decrease commodity exports, leading to the reduction of indebted countries' access to foreign currencies, which they need to pay back their external debt. The costs of exporting goods and services will be high for developing countries. Developing countries are likely going to struggle to fully pay down their debt, and end up "rolling it over", which is negotiating new and improved agreements to repay their old debts.

[12] https://www.theafricareport.com/382963/trump-drops-african-development-bank-creating-500m-funding-headache/
[13] Jesse Chase-Lubitz // 24 April 2025

Between 2019 and 2022, debt sustainability challenges were compounded by the COVID-19 pandemic economic impacts, which reduced growth rates, tax capacity and debt-carrying capacity of most developing countries globally. Given the heavy reliance on mineral exports, the reduced demand for minerals from Zimbabwe, Zambia, Mozambique and Malawi further worked foreign currency earnings and affected debt payments. Many African countries therefore still face significant risks of declining growth, and deteriorating living conditions, with the poor and vulnerable bearing the brunt of the economic decline.

The global financial architecture reforms took centre stage, at the African Development Bank's (AfDB) 59th-2024 Annual Meetings, held in Nairobi Kenya. African countries were urged to look within to manage their debt, spend efficiently, enact macroeconomic reforms, mobilize domestic revenue, and develop legal and regulatory debt frameworks[14]. Countries should build capacity for stronger debt sustainability, to make debt affordable (UNECA 2024). Further, African countries need to develop and implement their legal and regulatory frameworks, to support effective debt management (Africa Legal Support Facility 2024).

[14] Anthony Langat (June 2024) Article: African countries urged to look internally to manage debt

2.3 Debt profile and debt sustainability in Zimbabwe, Malawi, Zambia and Mozambique

To understand the need for debt restructuring, it is important to have an appreciation of a country is debt profile and its sustainability. A country's debt profile is crucial when determining the need for restructuring because it reveals the specific characteristics of a country's debt obligations, including its structure, maturity, and creditor composition. This information helps assess the country's ability to repay its debts and identifies potential vulnerabilities that may lead to a restructuring need.

2.3.1 Zimbabwe debt profile and debt sustainability

Zimbabwe has been a country in debt distress since 2000 when the country first defaulted on its external obligations. As a result of the defaults, the country is being denied access to external financing, mainly by IMF and Paris Club creditors[1]. As a result of limited development finance the country's economy has been struggling over the last two decades. The economic challenges since 2000, negatively affected the country's debt-carrying capacity and its ability to service it. With no substantial inflows of Official Development Assistance (ODA) and no balance of payments (BOP) support from the IMF, the country began to rely on financing from China. The country has witnessed huge Chinese investments in projects such as road, rail, air, water and energy. As of end -June 2024, the country's total Public Publicly Guaranteed Debt (PPG)- stood at USD$20.962 billion. This total is 67.8% of GDP.

The country decided to re-engage the IMF, the World Bank Group (WBG), AfDB and Paris Club Creditors to resolve its external debt arrears AfDB. The country came up with the Arrears Clearance, Debt Relief and Restructuring Strategy. The plan involves clearing the country's external arrears through a combination of the country's resources, bridge financing from a regional financial institution, and a long-term loan from a bilateral creditor (ZEPARU 2018).

Creditors and development partners supported the strategy in 2015. The country cleared arrears to the IMF-administered Poverty Reduction and Growth Trust (PRGT) in October 2016, allowing Zimbabwe's PRGT eligibility to be restored and the declaration of non-cooperation to be lifted (IMF, 2016). Arrears to the World Bank and the AfDB remain. The country has resorted to financing its yearly fiscal deficits through domestic debt borrowing. This is done through central bank advances and treasury bill issuance. The stock of domestic debt amounted to USD$8.7 billion, as of June 2024.

With huge domestic debt and external debt arrears, the hope for debt sustainability is blink. Zimbabwe's government has continued to contract new loans from China and regional banks. Poor debt investments and management will not yield enough returns to repay the Chinese loans. Already the country has accumulated payment arrears and is asking for debt cancellations or relief from China. The country has already benefitted from Chinese debt relief.

Total Public and Publicly Guaranteed Debt end June 2024 (US$ millions)

	DOD	PRA	IRA	Penalties	PRA+IRA+Penalties	Total
Total Public Debt(A+B)	**13,703**	**3,034**	**1,728**	**2,497**	**7,259**	**20,962**
A. External Debt (1+2)	**5,040**	**3,034**	**1,728**	**2,497**	**7,259**	**12,299**
1. Bilateral and Multilateral External Debt	**2,056**	**3,034**	**1,728**	**2,497**	**7,259**	**9,315**
Bilateral Creditors	**1,547**	**1,799**	**592**	**2,248**	**4,640**	**6,187**
Paris Club	64	1,362	468	2,135	3,964	4,028
Non-Paris Club	1,482	437	125	114	676	2,158
Multilateral Creditors	**509**	**1,235**	**1,136**	**248**	**2,619**	**3,128**
World Bank	94	742	710	-	1,452	1,546
African Development Bank	24	278	379	-	657	681
European Investment Bank	8	146	25	248	419	427
Afreximbank	333	33	17	-	50	383
Others	50	35	6	-	41	91
2. RBZ Liabilities Assumed in 2015, 2021 & 2023	**2,984**				-	**2,984**
B. Domestic Debt	**8,663**	-	-	-	-	**8,663**
Government Securities	5,058	-	-	-	-	5,058
Domestic Arrears (to Service Providers)	105	-	-	-	-	105
Compensation of Former Farm Owners	3,500	-	-	-	-	3,500

Total PPG Debt - ZWG287.2 billion
2024 GDP (proj.)- ZWG423.7 billion
Total PPG Debt/GDP- 67.8%

Figure 2: Total Public and Publicly Guaranteed Debt end June 2024 (US$ millions)

(Source: Adapted from Zimbabwe Public Debt Management Office, 2024)

External Debt Stock – June 2024(US$ millions)

	DOD	PRA	IRA	Penalties	PRA+IRA+Penalties	Total
External Debt (1+2)	**5,040**	**3,034**	**1,728**	**2,497**	**7,259**	**12,299**
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Afreximbank	333	33	17	-	50	383
Others	50	35	6	-	41	91
2. RBZ Liabilities Assumed in 2015, 2021 & 2023	**2,984**				-	**2,984**

Figure 3: External Debt Stock – June 2024(US$ millions)

(Source: Adapted from Zimbabwe Public Debt Management Office, 2024)

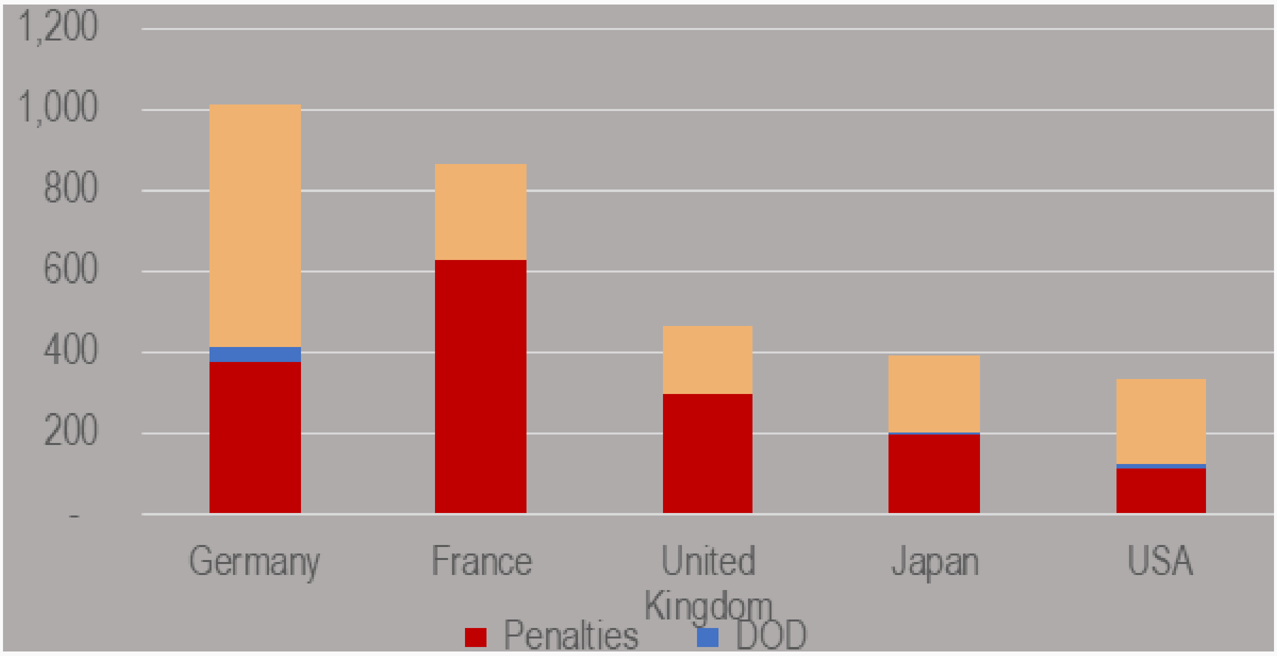

Figure 4: Biggest five Paris Club creditors - end June 2024 (US$ millions)
(Source: Adapted from Zimbabwe Public Debt Management Office, 2024)

Zimbabwe's biggest five Paris Club creditors are Germany, France, the United Kingdom, Japan and the USA. They all account for USD$3.1 billion, 75% of the Paris Club debt. Paris Club's external debt stands at USD$4.1 billion, with arrears amounting to USD$4.0 billion, which is 98%.

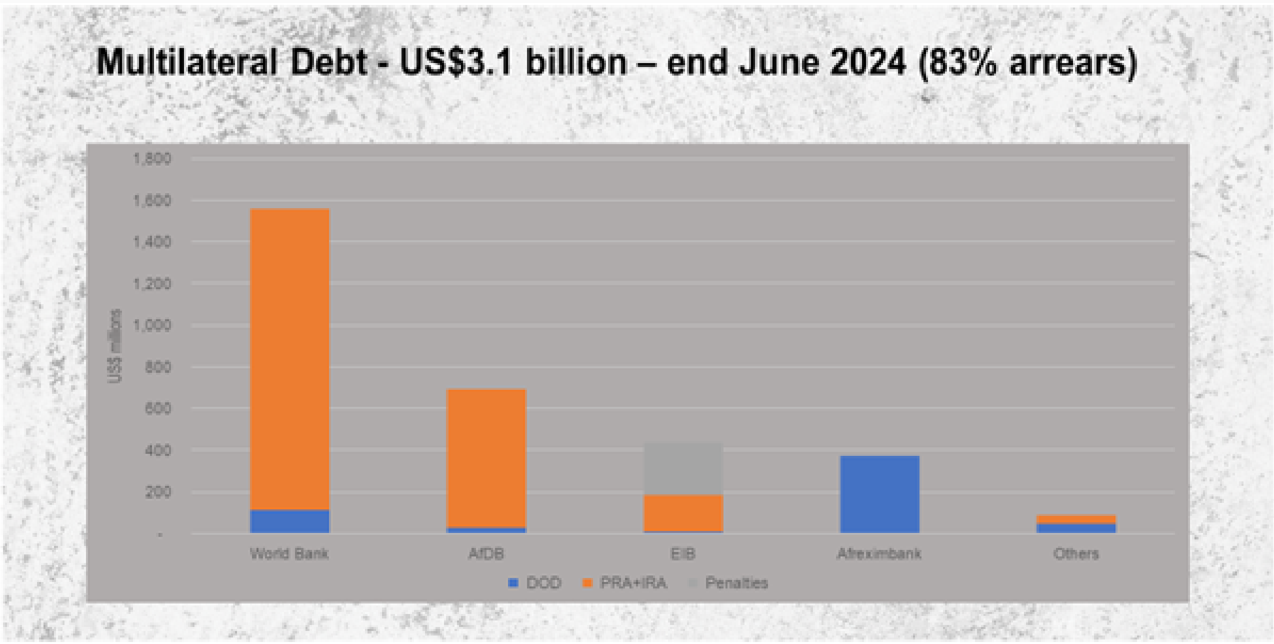

Figure 5: Biggest five Paris Club creditors - end June 2024 (US$ millions)
(Source: Adapted from Zimbabwe Public Debt Management Office, 2024)

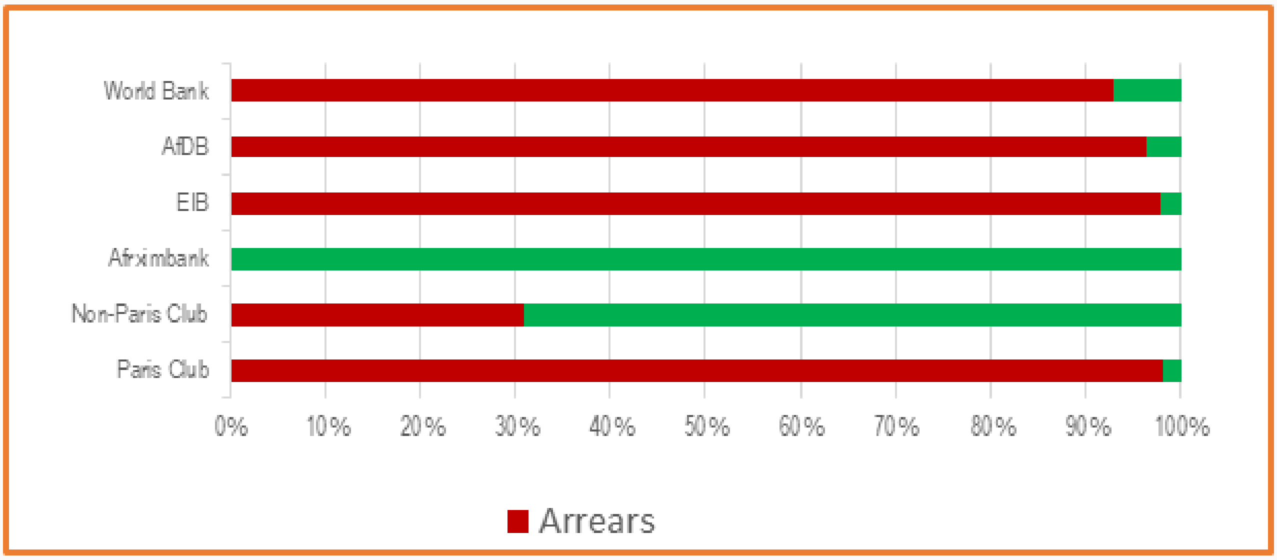

Figure 6: Structure of External Debt – Percentage of Arrears in Total Debt

(Source: Adapted from Zimbabwe Public Debt Management Office, 2024)

Domestic Debt	US$ Millions
Government Securities	5,058
Domestic Arrears (to Service Providers)	105
Compensation of Former Farm Owners	3,500
Total	8,663

Table 2: Domestic Debt Stock – June 2024 (US$ millions)

(Source: Adapted from Zimbabwe Public Debt Management Office, 2024)

In the case of Zimbabwe, debt remains unsustainable, with both external and total debt in distress. The IMF notes that Zimbabwe is in distress in terms of risks of external debt distress and overall debt distress[15]. Significant arrears to multilateral and official bilateral creditors hinder access to official concessional financing. External and public debt continues to exceed the threshold limits under both baseline and shock scenarios in the medium term. Domestic debt has risen sharply, primarily due to the issuance of large USD-denominated bonds last year (about 8% of GDP) to fund the Mutapa Investment Fund and settle central bank obligations. While new external borrowing is limited, Zimbabwe continues to access external commercial loans from a regional creditor.

[15] https://documents1.worldbank.org/curated/en/099110624101529109/pdf/BOSIB-16aa7677-e93c-4774-9a68-c949b74e3ebe.pdf

In the case of Zimbabwe, debt remains unsustainable, with both external and total debt in distress. The IMF notes that Zimbabwe is in distress in terms of risks of external debt distress and overall debt distress[16]. Significant arrears to multilateral and official bilateral creditors hinder access to official concessional financing. External and public debt continues to exceed the threshold limits under both baseline and shock scenarios in the medium term. Domestic debt has risen sharply, primarily due to the issuance of large USD-denominated bonds last year (about 8% of GDP) to fund the Mutapa Investment Fund and settle central bank obligations. While new external borrowing is limited, Zimbabwe continues to access external commercial loans from a regional creditor. Restoring debt sustainability requires fiscal discipline to prevent further debt accumulation, a credible plan to clear arrears with multilateral creditors, and an agreement with creditors on comprehensive debt treatment. Sustained implementation of sound macroeconomic policies, including growth-friendly fiscal and monetary reforms, alongside governance and structural changes to improve competitiveness, will help restore stability, support long-term growth, and build a foundation for debt relief.

2.3.2 Malawi Debt profile and debt Sustainability

Malawi has been categorized by the IMF's recent Debt Sustainability Analyses 2024, as being in "debt distress". Its external debts are "unsustainable" and is currently undergoing a debt restructuring process to embark on a path to sustainable debts and economic recovery[17] (Marina Zucker-Marques 2023). To address its recent emergencies, such as natural disasters, acute food insecurity and high levels of poverty, the country borrowed from the International Monetary Fund (IMF)[18]. In November 2023, the IMF approved a 48-month arrangement under the Extended Credit Facility (ECF) for Malawi, amounting to USD175 billion[19].

As Figure 2 shows, of the USD4 billion in Malawi's total external public debt, USD2.6 billion is owed to multilateral creditors. The World Bank is the largest creditor, with $1,3 billion, or 33% of Malawi's total external public debt. This means that only about one-third of Malawi's external public debt stock is under negotiation, with $1 billion to commercial creditors (mostly to the African Export-Import Bank and Trade & Development Bank) and USD437 million to bilateral creditors (mostly China and Saudi Arabia).

[16] https://documents1.worldbank.org/curated/en/099110624101529109/pdf/BOSIB-16aa7677-e93c-4774-9a68-c949b74e3ebe.pdf
[17] https://drgr.org/news/locked-in-crisis-why-malawi-cant-achieve-meaningful-debt-restructuring/
[18] https://www.imf.org/en/News/Articles/2023/11/15/pr23394-malawi-exec-board-2nd-review-ssmp-involvement-approved-48-month-arrangement-ecf
[19] https://www.imf.org/en/Publications/CR/Issues/2023/11/22/Malawi-Second-Review-Under-the-Staff-Monitored-Program-with-Executive-Board-Involvement-and-541708 8% of GDP.

	Debt Stock (end of period) 2022		
	(In Million US$)	(Percent total debt)	(Percent GDP)
Total	8,699	100	76
External	4,006	46	35
Multilateral creditors[2]	2,558	29	22
IMF	437	5	4
World Bank	1,317	15	11
AfDB	431	5	4
Other Multilaterals	372	4	3
o/w: IFAD	106	1	1
OFID	76	1	1
Bilateral Creditors	418	5	4
Paris Club	4	0	0
o/w: Spain	3	0	0
Belgium	1	0	0
Non-Paris Club	414	5	4
o/w: EXIM China	222	3	2
EXIM India	114	1	1
Saudi Arabia	29	0	0
Local debt with non-residents	87	1	1
Commercial creditors	890	10	8
o/w: AFREXIM	495	6	4
TDB	395	5	3
FX Swaps with non-residents	53	1	0

Figure 7: Malawi, Decomposition of External Public Debt by Creditor, 2022

(Source: Replicated from IMF staff report)

The IMF expects that between 2023-2027, Malawi will need $1.6 billion to close its external financing gap, of which USD987 million should be financed by debt relief, as shown in Table 4. As multilateral creditors are excluded from absorbing any losses, debt relief will be provided mostly by commercial creditors (USD887 million) and official bilateral creditors (USD99 million). This debt relief constitutes an 86% haircut on commercial creditors' nominal claims and 25% over official bilateral nominal claims. China and India have provided financial assurances for the IMF program, and Malawi is in negotiations with its commercial creditors – to whom Malawi is in arrears.

	2023-24		2023-27	
	US$ mn	% total	US$ mn	% total
Financing gap	1,056	100	1,599	100
IMF ECF	53	5	178	11
Grants/loans (disb	106	10	106	7
Prospective grants	221	21	329	21
Prospective debt r	676	64	987	62
Official Bilateral	39	4	99	6
Commercial	636	60	887	55

Table 3: Malawi, External Financing Gap, 2023 - 2027

(Source: Replicated from IMF staff report)

However, even if Malawi receives an almost complete debt write-off from commercial creditors, it would still not be sufficient to eradicate the risks of debt distress. As per projections from the IMF, following the implementation of the program, Malawi is still expected to face a moderate risk of debt distress[20]. Malawi has "no buffer of restructure debt," as in 2025, it is projected that 90% of the country's total external debt will be owed to MDBs. This means that, if Malawi returns to debt distress in the future, it will not be able to restructure its debt at all (IMF 2023).

Most of Malawi's external debt service is paid to MDBs. Missing any debt service payments to the MDBs would jeopardize Malawi's only source of external financing. Debt servicing is continuing despite financing gaps to fight the COVID-19 pandemic and the outbreak of cholera and Cyclone Fred. The country is currently facing a shortage of foreign reserves, fuel and essential goods like fertilizers, food and medicine[21]. External support will be paramount for Malawi, as relying on fiscal adjustment is insufficient to boost economic development and reduce poverty. The country has limited scope for raising domestic revenues hence the call for additional debt relief and external resources.

[20] https://www.imf.org/en/Publications/CR/Issues/2023/11/22/Malawi-Second-Review-Under-the-Staff-Monitored-Program-with-Executive-Board-Involvement-and-541708
[21] https://www.aljazeera.com/features/2023/10/18/very-thin-budget-forex-shortage-triggers-cost-of-living-crisis-in-malawi

Malawi's current debt crisis is because of broader global financial structures and challenges faced by developing countries. Developing countries such as Malawi face many challenges with the existing debt relief frameworks and flaws in the international financial architecture. They need to be reformed.

Malawi cannot negotiate all its external debt, because of the exclusion of claims from MDBs. Excluding MDBs from providing debt relief undermines the effectiveness of debt restructuring efforts. The present debt restructuring negotiations cover just one-third of Malawi's external debt. The other two-thirds of Malawi's debt is owed to multilateral development banks (MDBs), which are considered "super-senior creditors," and hence are precluded from debt relief efforts. This limitation not only hinders effective debt restructuring but also disrupts Malawi's path towards economic stability and sustainable development.

IMF's fiscal adjustment policies have broader implications and impacts on the country's fiscal policies and socio-economic outlook. IMF's financing is not sufficient to deliver macroeconomic stability, making external debt restructuring vital. Fiscal adjustments deepen inequality fuel inflation and impact the broader economy.

As Malawi face rising poverty levels, increasing food insecurity, and climate change disasters, it is important that external support goes beyond debt restructuring. A comprehensive package of aid, grants, concessional finance and Special Drawing Rights (SDRs), as well as increased market access for exports, is needed.

Debt restructuring with all external creditors is needed. Relying on partial debt restructuring and fiscal adjustments – as recommended by the IMF – will be insufficient to achieve meaningful debt sustainability and put the country on the path to sustainable development.

Malawi has been classified as a country in debt distress. The country Malawi continues to face a challenging macroeconomic environment. Under the baseline scenario, the Present Value (PV) of PPG's external debt-to-GDP ratio remains below the threshold throughout the horizon. However, breaches are observed In the PV of debt-to-exports, debt service-to-exports, and debt service-to-revenue ratios over the medium term—with significant external debt servicing needs (around 60% of exports in 2023) falling due In the near term. The debt service-to-exports ratio remains In breach beyond the medium-term horizon. The PV of Malawi's overall public debt-to-GDP was around 67% In 2022 and remains significantly above the threshold through the medium term. Malawi's debt Is currently unsustainable.

Timely and complete Implementation of the authorities' debt restructuring strategy would be necessary for the external debt burden to be considered sustainable on a forward-looking basis[22]. Years of unsustainable domestic and external borrowing and the adverse impact of multiple external shocks have resulted in the widening of macroeconomic imbalances, including protracted balance of payment needs. To improve debt management, the Government of Malawi and the Reserve Bank of Malawi will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt, except if the non-concessional debt limit is adjusted by the World Bank a) to reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy[23].

2.3.3 Zambia Debt Profile and debt sustainability

Zambia's economic history has been about a heavy dependence on natural resources (such as unrefined and refined copper and copper alloys. Most of Zambia's public debt was written off as part of the Heavily Indebted Poor Countries and Multilateral Debt Relief Initiatives in 2005 [24]. To propel economic development and diversify beyond natural resources—Zambia, a landlocked country of 20 million—welcomed significant investment in the late 2000s, particularly from Chinese state-owned banks, to build dams, railways, and roads. While these investments have contributed to economic development, they have also raised debt levels and interest payments. Like many African countries, Zambia borrowed heavily between 1980 and 1990. Specifically, at the end of 1990, the sovereign debt had reached about USD 8 billion (i.e., 244% of GDP), which led to severe financial burden and sluggish economic growth between 1990 and the mid-2000s. The result of Zambia's currency depreciation was felt through increased external debt stock and debt servicing costs, higher import bills, and a widening current account deficit[25].
After years of rapid development in the early 2000s, the World Bank classed the nation as a lower middle-income country in 2007 because of the government's ability to free up resources and resume its upward economic trajectory[26]. Currently, Zambia is deeply indebted despite having benefitted from the HIPC debt reduction in the early 2000s due to heavy borrowing since 2011. One explanation offered is the change in the global financial systems, which gave poor nations like Zambia greater room to borrow money from private financial sources and commercial markets as opposed to traditional bilateral and multilateral lending organizations (Muleya, 2022)[27]. Despite this, the question of the effectiveness of restructuring programmes to ensure countries sustainably manage their debts still lingers.

[22] https://www.elibrary.imf.org/view/journals/002/2023/375/article-A002-en.xml
[23] https://ida.banquemondiale.org/fr/financing/debt/country/malawi
[24] (IMF, 2006).
[25] https://www.cgdev.org/sites/default/files/zambia-case-study-sovereign-debt-restructuring-under-g20-common-framework.pdf
[26] (Chongo, 2013).
[27] https://www.sciencedirect.com/science/article/pii/S259029112100084X

Despite falling tax revenues, the government continued its pursuit of capital expenditures, which resulted in a fiscal deficit widening from 7.7% of GDP in 2017 to 14% of GDP in 2020. These deficits, financed by both external and local borrowing, caused Zambia's public and publicly guaranteed debt to reach 104% of GDP in 2020[28]. Zambia's external public and publicly guaranteed (PPG) debt increased to US$21.6 billion by end-2023. By the end of September 2024, PPG's external debt amounted to USD$16.7 billion, excluding interest arrears, fuel and contractors' arrears, and ZESCO-related guarantees[29].

The central Government's external debt stock, excluding publicly guaranteed external debt, increased by 4.1% to USD15.17 billion from USD14.57 billion at the end of December 2023. The increase was largely on account of new disbursements from multilateral creditors and continued accumulation of arrears. As of June 2024, publicly guaranteed external debt declined by 1.3% to USD1.39 billion from USD1.41 billion in December 2023. This was on account of debt service payments by some guaranteed entities.

Giving an update on debt restructuring progress in parliament the minister of finance & national planning Dr Situmbeko Musokotwane, MP said that, the country has achieved a major milestone in its debt restructuring efforts[30]. Of the USD13.34 Billion, a total of 90% has been reached in the Agreement in Principle (AIP) with creditors. The agreements cover bilateral, Eurobond, & commercial creditor categories, with each category achieving critical advancements toward long-term debt sustainability.

In the bilateral category, Zambia secured a restructuring agreement in June 2023 for approx. USD6.3 billion, which was formalized through a memorandum of Understanding (MoU) in October 2023. This MoU established the framework for repayment terms & bilateral agreements. So far, agreements have already been signed with France & Saudi Arabia. On the Eurobond front, Zambia restructured USD3.8 billion in June 2024, obtaining concessions worth USD840 million & resuming debt service payments.

[28] https://www.cgdev.org/sites/default/files/zambia-case-study-sovereign-debt-restructuring-under-g20-common-framework.pdf
[29] https://www.elibrary.imf.org/view/journals/002/2024/350/article-A002-en.xml
[30] https://www.linkedin.com/feed/update/urn:li:activity:7307793950956773377/

DEBT RESTRUCTURING PROGRESS

Creditor Category	Total Debt to be Restructured	Debt on Which Agreement/AIP Reached	Debt Still to be Restructured
OCC	US $ 6.30 billion	US$ 6.3 billion	-
Eurobond Holders	US $ 3.84 billion	US$ 3.84 billion	-
Other Private Creditors	US $ 3.20 billion	US$ 1.87 billion	US$ 1.33 billion
Total	US $ 13.34 billion	US$ 12.00 billion	US$ 1.33 billion
% of Total debt to be restructured	**100%**	**90%**	**10%**

SOURCE: @MOFNPZambia

Table 4: Zambia Debt Restructuring Progress

(Source: @MOFNP *Zambia)*

For the commercial creditor category, Zambia has concluded agreements with Paramount, Huawei Technologies, ZTE Corporation & Credit Suisse. Debt service on the aforementioned creditors has resumed. Agreements in Principle (AIPs) have also been reached with other key creditors, such as Nedbank, Investec, Industrial & Commercial Bank of China (ICBC), Bank of China, AVIC, Bank Hapoalim, StarTimes & China Development Bank (CDB).

The Zambia government is still in talks with remaining private commercial creditors who are mainly privately-owned companies, not by nature financial institutions. As required under the Public Debt Management Act No. 15 of 2022, and in line with information sharing and transparency, the Ministry of Finance and National Planning continues to publish the quarterly debt bulletin which provides details of all the debt numbers. These restructuring achievements are expected to yield substantial benefits, including improved credit ratings, enhanced investor confidence, reduced Zambia's debt burden, create fiscal space, and support the country's broader economic recovery and resilience.

Based on the DSA, which includes debt relief agreed under the G20 Common Framework, Zambia is assessed to be at moderate risk of debt distress in the medium term [31]. This assessment aligns with the IMF's findings in Zambia's Third Review under the Extended Credit Facility. The debt sustainability outlook improves with a medium debt-carrying capacity scenario, supported by various government measures aimed at enhancing the country's debt-carrying capacity. Temporary breaches in the external debt service-to-revenue ratio beyond 2031 are considered distant and manageable, with an anticipated improvement in revenue performance and a more favourable medium-term outlook. Current reforms aimed at boosting economic growth and increasing revenue are critical to improving Zambia's debt-carrying capacity. An upgrade to a medium debt-carrying capacity will not only improve Zambia's ability to manage and service debt, but also boost investor confidence, attract investment, and support long-term economic growth. These measures position Zambia to better navigate its debt challenges and move toward a more resilient and sustainable economic future[32].

[31]https://www.elibrary.imf.org/view/journals/002/2024/350/article-A002-en.xml#:~:text=Zambia%27s%20public%20debt%20is%20assessed%20as%20sustainable,in%20debt%20distress%2C%20with%20unsustainable%20public%20debt.&text=By%20end%2DSeptember%202024%2C%20PPG%20external%20debt%20amounted,fuel%20and%20contractors%27%20arrears%2C%20and%20ZESCO%2Drelated%20guarantees.
[32] Debt Sustainability Analysis Report, 2023 Post Restructuring Scenario

2.3.4 Mozambique debt stock and sustainability

The International Monetary Fund (IMF) classified Mozambique's debt as being at high risk of overall debt distress. Mozambique's public debt-to-GDP fell to 93.7% in 2023 from 100.3% in 2022. The country's public debt burden grew by 6.4% in the first nine months of 2024, compared to the same period in 2023, to 42.428 billion meticais (€628 million), according to official data. According to the Ministry of Economy and Finance budget execution report up to the end of the third quarter, debt burdens, including interest, represented 78.3% of the total budget for 2024[33]. Its external debt-to-GDP ratio fell to 66.2% from 72.1% but frequent delays in the development of liquefied natural gas fields mean that it has to wait longer before its external debt service can benefit from those exports[34].

New external debt disbursements were provided by the World Bank and IMF in 2023, as well as project loans from Saudi Arabia. Overall, multilateral and bilateral debt decreased in per cent of GDP. Mozambique does not have market access, and external commercial borrowing is precluded under the IMF-supported program.[7] Generally, Government debt as a per cent of GDP is used by investors to measure a country's ability to make future payments on its debt, thus affecting the country's borrowing costs and government bond yields.

Between 2013 and 2014, three state-owned enterprises (SOEs)—Ematum, MAM, and Proindicus—borrowed approximately USD 2.2 billion, about 12% of Mozambique's GDP, from external creditors. These loans were arranged by Credit Suisse and VTB. The government, which disputed the legality of sovereign guarantees attached to these loans, had been engaged in several complex legal disputes in the UK related to these obligations[35].

In 2013 and 2014, a clique of government officials created three state-owned enterprises (SOEs) that took on more than USD2Bn of debt, equivalent to around 12% of the gross domestic product (GDP). Allegedly, the funds were to build shipyards, develop tuna fishing, and police the coast—with financing arranged by Credit Suisse, VTB, and BNP Paribas, three major banks. Some USD1.3bn of it was undisclosed until the international media reported on them in 2016. These loans breached the International Monetary Fund (IMF) program in place at the time, and the International Development Association's non-concessional borrowing policy, resulting in the outright suspension of budget support by both institutions and other development partners.

[33] https://clubofmozambique.com/news/mozambique-state-debt-servicing-costs-rise-6-4-to-e628m-in-first-9m-2024-270858/
[34] https://www.reuters.com/world/africa/how-serious-is-mozambiques-financial-crisis-2025-01-23/
[35] https://www.elibrary.imf.org/view/journals/002/2024/219/article-A003-en.xml

The “hidden” loan crisis plunged Mozambique into a protracted economic downturn. Growth halved from 7.7% in 2000–2016 to 3.3% in 2016–2019. The metical depreciated drastically, inflation surged to 17.4% by the end of 2016, and fiscal space narrowed markedly. FDI dried up as international investors lost confidence. Concessional lending from international financial institutions was far more limited, with official aid falling from 17.5 to 12.4% of GDP between 2013 and 2018[36].

In the case of Mozambique, it has been noted that the DSA ratios tend to give sensitivity to the effort required or that the country should make concerning each of the indicators used to meet its obligations arising from indebtedness. In this context, significant variations have been noted in the solvency and liquidity indicators ratios over the period 2012 and 2023, with a particularly disproportionate increase in 2016 for all ratios, indicating a jump in debt related to hidden debts with severe impacts on the sustainability of external public debt. However, after 2016, debt containment efforts, the suspension of new loans and continued debt servicing have contributed to an improvement in the indicators, although the country is still in a vulnerable and unsustainable position[37]. According to the IMF, as of June 2024, the overall and external public debt is assessed as at high risk of distress due to some indicators remaining above sustainability thresholds for several years under the baseline, and the vulnerability of debt to downside risks during this period[38].

[36]https://blogs.worldbank.org/en/africacan/mozambiques-hidden-debts-turning-crisis-opportunity-reform
[37]https://www.wemos.org/wp-content/uploads/2024/12/Nweti_Policy-Note-06_Public-debt-sustainability-Mozambique_2024.pdf
[38] https://www.elibrary.imf.org/view/journals/002/2024/219/article-A003-en.xml

2.4 Key patterns

Based on the structure, composition and state of debt in Malawi, Zambia, Mozambique and Zimbabwe, it is clear that they are all in debt distress which requires debt restructuring. Already these countries have initiated debt restructuring with creditors with Zambia leading in terms of progress. Despite the difference in details, there are common themes that can be picked and stand out across all four countries.

1. All four countries have high and rising public-to-GDP ratios and breach the IMF and SADC thresholds. These ratios are above the IMF threshold of 40%. Based on the IMF–World Bank Debt Sustainability Framework (DSF) for LICs. External debt becomes risky above 40%. However, in the SADC region, the threshold should not reach 60%. The breaching of the thresholds implies that these countries are likely to face debt distress, and credit downgrades (high borrowing premiums). These high ratios have necessitated debt restructuring.
2. Zimbabwe, Mozambique, Zambia and Malawi are characterised by debt defaults with Zambia being the first country to default on sovereign debt since the Covid-19 pandemic. In the case of Zimbabwe, since the early 200s after the controversial land reform programmes, the country has been in debt default. Mozambique defaulted after the tuna bonds loan scandal where hidden loans involving USD2 billion of undisclosed loans. Due to severe debt distress, Malawi the country is faced with meeting external debt obligations.
3. A greater chunk of the four countries' debt is external and is owed to foreign creditors including commercial creditors who charge high interest rates. The debt risks are further exacerbated by exposure to high interest rates, currency depreciation and commodity price volatility. Commodity price volatility has worsened Zimbabwe's resources-backed loans to China.
4. There are visible imprints demonstrating shifts towards commercial and non-concessional loans. Mozambique and Zambia show the clearest cases where private creditors dominate the debt landscape, complicating restructurings.

African countries are increasingly relying on expensive, non-concessional loans due to limited access to concessional financing, harsh conditions from traditional lenders, and pressures from middle-income classification. Many turn to resource-backed loans, which expose them to volatile commodity prices and shrinking tax revenues. Non-concessional borrowing carries high interest rates and fees, straining budgets and crowding out essential social spending like health and education. This pattern worsens debt sustainability risks, increases vulnerability to debt crises, and can undermine governance when funds are poorly used. More so, private loans are difficult to restructure. Stronger debt management policies and transparency are critical to address these challenges.

3.1 Overview of legal, regulatory and institutional debt framework

For countries to effectively manage their public debt, they require solid legal and institutional frameworks. Such frameworks contribute to dealing with the adverse effects of debt management and aid in making debts more sustainable. More so, developing and modernizing debt management legislation is essential for ensuring that governments provide parliament and the public with the necessary information for public debt to be effectively scrutinized. The legal framework for debt management comprises both: primary legislation, which are laws enacted with the approval of the parliament; and secondary legislation, often referred to as subsidiary or delegated legislation, (executive orders, decrees, ordinances and so forth), which is determined by the executive branch of government.

In a bid to strengthen public debt management laws and in response to public debt management challenges, countries need to adhere to prudent public debt management principles. Such principles include but are not limited to (i) agency (ii) legal frameworks (iii) transparency and accountability (iv) disclosure and publication (v) project financing (vi) adequate management and monitoring (vii) avoiding incidences of over-borrowing (viii) binding agreements (ix) restructuring[39]. A Debt Management Office (DMO) needs to be able to operate in a legal and regulatory environment which ensures that debt issuance is consistent with specified borrowing limits, and where there is no legal uncertainty that might undermine the confidence of investors as to the obligation to service and repay government debt[40]. Against this backdrop, this section will review the strengths of legal frameworks of public debt management in the selected countries and give an analysis of how weak legal frameworks contribute to debt unsustainability which warrants debt restructuring. Such an analysis is important to identify, and understand the gaps within the legal framework. Subsequently, this will inform the strengthening of the legal frameworks

[39]AFRODAD Borrowing Charter
[40]https://documents1.worldbank.org/curated/en/526861468270613245/pdf/356640MW0SOVEREIGN1DEBT1MGMT01may020011.pdf

3.2 Zimbabwe

The Government of Zimbabwe came up with several legislations to guide debt management. These include the Constitution of Zimbabwe, the Public Debt Management Act [Chapter 22:21], the Reserve Bank Act [Chapter 22:15] and the Public Finance Management Act [Chapter 22:19]. In addition to these pieces of legislation, the country is expected to adhere to some fiscal rules which include debt management through the Transitional Stabilisation Programme and the Southern African Development Community (SADC) protocol on debt.

The Constitution of Zimbabwe Amendment No. 20, Act 2013 is the supreme legislation informing the management of public finance and well as the management of public debt in Zimbabwe. Since prudent management of public debt is a central aspect in terms of attaining good public financial management, the need to attain an acceptable level of management of public finances is reinforced by the Constitution. Debt management in Zimbabwe is thus rooted within the Constitution, which is the country's supreme law. The constitution sets the principles for public finance management which encompass the general conditions for debt management. The Constitution of Zimbabwe in Section 300 provides for Debt Management operations and authorises the promulgation of a dedicated Debt Management Act.

The Public Debt Management (PDM) Act was promulgated in September 2015. The Act provides for the management of Public Debt in Zimbabwe, establishes the Zimbabwe Public Debt Management Office (ZPDMO) on a statutory basis, including its functions and administration, and provides for the raising, administration and repayment of loans by the State, as well as giving guidelines in respect of certain loans. The Act outlines the main guidelines to be followed by the GoZ in terms of borrowing, maintenance, extinction of debt; definition of contingent liabilities; exposure of government; borrowing powers of the Minister; as well as the Minister's powers to give guarantees; borrowing by local authorities and public entities among other issues. Also, the Act, just like the Constitution and the Public Finance Management Act [Chapter 22:19] of 2009 sets the limits on State borrowing. Section 11(2) of the Public Debt Management Act [Chapter 22:21] imposes an upper limit regarding the total outstanding Public and Publicly Guaranteed Debt as a ratio of GDP, which should not surpass 70% at the end of any fiscal year. However, there are exceptional instances where such a limit may be exceeded, as prescribed in the Act. Section 11 of the Public Debt Management Act stipulates that the Minister of Finance and Economic Development can only exceed the statutory limitations if the National Assembly resolves under either one or more of the following conditions[41].

[41] https://lamintang.org/journal/index.php/ijlapp/article/view/412/296

The Public Finance Management (Treasury Instructions), 2019 was introduced as Statutory Instrument 144 of 2019 [Public Finance Management (Treasury Instructions), 2019] as a means of tightening the government's grip on the management of public finances through devising methods for governing expenditure as well as the country's debt. The Treasury instrument (SI 144) was approved by the Minister of Finance and Economic Development, Professor Mthuli Ncube in terms of Section 78 of the Public Finance Management Act [Chapter 22:19] and replaced as well as superseded all the other previous instruments. Such a move was a deliberate attempt to reinforce the Public Finance Management Act [Chapter 22:19] of 2009 as far as it applied to the management of Zimbabwe's public debt. The regulations espoused in Public Finance Management (Treasury Instructions) of 2019 aimed at supervising the CRF, State borrowing limits, public debt and State guarantees, and safeguarding public funds and properties amongst other aspects. Public Finance Management (Treasury Instructions), 2019 takes into consideration the macro-economic framework, and requirements for future borrowing by the GoZ as well as both domestic and international economic and international conditionally, Public Finance Management (Treasury Instructions), 2019 set up the framework to be utilised in the management of government debt.

The Reserve Bank of Zimbabwe Act [Chapter 22:15] is one other piece of legislation which plays a part in the management of external public debt in Zimbabwe. The RBZ Act essentially empowers the central bank to act as the paying agent on behalf of the MoF&ED. According to Part II, Section 8 (3): "When authorized by the Minister to do so, the Bank shall act as agent for the State in the payment of interest and principal and generally in respect of the issue and management of the public debt of Zimbabwe and additionally, or the debts of any statutory body."

Such a provision makes it the responsibility of the central bank to make external debt payments to the country's creditors but this has to be carried out under instruction from the MoF&ED. The RBZ Act further stipulates the limits regarding the funds which the Central Bank may lend to the State. Section 11(1) of the RBZ Act requires that borrowing by the GoZ must not surpass 20% of the revenues obtained within the previous year. The RBZ Act further requires that the country's public debt should not surpass 70% of GDP. However, there are issues as well as challenges that have been noted especially concerning violating the provision on borrowing limitations imposed on the government by the RBZ Act, amongst others [17]. For instance, the GoZ's overdraft with the RBZ stood at $US 2.3 billion as of the 31st of August 2018, against the US$ 762.8 million statutory limit and such an amount was equivalent to75.7% of the total revenues that were obtained in the previous year (2017) and this by far exceeded the stipulated 20% limit[42].

[42] https://lamintang.org/journal/index.php/ijlapp/article/view/412/296

3.3 Zambia

In 2016, the Zambian Constitution was extensively amended.27 One of the major areas of reform was the management of public funds, and more specifically, the contraction of public debt. Because of the Country's experience with the economic challenges that resulted from heavy indebtedness, and the painful experiences with structural adjustment programmes (SAPs), the 2016 Constitution included three provisions trying to redress the problem.

The constitutional change in 2016 was followed by the enactment of the Public Finance and Management Act No. 1 of 2018. The Act was mainly a response to pressure from the IMF and World Bank to demonstrate that the Government was prepared to enhance fiscal discipline to receive a concessionary loan to help deal with the fiscal crisis. Regarding public debt, the reforms in this Act were superficial and inconsequential. The statute has no special focus on public debt. Section 26, which is the main provision dealing with public debt, simply purports to limit public entities and persons who may borrow or issue guarantees on behalf of the state.

Following the change of Government, in 2022 the new Government, as part of tackling the public debt crisis, enacted the Public Debt Management Act No. 15 of 2022. The Act buttresses the provisions in the Constitution on debt management and includes fairly progressive standard debt management mechanisms. The Act repeals and replaces both the Loans and Guarantees (Authorisation) Act 1969 and the General Loan and Stock Act 1931. As a result, it is now the principal law, besides the Constitution, governing the contraction and management of public debt. The Act establishes a Debt Management Office as the entity responsible for the management of public debt[43].

The PDM Act, No. 15 of 2022, mandatorily requires that all borrowings by Central Govt and external borrowing by public bodies be approved by the National Assembly. The Minister of Finance is now required by law to present the Annual Borrowing Plan before the National Assembly in each financial year, not later than ninety days before the commencement of the next financial year. The new law provides for significant improvements aimed at addressing the deficiencies of the Loans Guarantee Authorisation Act by enhancing the transparency of public debt, reinforcing parliamentary oversight on debt contraction, formalising public debt management operations and enhancing debt transparency[44].

[43] https://www.ndi.org/sites/default/files/Zambia%20Debt%20Report%202%20%281%29.pdf
[44] https://diggers.news/guest-diggers/2024/09/02/examining-the-implementation-of-zambias-public-debt-management-act-pdma-no-15-of-2022-part-1/

3.4 Malawi

Malawi's legal framework for debt management is anchored in its Constitution and further detailed in specific legislation and strategic documents. According to the Constitution of Malawi, the management of public debt primarily falls under the responsibility of the Minister of Finance, who is mandated to ensure sustainable borrowing practices and transparent reporting of all government debt obligations, with oversight from Parliament through its relevant committees; however, specific details regarding debt management mechanisms are largely outlined in separate legislation like the Public Finance Management Act, which provides a comprehensive framework for managing public debt, including setting debt ceilings and requiring regular debt sustainability analysis Section 180 of the Malawi Constitution mandates that the government can only raise loans under the authority of an Act of Parliament. This ensures that any borrowing is subject to legislative approval, promoting accountability and transparency in public debt management[45].

The Public Finance Management Act (PFMA), 2022 provides a comprehensive framework for public debt management in Malawi with specific provisions related to public debt management. Part VIII of the Act focuses on borrowing, loans and guarantees and emphasises that public debt management should aim to ensure that the government's financial needs and payment obligations are met at the lowest possible cost, consistent with a prudent degree of risk and support the development of a well functioning domestic financial market. Section 70 authorises the government to borrow money in accordance with the Act and under an Act authorising such borrowing. Important to highlight is the Act's call for the Minister to develop and submit a Medium Term Debt Management Strategy which plays a pivotal role in maintaining debt sustainability. Section 74 authorises the Minister to borrow within Malawi or elsewhere as the National Assembly shall determine. It goes on to state that the loans should be in the public interest and that borrowing is consistent with the government's economic and fiscal policy.

Other legislations such as the RBM Act carry out the following tasks: (i) it gives the Reserve Bank the authority to issue and manage domestic debt on the government's behalf; (ii) it allows the extension of an overdraft facility to the government up to a statutory limit of 20% of the government's projected annual revenue; and (iii) it carries out monetary policy operations with the ultimate objective of achieving price and financial stability.

[45] malawivoice.com

3.5 Mozambique

In Mozambique, Article 179 (2) (p) authorise the Government, while defining the general conditions, to contract and make loans and to carry out other credit transactions, for periods exceeding one financial year, and to establish the upper limit for guarantees that may be given by the State. Mozambique's legal framework for public debt management is designed to ensure prudent borrowing, effective oversight, and enhanced transparency. Key components include: the Public Finance Management Legal Framework (SISTAFE Law) was enacted in 2002, to provide a comprehensive foundation for public financial management in Mozambique. It aligns with international standards and outlines procedures for budget execution, accounting, and financial reporting, thereby supporting effective debt management[46].

In 2020, with assistance from the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI), Mozambique developed a regulatory framework specifically for public debt management. This framework was designed to review existing legal structures, advise on the organizational setup of the National Directorate for Public Debt Management, and assess human resource capacities. A draft regulatory framework was produced and submitted for governmental approval [47].

[46] https://www.imf.org/external/pubs/ft/scr/2015/cr1532.pdf?utm_source=chatgpt.com
[47]https://mefmi.org/2020/11/13/mefmi-assists-mozambique-develop-regulatory-framework-for-public-debt-management/?utm_source=chatgpt.com

3.6 Common challenges with the legal provisions

Malawi, Zambia, Mozambique and Zimbabwe have some common similarities in their frameworks. These weaknesses create high risks for hidden and unsustainable debt accumulation. Weak debt legislation allows poor debt management practices that will result in unsustainable debts.

i) Non-Compliance with Disclosure Requirements

In the four countries, the Public Finance Management Act mandates the auditor general to file an audit report with parliament on an annual basis. Despite this statutory requirement, the latest audit reports submitted to parliaments are not up to date. They are for years way behind. A similar non-compliance with the statutory requirements is observed, where the Minister of Finance is required to publish the government's debt management strategy on an annual basis. This has not been the case.

ii) Non-compliance with Debt Limits

Several African states have not been able to comply with the debt limits they agreed to, either in their legislation or as a member of a regional bloc or monetary union, Zambia, and Zimbabwe included. In most cases, the governments in question have exceeded their debt limits due to a lack of prudence in implementing their debt management activities. For example, Zambia increased its limits for external borrowing three times in about five years, to be able to accommodate more borrowing. As a consequence, these countries went beyond the convergence thresholds of their regional blocs and accumulated debt at unsustainable levels.

iii) The Legal Authority to Borrow

An adequate definition of the legal authority to borrow on behalf of a government is crucial for effective debt management. It ensures that only people who have the authority to contract debt on behalf of a government do so. To enforce this rule, it should be supported by sanctions enshrined in the country's law. They must be strong enough to deter unauthorized people from contracting debt on behalf of the government. If they cannot do so, some officers may not follow the rules. This happened, for example, as mentioned above, in Mozambique where public debt, was contracted outside the authority of the law[48].

iv) Weak parliamentary oversight

In all four countries, parliaments have limited powers to scrutinise approve and monitor loan contraction. In many cases, the Minister of Finance may borrow without parliamentary approval and scrutiny leading to unsustainable debt levels.

[48] https://library.fes.de/pdf-files/bueros/fes-ua/19364.pdf

4.1 Overview of Debt Restructuring

Since the debt crisis of the 1980s, the international community has alternated between various options for debt treatment. Many African countries currently face unsustainable debt burdens, hindering their ability to invest in crucial areas like healthcare, education, and infrastructure. Addressing this challenge requires a coordinated effort to accelerate debt restructuring and create a more sustainable financial future for the continent[49]. The lessons learnt in terms of the state and composition of debt and the lacunas in the legal and institutional frameworks are important in informing mediation and stakeholders engagements on debt restructuring. The question that lingers pertains to whether debt restructuring is a panacea and what else should be done to ensure that African countries are free from chains of debt. However, it has been noted that restructuring, suspension, relief and cancellation have, in different cases, allowed African countries to reduce excess debt and tackle liquidity or solvency crises [50]. It is important to note that for any debt treatment to be effective, it needs to be accompanied by fundamental reforms. For instance, the global financial architecture, as currently constituted, does not meet Africa's expectations, as its countries, without exception, are developing and therefore facing multiple globalised challenges. As it shall be noted, the case of Zambia is a clear demonstration of how the global debt architecture frustrates debt restriction.

Sovereign debt restructurings are expected to become more frequent because debt indicators for many African countries are deteriorating. Number of countries in debt distress has been rising. An increasing number of countries are temporarily kept solvent through IMF programs such as Mozambique, Malawi, Zambia, and Zimbabwe. IMF loans cannot be restructured because of IMF's preferred creditor status. Official multilateral loans cannot be restructured too because HIPC and MDRI expired. Bilateral loans from the Paris Club creditors can be restructured through renegotiation in one process with the Paris Club whereas bilateral loans from non-Paris Club can be restructured through negotiations with each creditor. These include the BRICs lenders of Brazil, Russia, India and China. Commercial or Private debts can be restructured through renegotiation with bondholders although we have witnessed holdouts and litigation by vultures, delaying negotiations.

[49] Global Council for the Promotion of International Trade (GCPITGHQ)
[50] https://www.afdb.org/en/news-and-events/annual-meetings-2024-old-debt-resolution-african-countries-cornerstone-reforming-global-financial-architecture-70791#:~:text=Since%20the%20debt%20crisis%20of,tackle%20liquidity%20or%20solvency%20crises.

4.2 Does Africa need debt restructuring?

The current debt situation in Africa requires immediate attention and restructuring could potentially aid in addressing the debt burden. This is because Africa's total external debt stock has ballooned to over $700 billion in 2023, according to the World Bank. This represents a significant increase from just a decade ago, driven by factors like infrastructure investments, global commodity price fluctuations, and the economic slowdown caused by the COVID-19 pandemic. Secondly, Several African countries have debt-to-GDP ratios exceeding 60%, a threshold considered risky by international financial institutions. This high debt burden limits the ability of governments to invest in essential services and respond to future crises. Thirdly, Africa is highly vulnerable to external economic shocks. Rising global interest rates or a decline in commodity prices can significantly increase debt servicing costs and worsen the debt situation. Most importantly, stakeholders need to be sincere and politically committed to ensure debt restructuring work in the interest of developing countries.

4.3 Debt Restructuring in Zimbabwe

In December 2022, the government of Zimbabwe established a Structured Dialogue Platform (SDP) as part of its Arrears Clearance, Debt Relief and Restructuring Strategy, with all creditors and Development Partners, to institutionalize structured dialogue on economic and governance reforms to underpin the Arrears Clearance and Debt Resolution process. The process is being Championed by the President of the African Development Bank (AfDB), Dr A. A. Adesina, and H. E. J. A. Chissano, former President of the Republic of Mozambique, who is the High-Level Facilitator. There has been commendable progress with the Structured Dialogue Platform, with growing consensus and confidence in the process. Since December 2022, five SDP meetings and a High-Level Debt Resolution Forum. These meetings have been focusing on the following strategic three pillars, namely i) Economic Growth and Stability Reforms; ii) Governance Reforms; and iii) Land Tenure Reforms (99 Year Lease), Compensation of Former Farm Owners (US$3.5 billion Global Compensation Deed) and the Resolution of Bilateral Investment Protection and Promotion Agreements (BIPPAs)[51].

The meetings are supported by the three Sector Working Groups (SWGs), which have developed Policy Reform Matrices.

[51] Petronella Mavhinga, Zimbabwe Public Debt Management Office; Ministry of Finance, Economic Development and Investment Promotion; Presentation on Zimbabwe stock of public debt position and update on arrears clearance and debt resolution process, at the Zimbabwe Annual Debt Conference – Kadoma Hotel and Conference Centre 22-23 August 2024

The three SWGs are i) Economic Growth and Stability Reforms co-chaired by theMinistry of Finance, Economic Development and Investment Promotion, World Bank (WB) and the International Monetary Fund (IMF); ii) Governance Reforms co-chaired by the Ministry of Justice Legal and Parliamentary Affairs and the European Union; and iii) Land Tenure Reforms, Compensation of Former Farm Owners and the Resolution of Bilateral Investment Protection and Promotion Agreements (BIPPAs), co-chaired by the Office of the President and Cabinet, United Nations Development Programme (UNDP) and Switzerland.

There has been progress on economic growth and stability reforms. All Reserve Bank of Zimbabwe foreign currency liabilities were transferred to the Treasury, and these are now being serviced from the National Budget. The exchange rate is now determined on the interbank market based on the willing buyer and willing seller. The Liquidity Management Committee meets regularly, post the introduction of the new currency, critical in ensuring macroeconomic stability. Negotiations are currently underway for a broad Staff Monitored Programme (SMP) framework. The SMP is critical for the government to establish a track record of policy implementation and pave the way for Arrears Clearance and Debt Resolution, including an IMF financial arrangement (Petronella Mavhinga, Zimbabwe Public Debt Management Office -August 2024).

The Zimbabwean government is making quarterly token payments to its international financial institutions (IFIs) as a sign of commitment to the engagement and re-engagement process. As of August 2024, the World Bank Group had received cumulative payments of US$70 million; the African Development Bank Group cumulative payments of US$37.4 million and the European Investment Bank cumulative payments of US$5.6 million. The government is also making quarterly token payments of US$100 000 to each of the 16 Paris Club bilateral creditors and cumulative token payments are USD12.7 million. In line with the Global Compensation Deed, the Government made an offer to the Former Farm Owners for their compensation which entails an upfront payment of 1 per cent of the capital amount (USD35 million) to be paid in year 1 and issuance of USD denominated Treasury bonds with maturities ranging from 2 to 10 years, with a coupon of 2 per cent. The government allocated USD35 million for the Global Compensation Deed (GCD) in the 2024 National Budget (Petronella Mavhinga, Zimbabwe Public Debt Management Office -August 2024)

To secure debt relief, the government in May 2024 engaged Financial and Legal Advisors (Global Sovereign Advisory - Financial Advisor; and Kepler-Karst Law Firm - Legal Advisor), through the assistance of the Africa Legal Support Facility. As part of the Arrears Clearance and Debt Resolution Process, an IMF mission was in the country in June 2024, for Article IV Consultations and will be back in September for SMP negotiations. A new SMP is planned for signing off by October 2024 (Petronella Mavhinga, Zimbabwe Public Debt Management Office -August 2024).

As a country in debt distress and seeking debt relief, Zimbabwe need to continue the implementation of reforms under the pillars of the three Sector Working Groups. There is need also for the continuation of structured dialogue meetings, both at high and technical levels, as a platform for building trust, feedback and reporting of progress on the implementation of the reforms. While the continuation of quarterly token payments to the IFIs and 16 Paris Club creditors is commendable there is a need for an IMF-funded program or bridging finance to clear arrears to the International Financial Institutions soon.

4.4 Debt Restructuring in Zambia

Zambia, as one of the first countries to utilize the G20 Common Framework, has provided important lessons on managing sovereign debt crises and highlighted areas for potential reforms to the international financial system. Between 2010 and 2020, Zambia saw a surge in Chinese investment in infrastructure, which raised concerns about the country's rising debt levels and the terms of these agreements. Zambia officially defaulted on its debt in 2020, becoming Africa's first pandemic-era sovereign defaulter, after missing a $42.5 million payment on one of its Eurobonds. In 2021, Zambia applied for debt restructuring under the Common Framework and engaged French firm Lazard to advise on the restructuring of its $11 billion external debt. At the same time, the economic fallout from COVID-19, including falling copper demand, significantly weakened domestic resource mobilization and disrupted other economic sectors.

Following President Hichilema's electoral victory, Zambia formally requested debt treatment from the Paris Club under the Common Framework and reached a Staff-Level Agreement for an Extended Credit Facility (ECF) with the IMF. Key milestones included the establishment of an Official Creditor Committee (OCC) in July 2022, whose assurances enabled the approval of a USD1.3 billion IMF program. Although Zambia secured a USD7 million debt rescheduling with official creditors in August 2020, private creditors—holding around 40% of Zambia's Eurobonds—rejected initial requests for interest payment deferrals.

Parallel negotiations with bondholders continued, resulting in a preliminary agreement with investment and pension funds managing USD3 billion of Zambia's bonds. However, official bilateral creditors, led by China and France, rejected a revised bondholder proposal because it did not offer sufficient debt relief. By the end of 2022, Zambia's external arrears had risen to 11.5% of GDP, with the IMF classifying Zambia's debt-carrying capacity as "weak" and its debt situation as "unsustainable."

Efforts to finalize restructuring continued into 2023, with Zambia's government negotiating with private creditors and engaging with Chinese lenders, including the Export-Import Bank of China. Despite uncertainties over the timeline, the Zambian government ultimately reached an agreement on restructuring terms with the ad hoc committee of Eurobond holders, marking another critical step in its debt resolution process.

4.5 Debt Restructuring in Mozambique

Since 2014, Mozambique has declared in default and plans to work out new terms of payment of at least USD2 billion in bonds held by Western investors. The hidden loans, previously undisclosed government-backed debt had been contracted between 2013 and 2014, primarily to finance maritime and security projects triggered the restructuring process. More so, his revelation plunged the country into a deep financial crisis, leading to the suspension of IMF and donor support, a collapse of investor confidence, and a sharp depreciation of the metical (currency). Mozambique defaulted on its Eurobond in 2016. The escalation in national debt is related to the significant decline in commodity prices and the lack of currency reserves to offset the rise in payments demanded by international financial institutions. It was announced in late February that Mozambique would be in default for another five years. A meeting between Mozambican leaders and International Monetary Fund (IMF) officials on 5 March 2018 revealed that its public sector debt to Gross Domestic Product (GDP) was 128%.

IMF executive directors prescribed the traditional measures related to restructuring. These include the reduction in public spending through the consolidation of government departments along with the shedding of assets through a process of privatisation. Even banks that arranged billions of dollars of loans to government companies in Mozambique have proposed to restructure some of the now-defaulted debt, as the government of President Filipe Nyusi struggles to relieve financial pressure on Mozambique's economy[52]. However, there was widespread criticism of the debt restructuring process given that the government did not share its interests with the Mozambican people in the substance of the proposal before submitting it to the creditors.

[52] https://businesstimes.co.zw/banks-that-gave-moza-covert-loans-propose-restructuring/

The government entered into negotiations with creditors and, after several years of complex and contentious talks, agreed to a restructuring deal in 2019. The agreement involved swapping the previous USD726 million Eurobond for a new USD900 million bond, with a maturity extension to 2031 and higher interest payments. The new bonds carried a higher interest rate (5% initially, rising to 9% later). Creditors were promised a 5% revenue participation linked to future revenues from Mozambique's massive offshore natural gas projects. However, the restructuring failed to fully address the underlying problems of debt sustainability, partly because the hidden loans (especially those owed to Credit Suisse and VTB) remained under legal dispute. Even though the restructuring has been completed, Mozambique remain fragile

Currently, Mozambique has announced plans to restructure domestic debt. The new Finance Minister, Carla Louveira, has expressed a desire to restructure domestic debt, which stood at MZN396bn (USD6.2bn) in September 2024. There have been hints of nothing stopping negotiations on foreign debt as well. Already, the government is open to negotiating with bilateral external debt creditors to achieve sustainable public debt management. However, these intentions have resulted in Mozambique's sole bond market falling in value. In 2023, the interest Mozambique pays on its Eurobonds went up from 5% to 9% per year, raising the interest to be paid on the USD900m principal from USD45m a year to USD81m[53].

4.6 Debt Restructuring in Malawi

To restore its economy, Malawi needs almost $1 billion in debt relief from its creditors by 2027, as it battles severe medicine, fuel and fertiliser shortages due to chronic foreign currency shortages. The landlocked southern African country needed USD887 million in debt relief from 2023 to 2027 from its commercial creditors and USD99 million from its bilateral creditors. In 2022 the IMF Executive Board approved a USD178 million, four-year loan to Malawi. Getting a commitment from bilateral creditors China and India to restructure their portion of its external debt, which was USD4 billion at the end of 2022, was a key requirement for the IMF board to sign off on the loan[54]. On another positive note, in June 2024, Malawi's finance minister confirmed that Malawi and China, one of the creditors, signed a supplemental loan agreement, a contract between a borrower and a lender that modifies the terms of an existing loan agreement, that will enable China to restructure the USD206 million (about K361 billion) debt Malawi owes the Asian country.

[53] https://www.zitamar.com/mozambique-open-to-negotiating-eurobond-finance-ministry-says/#:~:text=Louveira%27s%20spokesman%20told%20Zitamar%20on%20Monday%20that,repaying%20$250m%20per%20year%20of%20the%20principal.
[54] https://www.reuters.com/world/africa/malawi-needs-almost-1-bln-debt-relief-by-2027-imf-2023-11-22/

It is important to note that the present debt restructuring negotiations cover just one-third of Malawi's external debt, rendering it unlikely to produce a meaningful change in Malawi's fiscal space. The other two-thirds of Malawi's debt is owed to multilateral development banks (MDBs), which are considered "super-senior creditors. This limitation not only hinders effective debt restructuring but also disrupts Malawi's path towards economic stability and sustainable development. Despite this, Malawi has a 2023-27 financing gap of USD1.6 billion (about K2.8 trillion) and most of that is slated to be filled by the debt restructuring, with the rest from grants, concessional loans and the IMF loan[55].

4.7 Key Lessons from the debt restructuring process in the selected countries

To ensure effective debt restructuring, it is important to draw lessons from the four case studies. These lessons can be principles or lessons can be the pillars upon which debt restructuring can be anchored.

1. Importance of getting political and technical assistance – As demonstrated in the case of Zimbabwe and Zambia, the involvement of HE former President Chisanu and the former president of the AFDB and Lazard, respectively has proved to be a good strategy when it comes to debt restructuring. In the case of Zimbabwe, the two highly respected figures have played a role in bringing creditors to the table. However, the fact that Dr Adessina has fallen in favour of America may potentially pose a threat to debt negotiations. In the case of Zambia, though controversial, Lazard was instrumental in initiating the restricting process and bringing the matter to the international stage. However, its effectiveness was threatened by the complexities and political realities in Zambia.
2. Bilateral conversations and complementary agreements are important – As demonstrated in the case of Zambia and Malawi it is important to have supplementary negotiations bilaterally with creditors. To get China onboard, Zambian authorities had to travel to China to negotiate and get assurance that was important in ensuring the success of the debt restructuring. Similarly, Malawi had to sign another agreement with China further cementing their commitment to agree with China and India which was part of the conditions imposed by the IMF. In Zimbabwe, the government had to negotiate to have the Americans onboard after they had pulled out of the negotiations.
3. Debt is a political issue – In the case of Zambia, debt constituted a political and election issue mainly from the opposition party. In addition to highlighting Zambia's unsustainable debts from China, the new president took the question seriously till a debt restructuring deal was successful.

[55] https://mwnation.com/calls-to-restructure-public-debt-grow/

4. A successful debt restructuring is hinged on genuine policy and legal framework reform – While undergoing the negotiations, Zambia made strides in reforming its debt governance architecture. This increased the confidence in Zambia's seriousness and commitment to improve debt management. In the case of Zimbabwe, the lack of progress on policy reform has resulted in the US pulling from debt negotiations. Having creditors such as the USA in the debt conversations is important given their influence in the IMF and global politics.

5. Effective debt restructuring should encompass all the debts – In Malawi, it is only a third of the debt that is restructured while in Zambia, only USD6,3 billion. Without discounting the gains that will accrue, restructuring a portion of the debt will not address the systemic and structural factors underlying debt distress. In the case of Zambia, for debt restructuring to be at moderate risk of debt distress, there is a need for cancellation of all interest payments and cancellation of two-thirds of principal payments. What can be gleaned here is that complete debt cancellation is important in ensuring countries bounce back to sustainable debt levels.

4.8 The Model

The lack of an international debt restructuring mechanism for sovereign debtors is a severe gap in the international financial architecture. A fair and orderly mechanism could prevent debt crises by addressing unsustainable debt situations early, or at least mitigate the damage done when debt crises are addressed late. It is critical to halting predatory creditor behaviour, preventing crises, promoting stability in the financial system, reducing debt burdens, and encouraging responsible lending and borrowing. For countries to effectively structure their debts, the following needs to happen.

Based on the evidence gathered in terms of the nature of the debt in the selected countries, its implications on development, debt management challenges and efforts to redress the identified policy and legal challenges etc, we propose a hybrid campaign on debt restructuring. This campaign will encompass awareness campaigns, educational campaigns and policy advocacy. Given ZIMCODD 's central role within the Southern African Solidarity Network, we also propose that the campaign should be organic where it encompasses social media engagements, community engagements, grassroots movement and creating and maintaining strategic partnerships and collaborations. In a context where funding is dwindling, organic campaigns have the advantage that they are low cost and usually rely on free or volunteering from organisations that align with the goals and objectives of the campaign. Secondly, organic campaigns are long-term in terms of sustainability in that members of the campaign can continuously push the campaign. However, to ensure that there is control, consistency and facilitation there must be an organisation that steers the campaign.

4.8.1 Target audience

Audience	Justification
National CSOs working on debt and human rights	National CSOs are important given their technical know-how and understanding of debt issues and they act as channels to cascade debt information to the grassroots. Moreso, they are involved in the debt restructuring processes.
Other CSOs as their work is related to debt issues	Debt issues should not be dealt with in isolation from related issues, including human rights. To ensure strong connections, CSOs working on human rights, education health and other social safety nets should also be targeted given that debt has a strong bearing on the realization of human rights.
Parliaments	
Regional parliaments ie SADC PF – capacitation of national parliaments	Regional Parliaments set the standards and norms for regional development. Given the similarities of the challenges that SADC countries face, a regional approach is justified, and the SADC PF provides for such a space. Further, the space aids in ensuring the consolidation of voices.
National Parliaments	National Parliaments are a key player when it comes to debt contraction and management. Parliaments must be strengthened so that they effectively perform their constitutional roles including but not limited to oversight, approving loans and projects etc, setting national priorities etc. The campaign may utilize national space for engagement such as public hearing meetings, budget consultative meetings, letters to the clerks of parliament etc.
Creditors	
Bilateral	Given that bilateral loans present a significant chunk of total loans, engaging in them is key. The campaign may push for responsible lending practices.
Multilateral creditors	The campaign may also target multilateral creditors through their country offices, IMF consultations (Article 4 discussions), spring meetings and multi-stakeholder platforms as in the case of Zimbabwe.

4.8.1 Target audience continued...

Audience	Justification
Government Ministries	
Ministry of. Finance, DMO, Reserve Banks etc	The Ministry of Finance is the premier institution when it comes to debt management. However, given the connectivity of debt to other developmental issues, relevant ministries whose operations are affected by debt and have a bearing on national development eg health education etc
AfDB	The AfDB's African Legal support facility is an important player when it comes to negotiations of loan contracts. The ALSF provides legal aid to countries so that they can get better deals.

4.8.2 Campaign goals

To ensure that the campaign has a clear direction it is important to have shared goals. More so these goals are pertinent when it comes to determining the activities that members of the campaign can implement and also assist in measuring the success of the campaign. Clear goals also help in navigating the efforts towards achieving specific outcomes and making necessary adjustments to the campaign. For debt a debt restructuring campaign, the goals should be as follows:

Goal 1: Advocate for equitable public debt restructuring that aligns with Sustainable Development Goals, and safeguards on gender and human rights.

The debt restructuring campaign should emphasise the need for a debt restructuring process that is sensitive to and does not compromise the achievement of SDGs and human rights commitments. More so, debt restructuring should not advance profit over people. The conditionalities that come with debt restructuring such as austerity may impinge on the achievement of human rights that are enshrined in the African Charter on Human and Peoples Rights. These goals bring out the intersection of public debt and human development and align with the United Nations on debt restructuring that respects human rights.

Goal 2: Consolidation of African voices through coordinated and collective action on debt issues.

For a long time, Africa has been speaking with discord and approaches to debt have been fragmented. Efforts from the UN Tax Convention have demonstrated that if the continent can unite its voices and speak with one voice, it can be heard. The continent's unity and solidarity and the ability to forge alliances with Global South countries and civil society organisations and maintain a united front at the negotiating table were central in the development of the Framework Convention. Additionally, civic society engagement are playing a pivotal role in advocating for a more equitable and just global tax system. A multi-stakeholder approach to dismantle a silo-centric approach has proved to be effective. The involvement of trade unions, for instance, has amplified the voice in calling for international tax cooperation to address harmful and unethical tax practices such as tax evasion that will consequently lead to wage evasion. Such an approach can also be adapted to debt restructuring. The continent should agree and speak with one voice and be taken seriously. To effectively consolidate African voices, the campaign should also focus on raising awareness and citizen mobilisation.

Goal 3: Call for a multilateral framework for debt crisis resolution under the auspice of the UN

The current frameworks are not doing enough to address the debt management crisis. This is attributed to a plethora of challenges such as power asymmetries, limited participation of African countries and turning a blind eye to systemic issues. There is need to set up a UN framework convention on sovereign debt to address the prevention and resolution of unsustainable and illegitimate debts. The UN is an intergovernmental platform that allows member states to participate on equal footing. This is important to ensure that the interests of developing countries are protected.

Goal 4: Call for a shift in debt narrative

The debt restructuring campaign should challenge the current narrative that has its roots in neo-liberalism. Neoliberalism has not worked for the African people and it is imperative to craft alternatives to this development model. Politically, the African Union should spearhead the narrative shift and ensure that it is also pan-African in nature. Further, the social contract between governments and the citizens should be renewed.

4.8.3 Campaign strategy

Strategy 1: Research and ideation

Research provides the necessary information for planning, message development, policy alternatives, and lobbying. Depending on the methodology used, research can also strengthen alliances, build constituencies, and help develop citizenship skills. Research and ideation are important in ensuring that Africa challenges false narratives and creates a narrative that works for its people. Such narratives should challenge the then-liberal agenda and provide alternatives. Collaborations with academia and the media are important to ensure issues are framed and disseminated in a form that is understandable by the common man.

Strategy 2: Mobilisation through social movements, consortiums, and national, and regional civic society organisations working on debt and related issues.

For the campaign to be successful, civic mobilisation is a key pillar. Citizens can be mobilized through awareness campaigns and engagements that target policymakers, creditors, academia etc. Civic mobilisation also ensures that citizens fully participate in policy processes where debt management decisions are made. For the campaign to be long-term in nature, it requires to have strong links with constituency groups. Movement building and mobilisation provide for this. Through social movements such as SAPSN, ZIMCODD can expand its reach in terms of mobilisation. Being also a member of the Stop The Bleeding Campaign, mobilisation efforts can be enhanced.

Strategy 3: Policy Advocacy

As seen in the preamble, debt management policies are characterized by lacunas that may lead countries into debt distress. The identification of these gaps is important as it forms the basis for policy advocacy. To ensure the advocacy is effective, mapping processes to engage in and the identification of champions is important. There is a need for clarity in terms of the key asks to specific targets. For instance, there should be clarity on the specific provisions that should be included in the legislation.

Strategy 4: Communication and Media engagements

After the development of campaign messages, it is important to share them with partners and emphasize the importance of a unified, limited set of messages. Delivering one strong message many times is more effective than sending a multitude of messages[56]. Knowing the audience and addressing the specific needs of the audience is also important given that the materials and messages that work for one group will not necessarily work for another. Further, the channels for communication should also be determined.

[56] https://www.grsproadsafety.org/wp-content/uploads/2023/05/Elements-of-a-Policy-Advocacy-Campaign_Full-Version.pdf

4.8.4 Strategic Partnerships

Identifying, establishing and sustaining strategic partnerships is critical in the campaign on debt restructuring. To amplify the campaign, partnerships with social movements and consortiums such as the Sto The Bleeding Campaign are important. These consortiums are already working on debt issues and have the potential to amplify the SADC campaign on debt restructuring and also shape the thinking and ideation of the campaign. Social movements are also strategic partners given their ability to mobilise and package information in a manner that is understandable to a common man. Partnership with academia is important to ensure the generation of knowledge that is pro-African and challenge development models that not working in the favour of African countries. The media also plays a role in popularising the campaign and giving a proper framing to issues.

4.8.5 Measuring Impact

To ascertain the success of the campaign, the following indicators can be tracked: (i) Tracking hashtags, and slogans (ii) Website traffic. In terms of outcomes or milestones the following can be traced (i) progress on debt restructuring conversations for instance negotiation time (ii) Consideration of Human rights in the conversations (iii) extent to which CSOs and governments are speaking with one voice (iv) participation and number of messages targeting creditors and the responses from creditors (v) knowledge material produce etc

4.8.6 Campaign Principles and key considerations

1. Reforming the global financial architecture

A new global financial ecosystem that adopts a comprehensive debt sustainability framework and credit-rating assessment, that brings together all creditors, both official and private in sovereign debt restructuring is needed. In essence, the new framework should be designed to promote responsible borrowing and lending practices, prevent over-indebtedness, and ensure that debt is managed sustainably.

2. Effective role of the private sector.

The role of the international community, including international financial institutions, should be to support speedy and coordinated external debt restructuring, provide appropriate technical assistance, and facilitate the participation of private sector creditors through timely information-sharing concerning the capacity of countries to service their debts under proposed restructuring agreements.

3. Collective action clauses in loan contracts

Eurobond issuances in Africa have introduced additional complexity into sovereign external debt restructuring by increasing the range of creditors whose preferences and goals have to be addressed. Negotiations can be delayed due to holdout creditors seeking to achieve better terms from the country (Pitchford and Wright, 2012). Although collective action clauses were proposed by the IMF and introduced in August 2014, aiming to facilitate debt restructuring negotiations between governments and their private creditors, such clauses have not been included in all contractual agreements between African countries and bondholders (IMF, 2020). It was therefore important to include collective action clauses in all loan contracts to ensure a balance between all the creditors. More, so African countries should develop a model loan contract that has a collective action clause.

4.8.6 Campaign Principles and key considerations continued...

4. *Enhanced transparency and accountability*

Given the complexity of creditor composition and the legal structures used in loan agreements, governments must ensure transparency in debt management, including for loans obtained from non-Paris Club members or through State-owned enterprises, especially concerning the types of claims present on sovereign balance sheets. Transparency facilitates an in-depth and accurate assessment of government debt and a government's potential ability to pay its creditors according to a debt restructuring agreement and increases the likelihood that international financial institutions will provide needed technical assistance (Rivetti, 2021; IMF, 2022d). Countries should therefore ensure transparency and share data, particularly when it concerns debt contracted through multiple channels. Exploring avenues for deeper contractual reform through the provision of technical and capacity-building support to African countries is

likely to improve the architecture for the resolution of debt on the continent in the medium-to-long term.

5. *Improved coordination of creditors*

There is an urgent need for a clearer and more coherent debt restructuring path for currently distressed African countries. As the Zambian case shows, there is certainly a coordination problem within the G20 Common Framework, as the botched bondholder deal could easily have been first signed off by the bilateral creditors, mainly China in this case, or should have been jointly negotiated with the official creditors in the room at the outset. However, much more than an even information-sharing approach will be required to ease the coordination bottlenecks. An integrated negotiation process that involves all the creditors appears to be the only viable approach to reduce the needlessly long lead times of debt restructurings.

6. *Transparent lending and borrowing*

Sound public debt management is fraught with data reliability and accuracy both from the point of view of borrowers and lenders. The key terms of loan contracts should be properly scrutinised and promptly made public. Governments should publish contract terms for those elements when loan contracts are bundled with contracts for extractive rights or trading. Parastatals should disclose payment flows for sovereign loans. Given their complex nature and importance, publicly guaranteed loans should be brought on budget, vetted by countries' finance ministries, and subject to parliamentary scrutiny (where applicable).

4.8.6 Campaign Principles and key considerations continued...

7. Clear interpretation of comparability of treatment

In China's interpretation, the comparability of treatment means all creditors should suffer at least the same losses, with the pace and sequence of repayments equally evened out. To China's credit, a state-dependent debt treatment, that allows for dynamic adjustments based on repayment capacity and thus addresses the hitherto recurring moral hazard of African sovereign borrowings in view of eventual debt relief, is already one of the achievements of the Common Framework. Beijing is not averse to bailing out ailing debtors. Chinese banks provided debt relief worth US$240bn in 2020-21, which is about a quarter of the almost $1 trillion lending under its Belt and Road Initiative (BRI) since 2013. Like every creditor, it prefers to get much of its loans repaid. And rightly so. But as China has become a major global geopolitical player, it is increasingly realising it cannot always get what it wants. For instance, China succumbed to international pressure to agree to the official creditor deal with Zambia in October 2023, after it was called out for delaying what was becoming an overly protracted 3-year debt restructuring negotiation. Still, indebted African countries have been trapped in an ongoing tussle between the United States and China for influence over developing countries, especially as China has become the *de facto* leader of the so-called Global South. China's underrepresentation at the IMF and World Bank, despite the country being the second-largest economy in the world, is another sore point. However, as many of the IMF and World Bank partner countries are increasingly indebted to Chinese financial institutions, Beijing will have a greater say, as has already become apparent in the ongoing G20 Common Framework debt restructuring talks.

4.9 Current Opportunities for advocacy

1. The upcoming UN - Fourth International Conference on Financing for Development (FfD4)

The upcoming UN - Fourth International Conference on Financing for Development (FfD4), to be held in Sevilla, Spain, from 30 June to 3 July 2025, provides an opportunity for the international community to address global development finance challenges. It is time for the international community to assess progress and obstacles in implementing the outcomes of the last FfD conference, in Addis Ababa, Ethiopia in 2015, as well as agreeing on measures and initiatives to overcome obstacles and address new challenges in the face of global crises. Sovereign debt is very central and substantial in the First Draft Outcome Document. Paragraphs 40 – 44 (II. E. Debt and debt sustainability) contain proposals on debt and paragraphs 45 – 51 (II. F.), International financial architecture and systemic issues) contain proposals on how to reform international financial architecture. These debt proposals are inadequate to address the sovereign debt crisis in the global south. The proposals are not ambitious enough, non-legally binding and some have been tried in the past and they have failed to address the sovereign debt crisis. Strengthening the final FfD4 outcome document should go beyond the important debt reform calls and support the implementation of the commitment. Reforming the international financial architecture should be an integral part of the 2030 Agenda for Sustainable Development. The Final Outcome Document to be adopted at FFD4 is key because it sets out multilateral agreements that will become the main global policy frameworks for development finance between now and the next conference. It must therefore be a much more operational outcome document, which provides clear guidance to the various actors to create increasing pressure for action. It must have clear mandates, deliverables, targets and deadlines for all commitments. African and African citizens must make the most out of FFD4 to ensure the installation of a framework and international financial architecture that will guarantee the continent long-term and sustainable financing and be free from perpetual indebtedness.

2. IMF/WB Spring meetings

The World Bank and the IMF are not advocates for debt cancellation. Rather they insist on targeted debt relief, market access etc. More so, their loans are not eligible for restructuring as in the case of Malawi where two-thirds of the loans were not subject to restructuring. Their annual meetings provide an opportunity to push for reforms of these institutions given that their proposed solutions do not work in the favour of most indebted countries. Advocacy should also be around criticism of selected or targeted debt relief. The IMF and WB loans should also be subject to restructuring to ensure countries effectively have fiscal space. The case of Malawi is a clear demonstration that targeted debt restructuring does not work.

4.9 Current Opportunities for advocacy continued ...

3. Debt Relief (Developing Countries) Bill

This Bill seeks to make provision for or in connection with the relief of debts of certain developing countries. It aims to facilitate faster and more effective debt restructuring for developing countries ensuring that that private creditors, whose claims are often governed by English law, actively participate in debt restructuring negotiations and are prevented from suing for more than their agreed share. The Bill also aims to protect countries from the potential negative impacts of creditors withholding cooperation. Advocacy on the Bill is important is paramount given that 90% of debt contracts are governed by UK law and courts. Once it becomes law, debt restructuring and relief will be much easier. Currently, the Bill is in the Second Reading Stage before it goes to the Committee in the House of Commons. In terms of advocacy, civic society organisations should exert pressure on their national governments to initiate diplomatic engagements with the UK government to ensure that the Bill is passed into law. Pressure on Embassies and High Commissions is also critical in ramping up efforts to garner political will. Strategic partnerships with UK-based organisations such as Debt Justice UK and Christian Aid are also important in consolidating voices and increasing pressure.

4. AU Summits

Annually the AU hold summits to discuss various issues faced by the continent. These Summits provide spaces through which citizens can engage in debt matters. The AU recognizes the need to build a partnership between governments and CSOs. One of the key principles of the AU as enunciated in the Constructive Act is the participation of African peoples in the activities of the AU. These provisions constitute the foundations for the role of CSOs in the decision-making processes of the AU. Through the Economic Trade, Tourism, Industry and Mining Department and the Specialised Technical Committees Civic society organisations can form opinions, produce ideas, advocate and inform and shape policy debate and discourse geared to influencing AU decision-making.

5. South Africa's G20 Presidency

South Africa's G20 presidency, the first ever African presidency of the G20, has adopted the theme "Solidarity, Equality, Sustainability." The priorities focus on strengthening disaster resilience, ensuring debt sustainability, mobilizing finance for a just energy transition, and harnessing critical minerals for inclusive growth. South Africa's leadership matters on debt issues given that President Ramaphosa proposed the establishment of a Cost of Capital Commission which will bring together experts from across the public and private sectors to address the root causes of high borrowing costs for developing countries. Engagements with the South African governments on debt restructuring are therefore critical. Additionally, G20 Sherpa is also strategic given that they are the representatives of the G20 and they play a pivotal role in shaping the agenda of the G20 Summit.

4.9 Current Opportunities for advocacy continued …

6. SADC Summit

Through SAPSN, the SADC Summit can utilised to position debt restructuring as a regional issue. Advocacy should be around framing debt restructuring as a shared challenge that threatens the region. In any advocacy, political support and will are key ingredients. Given its political nature, the Summit provides an opportunity to secure political will, firm commitments and the urge to adopt common positions in global debt negotiations. SAPSN could also lobby delegates by submitting recommendations that can be captured in the final communique. Such recommendations include but are not limited to fair and transparent debt restructuring, a regional debt management strategy, and a call for debt audits and debt cancellation.

7. Regional Conference

Several regional Pan-African organisations host continental conferences on debt management and related issues. These conferences draw participants from across the African continent and beyond. This can be an opportunity to garner civic support and build a movement on debt restructuring. There is power in numbers.

Undeniably the unsustainable growing debt levels lead to debt distress which warrants debt restructuring. Despite the implementation of debt restructuring processes such as the HIPC, beneficiary or treatment countries have found themselves trapped in debt distress. This however raises questions on the effectiveness of debt restructuring efforts in addressing the structural and systemic causes of public debt especially in developing countries such as Zimbabwe, Malawi, Mozambique and Zambia. . The vast of debt treatments given to African countries have not dealt with the structural challenges that make unsustainable debt permissible. Commodity price volatility, trade imbalances, and unfair tax practices that contribute to high indebtedness in Africa should be resolved amicably.

To buttress this, countries that benefited from debt treatment initiatives such as HIPC and MDRI have found themselves in debt distress despite debt forgiveness and restructuring. The solutions championed by IFIs result in austerity that will have detrimental effects on the lives of the nary citizens. It is therefore important to ensure that there is new thinking towards dealing with debt unsustainability. Based on the experiences of selected countries, this compendium recommends that:

1. There is a need for new thinking on reforming the global debt architecture so that it also works in the favour of poor African countries saddled with huge debt overhangs. Such reform should transform the way IFI operate. Secondly,
2. there is a need to relook at the debt sustainability indicators as they may not present a true picture given that they do not account for all types of debts or the impact of exchange rates and that they heavily rely on quantitative metrics.
3. Transparency in debt management is a prerequisite. Countries need to be more transparent about their debt and borrowing practices, including debt contracts, terms, and conditions. This will help to prevent irresponsible lending and borrowing and promote responsible debt management.
4. Strong institutions at the national, regional, and international levels are essential for effective debt management. At the national level, countries need to strengthen their debt management offices and regulatory frameworks to ensure that borrowing is done responsibly and that debt is managed effectively[57].
5. At the regional and international levels, institutions such as the African Development Bank and the International Monetary Fund need to work together to provide technical assistance and support to countries in managing their debt, including building institutional capacity for debt management and providing training and capacity building for debt management officials.

[57] https://www.afrodad.org/index.php/en/resources/african-borrowing-charter-5

6. As a key principle for good governance, the public has a right to know about the borrowing and debt management practices of their governments. Governments need to involve the public in the decision-making process on borrowing and debt management and ensure that citizens are aware of the risks and benefits of borrowing

7. Development of more inclusive platforms to account for the evolution of the creditor landscape and to facilitate consensus building on debt treatments.

8. Adjustment in rating agencies' policies to accommodate circumstantial ratings to reflect efforts made by respective countries and establishment of regional rating agencies which may benchmark peculiarities common among respective regions.

9. The African Development Bank has made that case to the Heads of State to have an African Financial Stability Mechanism that would provide a buffer for African countries when they have shocks (AfDB 2024). Global couth countries in debt need such a safety net "financial stability mechanism". This mechanism is found in other regions such as Europe, Asia, and Arab countries. The AfAfricanegion does not have it. Indebted countries resort to debt payments refinancing has proved to be unsustainable. According to the AfDB, legal instruments for the establishment of the African Monetary Fund were adopted in 2014 but it hasn't reached the requisite number of ratifications for it to be enforced[58]. Once enforced, the fund will establish the African Financial Stability Mechanism.

[58]https://au.int/en/pressreleases/20231213/africa-seeks-accelerate-establishment-african-union-financial-institutions

ABOUT ZIMCODD

ZIMCODD's growth in the past 25 years has been both phenomenal and fulfilling. The organization has touched lives across the country and region. ZIMCODD operates in 57 out of 63 national administrative districts in Zimbabwe. Our influencing work is growing stronger, using our access to public policy institutions and key decision-makers and access to justice through the courts system, to advance the constitutional rights and interests of communities, through the agency of our members.

ZIMCODD works around two strategic change goals: Fiscal and Trade Justice.

Fiscal Justice encapsulates 5 Strategic Change Objectives (SCOs) covering:

- Domestic Resource Mobilisation
- Fiscal Accountability
- Illicit Finance
- Climate Financing
- Transparency in mega infrastructure financing

Trade Justice, our second strategic change goal pillar, seeks to harness community voices against trade injustices. This pillar is anchored on the following SCOs:

- Right to Sustainable Livelihoods for Small-Scale Farmers
- Advocate for a Just Trade Policy Agenda
- Transparency in the Extractive Industry sector

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